annual report 2000

PartnerRe

Financial Highlights

(Expressed in millions of U.S. dollars, except per share data)

For the year ended December 31, 1996	1997	1998	1999	2000	
$ 206.0	$ 427.8	$ 687.0	$ 1,326.4	$ 1,380.3	Net premiums written
303.7	615.7	879.6	1,630.4	1,525.6	Total revenues
249.7	271.1	266.3	94.8	142.3	Net income
					Earnings per common share:
$ 4.49	$ 4.48	$ 4.05	$ 1.73	$ 3.79	Diluted operating earnings per share
4.58	4.69	4.34	1.40	2.41	Diluted net income per share
18.7%	17.9%	13.3%	4.9%	12.1%	Return on beginning common shareholders' equity
					Non-life ratios
10.9%	39.0%	56.9%	77.1%	70.2%	Loss ratio
14.4%	24.4%	28.6%	32.7%	32.3%	Expense ratio
25.3%	63.4%	85.5%	109.8%	102.5%	Combined ratio

For the year ended December 31, 1996	1997	1998	1999	2000	
$ 1,505.9	$ 3,591.8	$ 7,554.0	$ 7,560.0	$ 6,091.3	Total assets
1,400.9	1,978.3	2,113.4	1,840.7	2,086.0	Total shareholders' equity
26.33	29.57	33.53	31.82	35.54	Book value per common share
1,624.3	2,496.9	2,415.7	1,598.0	3,056.9	Market capitalization

PartnerRe Share Price in $

Trend Line

annual report 2000

PartnerRe
is guided by the following principles:

PartnerRe provides consistent and substantial capacity for reinsurance coverages to its clients.

PartnerRe develops stable long-term relationships with selected quality insurance companies in markets throughout the world.

PartnerRe accepts business directly from its clients or through well-established reinsurance intermediaries.

PartnerRe employs a disciplined, analytical underwriting process based on a systematic study of fundamental concepts and careful control of the commitments arising from such risks.

PartnerRe applies consistent pricing over time commensurate with the actual risks assumed.

PartnerRe maintains a high quality investment portfolio in order to preserve its capital base.

PartnerRe seeks to maximize investment returns while maintaining appropriate liquidity and diversification to ensure it is a reliable financial partner.

PartnerRe is committed to providing the highest professional service to clients and intermediaries.

PartnerRe is committed to developing and maintaining professional, experienced staff of the highest caliber.

PartnerRe is subject to the highest ethical standards in all its activities.

Through consistent adherence to these principles, PartnerRe aims to be a most reliable partner to its clients in providing reinsurance coverages.

Contents

To Our Shareholders:

PartnerRe embarked on the new millennium as the reinsurance industry faced its most challenging environment in almost a decade, and after the most difficult year the Company had seen since its formation. Despite this, the steps the Company took to managing capital, preserving financial security and building client relationships provided a solid foundation for the Company to address successfully the events to come.

The year 2000 marked another important point in the Company's evolution. In the last 12 months, PartnerRe digested the difficult events of 1999, maximized improving market conditions and continued to mature as a leading global reinsurance organization. Amidst those accomplishments, the Company achieved a successful management transition as Herbert Haag, founding President and CEO of PartnerRe, was succeeded by Patrick Thiele.

As PartnerRe enters a new era of leadership, Herbert has reason to be proud of the organization that he has built. In just seven years, he transformed a young catastrophe specialist company into a world-class, multi-line reinsurer. PartnerRe's success is a fitting legacy to his stewardship.

PartnerRe is now poised to embrace all possibilities–both promising and challenging–that the reinsurance market may present in the years to come. The Board of Directors joins me in thanking Herbert and the management for creating a company of both great accomplishment and even greater potential.

Herbert N. Haag
Former President
& Chief Executive Officer

Patrick Thiele
President
& Chief Executive Officer

Fortunately, the Company has been successful in attracting an excellent executive, and the Board of Directors are pleased to welcome Patrick Thiele as President and CEO. It is our belief that Patrick's leadership will allow PartnerRe to build successfully on the platform that has been created. In addition to his extensive industry experience, Patrick brings an exceptional track record of optimizing performance and delivering growth.

Importantly, Patrick is committed to the basic strategy and core principles upon which PartnerRe is based. The Company will continue to focus on the most important aspect of its mandate: to return consistent value to our shareholders by providing substantial reinsurance capacity to our clients.

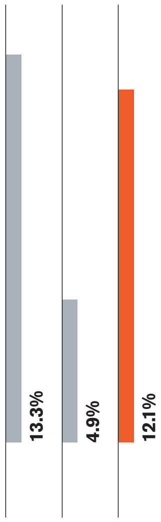
During the year, two directors, Bruno Porro and John Head, retired from the Board of Directors. The Board is grateful to them for their contributions to the success of the Company.

In closing, the Board would like to thank you for your continued support. As the owners of this Company, you can expect that we will continue to work diligently to create value for you, as we fulfill our aim to be a long-term, substantial and successful global reinsurer.

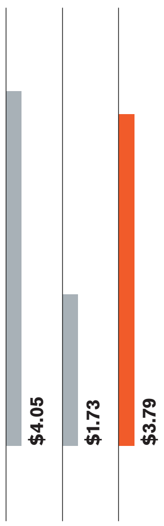
David T. McLaughlin
Chairman of the Board

Patrick Thiele
President & Chief Executive Officer

1998 1999 2000



Return on Beginning Common Shareholders' Equity



Operating Earnings per Common Share

To Our Shareholders:

This is a special CEO letter to PartnerRe shareholders, as it is the first one that has not been written by Herbert Haag. Since PartnerRe's formation seven years ago, Herbert has used this forum to inform you of the Company's progress, the reinsurance market's developments and what the future may hold for our industry. I take on the responsibility of writing this report with a great deal of respect for the standard Herbert has set.

Review of 2000

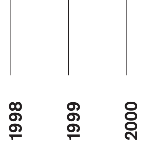
The millennium year was a year of recovery and consolidation for PartnerRe. For the industry, it was a year of significant change, as the reinsurance market confronted the results of a long period of price erosion.

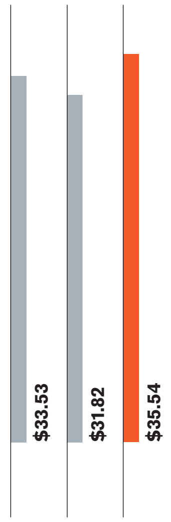
For the first time in five years, we saw pricing in most of our business lines and geographic regions move from a position of steady decline, to arrested decline, and ultimately to showing signs of improvement. In the U.S., improving prices in commercial lines insurance supported this trend. Primary insurance markets elsewhere remained, by and large, stable. However, just the fact that prices did not decline is important.

Why the change in trend? With abundant reinsurance capital available to be employed, "disciplined underwriting" alone is not a convincing reason. There also must be a change in the economics of the business. We believe that during 2000 the cumulative loss trends of the last five years, combined with declining expected investment returns, moved the industry to a position where it was burning capital on most dollars of premium it wrote. Profitability, in many cases, was harvested from the past or borrowed from the future. Furthermore, cash flow numbers, which are the most uncompromising measure of current profitability, were very poor, leaving no other choice but to improve pricing.

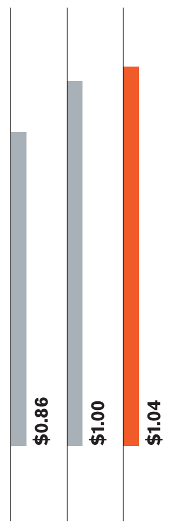
PartnerRe can be proud of its performance in this difficult transition year. Led by Herbert, the Company rebounded from a sub-par 1999, marked by heavy catastrophe losses, and recovered towards a more adequate level of profitability, with an increase in return on beginning common shareholders' equity to 12%. Our operating earnings per common share rose to $3.79 and our book value reached a record $35.54 at year end, a 10% increase. While our 2000 results were aided by lower catastrophe losses, we did see the beginnings of improvement in a number of lines. Finally, we paid a dividend of $1.04, up from $1.00 in 1999, representing the sixth consecutive year of dividend increases.

Your PRE share had a very volatile year. It fell to $28.75 early in the year as "old economy" stocks were sold indiscriminately, and it closed the year at





Book Value per Common Share



Dividends per Common Share

$61.00, when some investors sought non-technology companies whose prospects were not tied to the state of the economy. Both prices represent the extremes of PRE's historical valuation ranges, with the upper limit reflecting more closely our view of the future prospects of the enterprise. Since our IPO, we have returned a compound annual return of 16.3%, not including share repurchases.

Behind this financial improvement and stock volatility, a number of important actions were undertaken during the year:

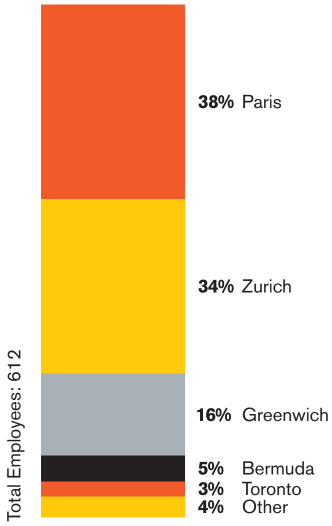
- We continued to integrate our three operations into a seamless whole. 2000 was the first year in which the organization employed integrated procedures and systems as one group, and we saw improvement in our execution as the year progressed;
- We sold our U.S. life reinsurance unit, where we did not have the mass to compete. Our European life unit, which we believe has solid growth potential, was retained and strengthened;
- We began the redesign and installation of new reinsurance underwriting and financial systems; and
- A new CEO took over leadership.

In sum we had a good year; it was much improved over 1999, but we did not perform up to our long-term potential.

Outlook

We are looking forward with enthusiasm to 2001. We are encouraged by the improving trends at the primary insurance level and by the reinsurance pricing environment we experienced at the important January 1 renewals. If 2000 was a year of stabilization for reinsurance prices, it looks like 2001 will be a year of recovery. How strong and how long this trend will continue is difficult to predict, as prices need to recover substantially more to get back to where they should be. Within this environment we are optimistic that PartnerRe can operate at an acceptable profit level. An important pillar in supporting this directive is our commitment to producing a satisfactory return on our capital, which today, we believe, is at least 13% on beginning common equity, barring a large catastrophe. Our expectation is that we will achieve that goal in 2001.

So how will a multi-line, multi-geography organization maximize the benefits of an improving industry? In the short term, we expect to lead more treaties and enhance our participations. These actions will be supported by our strong stature in the market, our broad geographic spread, and the fact that our book of business has a heavy bias towards property, where pricing increases will be concentrated in 2001. In the medium term, we will move towards particular products and markets that show potential and will invest in improving our capabilities to meet future client needs in casualty, finite risk and related business lines.



Distribution of Employees

To maintain our leadership position, we will:

- Leverage our excellent technical skills in underwriting, pricing and marketing;
- Continue to improve our financial and investment skill sets;
- Attract talented professionals who will enhance and diversify our industry expertise;
- Invest in new businesses in and around our core reinsurance business, expanding the products we can market to our insurance company clients; and
- Maintain a focused organizational structure so that our people have the knowledge, tools, and time to meet the distinctive needs of their targeted clients.

All of these initiatives are driven by the reality that PartnerRe is an economic institution; we exist to make an adequate return on your investment. Without that, we cannot fulfill our ultimate reason for being: to provide consistent capacity to our clients.

Thank You

I would like to acknowledge all that Herbert Haag has done for our Company as its founding President and CEO. He established a productive, profitable catastrophe reinsurer, and then guided it through two mergers to achieve its standing as a high quality, global, multi-line reinsurer. He has accomplished it all in a short time, while maintaining his personal flair and charm. The Company and the industry will miss his intellect and charisma.

Also during 2000, the President of our Paris subsidiary retired after a 30-year career in reinsurance. Hervé Cachin was the President of SAFR at the time of our acquisition of the Company in 1997 and has been a key driver of its successful integration into PartnerRe.

As PartnerRe continues to evolve as a leading organization in its industry, we rely on the commitment of our high quality employees. PartnerRe's strength depends on their diligence, and I would like to thank all of our employees for their ongoing dedication to our Company.

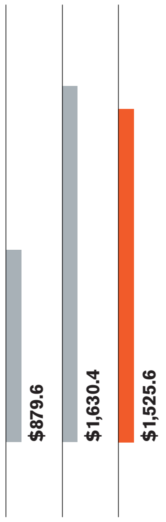
In closing, I would like to thank our shareholders, clients and producers for your continued support of PartnerRe. I am both excited and challenged by the opportunity to lead this Company and I hope my contribution will help it reach its fullest potential.

Patrick A. Thiele
President & Chief Executive Officer

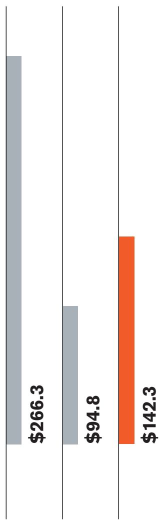
Executive Management
from left

Albert Benchimol
Scott D. Moore
Bruno Meyenhofer
Graham J. Dimmock

1998 1999 2000



Total Revenues
(millions)



Net Income
(millions)

2000 proved to be a year of change for the insurance and reinsurance industry. The reinsurance pricing environment began to show substantial signs of improvement by the second half of the year and PartnerRe took steps to maximize the opportunities presented by the early stages of a market turn. Against this background of positive change, and perhaps fueling it, the severe losses of 1999 – the most costly year in history – continued to affect industry results. In this environment, PartnerRe produced solid net income of $142.3 million.

Review of 2000 Results

PartnerRe's net premiums written in 2000 reached $1,380.3 million, compared to $1,326.4 million in 1999, an increase of 4%. Growth in business production during the year was offset by the impact of the sale of PartnerRe Life U.S. and the effect of currencies. Total revenues for the year amounted to $1,525.6 million, comprising $1,314.3 million of net premiums earned, $273.6 million of income from investment operations, and realized losses from the sale of investments of $62.7 million. In 1999 total revenues were $1,630.4 million.

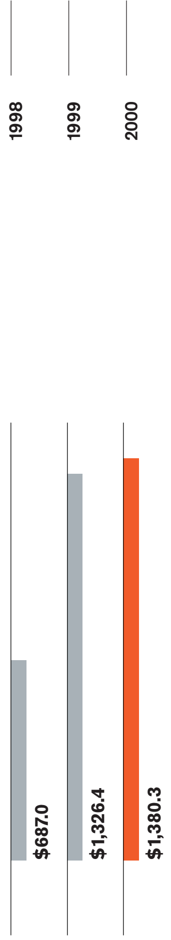
Reinsurance losses and loss expenses incurred in 2000, including life policy benefits, amounted to $975.7 million. Property & Casualty (P&C) losses were much lower in 2000 than 1999, due to a sharp decrease in catastrophe activity. Nevertheless, non-catastrophe lines of business experienced higher losses during the year. PartnerRe incurred non-life losses of $801.8 million, or 70.2% of premiums earned, compared to a loss ratio of 77.1% in 1999. Life benefits were $173.9 million, compared to $273.3 million in 1999. The year over year decrease is mainly due to the sale of PartnerRe Life U.S. in July 2000.

Our expense ratio was 32.3%, which includes acquisition costs, other operating expenses and foreign exchange gains and losses. The resulting 2000 combined ratio for PartnerRe's P&C business, the ratio customarily used to determine underwriting performance, was 102.5%, a 7% improvement over the 1999 combined ratio of 109.8%. Our operating income of $192.1 million represents a return on beginning common equity of 12% for the year.

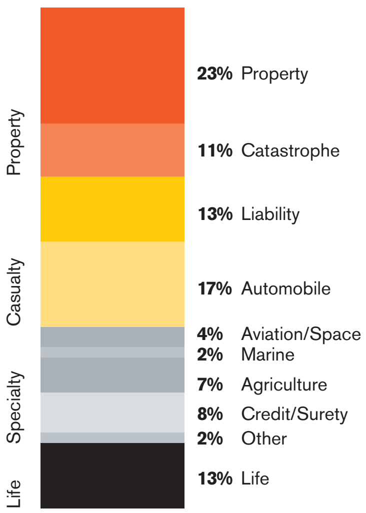
At December 31, 2000, our total assets were $6.1 billion and shareholders' equity was $2.1 billion. The strong balance sheet of PartnerRe continues to be a prime competitive advantage in today's reinsurance market, which is highly sensitive to financial security, and provides great comfort to our clients around the globe.

Geographic Distribution

For the year ended December 31, 2000



Net Premiums Written
(millions)



Business Composition Business Lines
(based on net premiums written)

Reinsurance Operations

In order to provide a context for our results, the following report is an overview of the specific lines of business in which PartnerRe participates, and the actions we have taken within our various market segments.

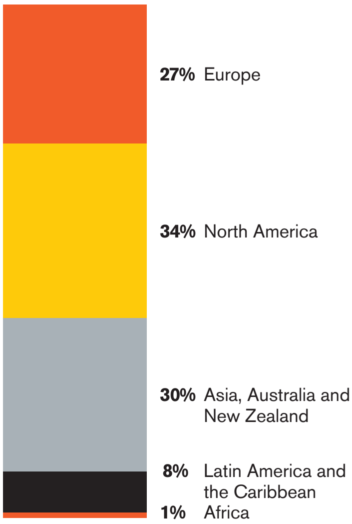
Property

PartnerRe's net premiums written for the property segment, including catastrophe, in 2000 were $472.9 million, compared to $436.0 million in 1999. Property represents 34% of the Company's total net premiums written during the year.

Property In the early part of 2000, the primary property markets did not evidence meaningful signs of improvement. As the year progressed, however, we witnessed sustained improvements in many parts of the world. Although the upturn is not yet universal, it has been notable in the U.S. and Northern Europe. In the U.S., some of the most significant rate increases on the primary side occurred in the commercial property segment. In Europe, primary results worsened over the previous year, when a doubling of the cost of fire losses in Austria, a high frequency of large industrial losses in Spain and severe weather losses in Italy added to already very difficult conditions. In Germany, competition continued to produce poor results in the industrial risks sector.

Reinsurers also reacted to unsatisfactory property results in 2000, creating a shortage of capacity for some poorly performing proportional covers. This has reinforced the trend towards non-proportional placements, where the reinsurer sets its own rate for risks assumed and where improved pricing and conditions have been observed. In the U.S., commercial property on both an excess of loss per risk and pro rata basis saw significantly improved terms, while in Canada, the reinsurance sector evidenced some firming, although under-priced multi-year policies flowed through into 2000.

For PartnerRe, the changing market environment presented opportunities to expand existing relationships and establish new ones, providing an increase in net premiums in our property business (ex-catastrophe) of 9%, which will flow through into our 2001 performance.



Aggregate Catastrophe Exposures

Catastrophe Pricing in the catastrophe line of business led the improvements in reinsurance pricing in 2000. Although the European storms occurred too late in 1999 to impact the January 1, 2000 renewal period, as their full impact became clear a strong increase in demand arose from western and northern Europe for additional catastrophe coverage. Consequently, rates rose significantly throughout the year, particularly in France and Denmark, the countries that were most affected during 1999.

In Japan, April 2000 reinsurance renewals were dominated by requests for increased earthquake capacity following the successful introduction of new primary covers. Importantly, the market is becoming more transparent, given the need to carefully monitor the mix of coverages now found in earthquake portfolios.

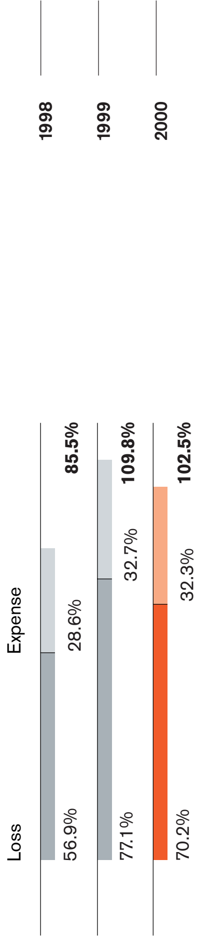
In terms of economic results in the catastrophe sector, loss activity was substantially lower in 2000 than 1999. However, a high frequency of extreme meteorological events continues to give cause for concern over changing weather patterns.

PartnerRe was able to use its established expertise and capacity to capitalize on the market's upturn and to develop significantly its leadership position in this line of business in preparation for the 2001 renewals. In addition, we continued to seek ways to provide added value for our clients through our modeling services (see *Issues and Events* section, starting on page 25) and by participating in market solutions such as the new compulsory homeowners' earthquake scheme in Turkey.

Casualty

PartnerRe's net premiums written for its casualty segment, which includes automobile and liability coverages, were $408.4 million in 2000, compared to $358.5 million in 1999. Casualty represents 30% of the total book.

Auto In European and Canadian primary automobile markets, improving conditions generally replaced the competitive conditions experienced in 1999. Rates in Europe rose, from a very low starting point, with average increases in the U.K. reaching 20%. However, a government-imposed freeze on the Italian motor tariff was still in place at year-end 2000, despite insurance association and European Union challenges. Asian primary auto markets remain very price competitive. In South Korea, primary market premium volume began to grow again, but only following poor results. In the U.S., commercial and non-standard auto prices increased during the year and continue to rise. The standard market remained very competitive, with no significant price relief.



Non-Life Combined Ratio

The reinsurance market generally returned to more rational pricing, assisted by a flight to quality on the part of many insurers concerned about the long-term security of their reinsurers. In the U.S., reinsurers almost uniformly demanded improved margins on quota share commercial and non-standard auto treaties in the second half of 2000, and particularly leading up to the January 1, 2001 renewals. The combination of increased primary prices (particularly for commercial auto, and to a lesser extent for non-standard auto) and improved reinsurance terms should result in some improvement in results for business written in 2000, with more significant improvements expected in 2001.

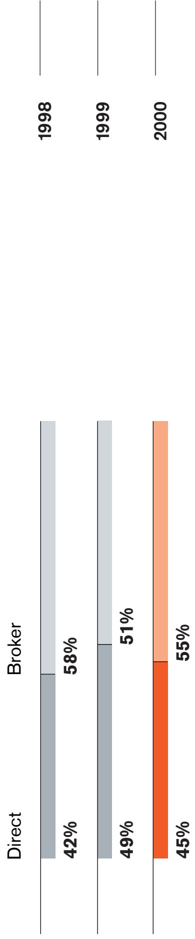
Liability At the end of 1999, primary liability markets were showing signs of stability and as 2000 came to a close we saw premium increases in many markets. Generally speaking, these primary trends were most pronounced in the U.S. markets.

General liability in the U.S., particularly commercial umbrella business, improved in the last half of the year; workers' compensation pricing, although improving, is not yet at an acceptable level. Excess & Surplus (E&S) carriers have reported substantial price increases, as well as an increase in new business submissions, as the standard markets become more expensive and selective. On the professional liability side, the large stock medical malpractice carriers have driven substantial price increases on their large account books, following several years of very poor results. Directors & Officers business saw a number of high severity losses during 2000 in the standard segment, following by about two years a similar rash of losses in the non-standard (distressed business, high-tech, IPO) segment. Elsewhere the professional liability lines appear relatively stable, and, in light of historical experience, we would expect to see evidence of improved pricing.

Most improvements in liability reinsurance pricing were insurer-driven, as capacity remained substantial and readily available. Insurers were therefore able to increase gross capacity while maintaining monetary retentions. In the U.S., professional liability, umbrella and E&S reinsurance treaties made measured improvements.

PartnerRe traditionally has not been a large writer of liability reinsurance and therefore has avoided many of the problems in this segment. During 2000, we focused on building our capabilities in the U.S. in anticipation of an improving environment in 2001. Outside that market, PartnerRe has concentrated on defending its current portfolio, maintaining discipline in a competitive environment, and focusing on ways we can add value to our client relationships. In France, we supported the market launch of a new family personal accident cover with actuarial studies, pricing models and reinsurance coverage.

Overview of Operations



Business Composition
(based on gross premiums written)

Specialty Lines

PartnerRe's specialty lines business generated net premiums written of $326.4 million in 2000, compared to $308.9 million in 1999. The specialty lines represent 23% of PartnerRe's business written in 2000. Our specialty agriculture, aviation and credit lines of business are discussed further in the *Issues and Events* section, starting on page 25.

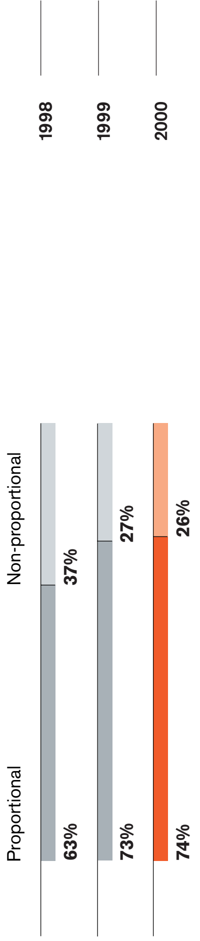
Agriculture The world agriculture market saw premium growth of approximately 8% during 2000, mainly arising from North America, where increased government subsidy has been an important factor. Latin America has also evidenced strong growth, but Europe, in the absence of anticipated agriculture insurance support schemes, has remained static.

PartnerRe, a global leader in agriculture reinsurance, has experienced growth of about 25% in 2000. The large U.S. market performed profitably and all signs indicate that terms were stable by the end of the year. PartnerRe's portfolio was affected by poor results in the Canadian and European crop sectors, which produced losses. Latin America, where we reinforced our leading position in agriculture, South Africa and Australia have been generally good during the year. Among product lines, livestock, aquaculture and forestry performed well.

Early in 2000, PartnerRe enhanced its agriculture services by establishing a global network of professionals to provide risk management consulting. With additional resources in the U.S., Latin America, Europe and New Zealand, PartnerRe now provides risk identification and evaluation, policy design, risk pricing and training services worldwide.

Aviation and Space In the general aviation primary market, rates remained stable, at acceptable levels in 2000. For larger commercial or hazardous risks, price increases of around 20% were achieved. In the airline sector, 2000 saw the long-awaited turn, with increases reaching at least 25% by year-end. Market premiums moved up to $1.15 billion, with passenger fatalities and major losses running in line with recent experience. In the space sector, market consolidation and tightening reinsurance capacity have led to a rate increase of as much as 25%. Pricing in the aviation and space reinsurance markets tracks very closely the experience in the primary markets.

For PartnerRe, general aviation constitutes the major part of our aviation portfolio and we anticipate a continued sound underwriting environment for 2001, with the prospect of reasonable profit margins. The major losses involving an Alaska Airlines Boeing MD-83 in January, an Air France Concorde in July and a Singapore Airlines Boeing 747 in October had a limited impact on our result due to our controlled exposure in the airline market.



Business Composition

(based on gross premiums written)

Credit and Surety In 2000, credit and surety markets remained broadly positive in most parts of the world, but the U.S. experience deteriorated after a long period of profitability, evidenced by increased frequency and severity of losses.

The credit sector is competitive, but results remain satisfactory as insurers and reinsurers develop more sophisticated risk management skills. The Japanese market continues to grow rapidly and new products are evolving globally, with significant opportunities envisaged from e-commerce activity.

Despite abundant capacity, the credit and surety sector is heavily driven by security considerations and PartnerRe's situation is enhanced by its strong ratings. We have an established position as one of a handful of global leaders in credit and surety and have further strengthened our hand during 2000.

Marine The anticipated hardening in marine primary rates finally came about in the second half of 2000 as the London market took corrective action. Nevertheless, Asia remains competitive, as excess capacity is still apparent.

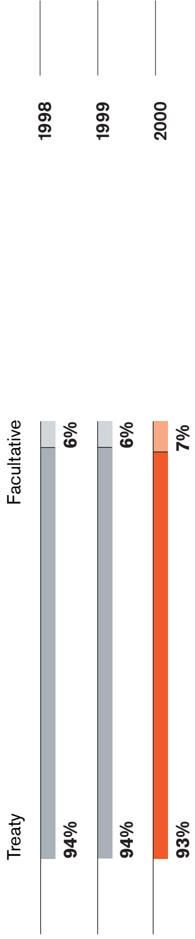
The marine reinsurance market is closely linked to the primary sector and thus the same upward trend was evidenced in both excess of loss and proportional lines. The offshore energy market similarly hardened, with strong increases in construction rates.

Despite these improvements in rates, PartnerRe still found pricing levels inadequate in many instances and we have further reduced our portfolio. We concentrate our resources on growing broad relationships with clients for whom partnership is important and we made good progress in this regard during 2000.

Life

PartnerRe's net premiums written for its life, annuity and health business in 2000 were $172.5 million, compared to $223.0 million in 1999. Life, annuity and health represent 13% of the Company's total premiums. The decrease in premiums year over year is primarily a result of the sale of PartnerRe Life U.S.

During 2000, we focused our resources on life business in Europe and certain developing markets, where life reinsurance is more attractive, due to larger margins and higher cession rates. We continued the strategy initiated in 1999, by focusing on services and innovative retail products that fit very well our geographical scope, and our products have achieved innovation awards for clients in two European countries. 2000 also saw the launch of PartnerRe's CD-Rom-based life underwriting manual.

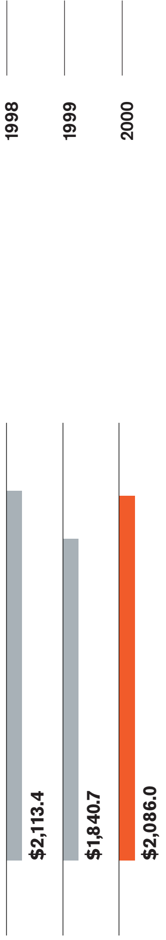


Business Composition
(based on gross premiums written)

Reinsurance Outlook

Although the January 1, 2001 renewals showed clear improvements in pricing, led by non-U.S. catastrophe business with increases of 30% to 40%, it is too early to tell whether 2001 will mark the inflection point for a prolonged improvement in the profit cycle for the industry. That depends both on catastrophe levels and the recognition of prior year losses. However, because profits generally follow premiums (with a lag), we expect that the reinsurance business is entering a period of improving profitability.

PartnerRe will use this improved outlook to build up our multi-line presence and broaden our product offering. We will continue to build our liability business, both in the U.S. and in Europe. Market conditions in this line of business, while not attractive in recent years, are improving, and with our enhanced capabilities we will be ready to take advantage of the upward trend. We will also build our capabilities in finance-oriented products. The alternative risk transfer products written by our New Solutions division will represent an important complement to our traditional book, providing opportunities for growth at attractive returns. Overall, we believe that the industry is at a turning point and we are well placed to take advantage of the changes now underway.



Total Shareholders' Equity
(millions)

Financial Operations

Our clients choose PartnerRe for a broad range of coverages, world-class service, dependable and substantial capacity, and an unquestioned ability to pay claims. Our shareholders look to us to optimally manage the capital they have entrusted to us, and to provide consistent and superior returns on their investment. Our success as a global reinsurer requires that we complement outstanding reinsurance operations with sound financial management. PartnerRe's financial operations focus on the analysis and control of financial risk, asset-liability management, maximizing return on assets and maintaining appropriate capital levels to support our reinsurance operations.

Profitable results and investment returns contributed to a 13.3% increase in PartnerRe's capital during the year, to $2,086 million from $1,841 million at year-end 1999. Total consolidated assets declined to $6.1 billion from $7.6 billion, due to the sale of PartnerRe's U.S. life operations on August 4, 2000. In this transaction, the Company transferred to the purchaser total assets of $1.8 billion. Net proceeds from the sale of $145 million were reinvested in the Company's investment portfolio.

Investment Operations

PartnerRe's investment portfolio stood at $3.9 billion on December 31, 2000 compared to $5.5 billion at year-end 1999. The sale of PartnerRe's U.S. life operations resulted in the disposition of $1.5 billion of invested assets. Excluding the divested U.S. life business, the Company's investment portfolio increased to $3,882.1 million from its prior year-end level of $3,842.6 million. Contributing to this change was the total return on the portfolio of 6% and reinvestment of the proceeds from the sale of the U.S. life business, offset by disbursements for claims, primarily related to the European winter storms, which occurred in late December 1999.

The company maintains a high quality, well balanced portfolio to optimize current income and achieve capital appreciation. On a tactical basis, the portfolio is split into liability funds, or assets supporting our reinsurance liabilities, and capital funds, which represent the investment of the Company's capital. Liability funds are invested in high quality fixed income securities, as the preservation of liquidity and protection of capital are the main objectives. This ensures our ability to meet our commitments, no matter the size of the claims or their timing. The capital funds of the Company are invested with a view to maximizing total return and include, in addition to investment grade fixed income securities, common stocks, preferred stocks, convertible securities and high yield debt. All of the Company's investments are subject to rigorous risk guidelines.

Investments

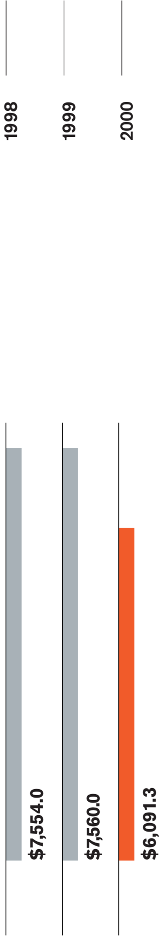
At December 31, 2000

Asset Class Total Invested Assets

	1998	1999	2000
Investment Grade Fixed Income	79%	85%	73%
High Yield and Convertible Bonds	2%	3%	6%
Equities	2%	3%	10%
Other Equity Substitutes	1%	1%	0%
Cash and Cash Equivalents	16%	8%	11%
Total (billions)	$5.4	$5.5	$3.9

Composition Fixed Maturities and Short-Term Investments

	1998	1999	2000
U.S. Government	23%	15%	18%
Asset/Mortgage-Backed	34%	40%	24%
U.S. Corporate	13%	20%	21%
Euro/Yankee	2%	1%	0%
Foreign Currency Denominated	26%	20%	29%
High Yield and Convertibles	2%	4%	8%
Total (billions)	$4.4	$4.8	$3.1



Total Assets
(millions)

The year 2000 witnessed significant turbulence in global capital markets. Substantially all equity markets produced negative returns. Bond markets generally reported good performance, although there was a clear differentiation between government securities and risk bearing bonds, such as corporate and asset-backed securities. Markets responded to signs of a slowing economy with lower risk-free rates, but the credit spread on risk bearing bonds increased substantially, and this led to relative under-performance for this asset class. Finally, currency markets were highly volatile in a generally negative year for global currencies against the U.S. dollar. For example, the Euro, the currency to which PartnerRe has the second largest exposure (after the U.S. dollar), experienced its high for the year of $1.034 in January, fell to an all-time low of $0.827 in October, and finally recovered strongly, to finish the year at $0.943. These factors all impacted PartnerRe's investment performance. We achieved in 2000 a total return on our investment portfolio of 6%, compared to a disappointing −1.1% in a difficult 1999. Our performance was substantially better in local currency terms, but this was offset by the impact of the strengthening U.S. dollar. Our practice of matching reinsurance liabilities with investments of similar currency and duration minimizes balance sheet volatility and insulates the capital of the Company against fluctuation in currencies, but generates lower reported investment returns in years when the dollar rises against global currencies.

PartnerRe's investment strategy has evolved along with the Company's transformation from a monoline provider of catastrophe coverages into a multi-line reinsurer with longer duration liabilities and more predictable claims payment patterns. Over the past three years, we have shifted our asset allocation, from a portfolio comprised almost entirely of cash and investment grade fixed income securities, to a more balanced and diversified portfolio with a more optimal risk/return profile. As of December 31, 2000, investment grade fixed income securities and cash comprised 84% of invested assets. The balance of the portfolio is invested in equities and equity substitutes. This compares to a 93% : 7% distribution at December 31, 1999. We believe that the current asset allocation provides a better balance of risk and return for a reinsurer with our mix of liabilities and level of capital.

In view of the economic outlook and yields available towards the end of 2000, we have put greater emphasis on high quality corporate and asset-backed securities and reduced our exposure to government securities. Traditionally, credit spreads are widest at the early stages of a recession, and then start to narrow, even as the economy continues to slow down and eventually shifts into the recovery phase of the economic cycle. Thus, we believe that our fixed income portfolio is well positioned to generate high coupon income and superior total returns. The current economic environment also dictates a strong value and income orientation in our equity portfolio. We continuously monitor economic conditions and market opportunities, and will adjust our portfolio as required to achieve the proper balance among asset quality, liquidity, current income and total returns.

Capital Management

PartnerRe's capital base of over $2 billion provides a significant competitive advantage. Our clients know that they can depend on us to provide substantial and consistent capacity in support of their underwriting operations. Our unquestioned claims paying ability, as evidenced by our financial strength ratings (A+ by A.M. Best, AA by S&P and Aa3 by Moody's), allows our clients to use their own capital more efficiently. We are confident that our superior financial strength positions us for profitable growth and improved relations with our clients. Indeed, a recent survey confirmed yet again that financial strength is the single most important factor in a cedant's choice of reinsurers.

PartnerRe has efficiently and productively employed capital on behalf of its shareholders. We have enhanced excellent operating performance with a proactive investment strategy, opportunistic share repurchases, a growing dividend stream and prudent leverage. From an initial capital contribution of $1.0 billion in 1993, we have generated in excess of $1.5 billion of net income. Return on common equity has averaged 15%, and we have returned $747 million to our shareholders, in the form of share repurchases and dividends.

PartnerRe employs a disciplined risk modeling and capital management process to ensure that optimal levels of capital are maintained to support current operations and anticipated growth. We have also secured access to additional capital, including committed lines of credit, to quickly take advantage of attractive opportunities. When market conditions do not allow us to deploy all of our capital profitably, we are prepared to return excess capital to our shareholders, as was the case in 1998 and 1999. In that period, PartnerRe repurchased 7.5 million common shares and warrants (representing over 10% of its outstanding shares), at a total outlay of $278 million. However, after the large market losses resulting from the European storms at the end of 1999, and indications that market conditions would shortly provide opportunities to write more profitably priced business, the Company curtailed its share repurchase program. During 2000, the Company repurchased 136,000 shares at a total cost of $4.3 million. As of December 31, 2000, PartnerRe was authorized to repurchase up to 4.3 million shares under the Company's stock repurchase program.

Our net premiums written to capital ratio at the end of 2000 stood at 0.70 to 1.0. While this would indicate a low operating leverage, we believe a more appropriate measure of capital adequacy is the aggregate level of exposure at risk. Certain lines of business, including catastrophe, financial guaranty and casualty, offer attractive returns on capital, but require a lower operating leverage.

In 2000, we continued to return capital to our shareholders in the form of increased dividends. On February 8, 2000, the annual dividend was increased to $1.04 per common share. This represents the sixth dividend increase in the Company's seven-year history. Since the first dividend declaration in 1994, PartnerRe's dividend has grown at a compound rate of 17.3%.

PartnerRe uses judicious financial leverage to improve the returns to our shareholders. The Company has issued both long-term debt and preferred stock to enhance our returns on common equity. Our aim is to achieve a balance between optimal leverage and superior financial ratings. Debt represents less than 10% of total capital, while total debt plus perpetual preferred stock represents under 21% of capitalization. Our balance sheet is a source of competitive strength and financial flexibility as we enter the next exciting phase of our evolution.

Risk Management

The cornerstone of PartnerRe's risk management policy is to maintain a level of capitalization consistent with delivering superior credit quality to our clients, while ensuring our return objectives can be met over the course of a trading cycle. The principal elements of this process include:

- Establishing guidelines on the level of risk acceptance in each line of business. At any point in time, these risk tolerances are dependent upon market conditions, portfolio mix, and shareholders' risk appetite.
- Monitoring ongoing actual utilization against prescribed limits.
- Developing statistical techniques for quantifying all sources of balance sheet risk and the impact of risk reduction through diversification.
- Defining decision rules for determining the appropriate level of economic capital needed to support reinsurance and investment operations.
- Analyzing the contribution to overall risk stemming from individual business units.

Evaluating potential hedging strategies is another plank of risk management. While our clear preference is to retain risk when it is properly priced, we consistently evaluate the full spectrum of hedging alternatives, primarily those that address accumulation exposure. These alternatives are analyzed from the perspective of whether or not they can lower the firm's overall cost of capital. When it is economically beneficial to do so, we will purchase retrocession to take down exposure peaks.

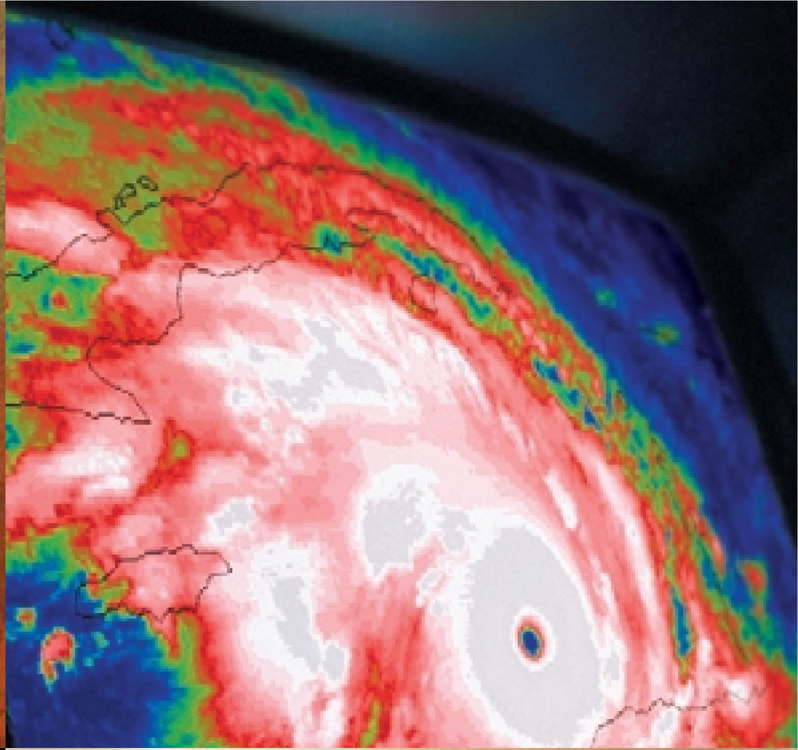
In 2000, we made significant progress in improving our techniques for quantifying risk exposure in all business lines. We also embarked on a project to implement enhanced systems capabilities for capturing exposure data from clients, an initiative that will result in improved portfolio optimization. Finally, we have laid the groundwork for developing more sophisticated simulation tools, which will enhance our evaluation of different portfolio decisions on the Company's overall financial position.

Information Technology (IT)

During the past year our IT activities have focused on the implementation of the IT strategy defined in 1999. The ultimate goal–to ensure an efficient infrastructure–is measured by the ability to respond to client needs in a cost-effective manner. Our efforts in 2000 have focused on:

- Ensuring global standardization of critical business processes and data elements;
- Developing a set of strong business applications supporting business processes and fulfilling information needs;
- Building a global IT infrastructure to support the business applications;
- Creating an IT organization using standardized IT processes to support all technological components, their usage and evolution in line with the changing business needs.

A global data center together with a wide area network has been established and the IT organization has been globalized and strengthened by the newly appointed Group Chief Technology Officer and other new hires. This is consistent with our policy to insource knowledge functions, outsource commodity functions, and ensure strong vendor management capability. In this process, great emphasis has been given to the e-compliance of all new systems and processes. This includes the use of the Internet as a strong collaboration tool within PartnerRe and externally with our clients and partners. These initiatives will enable us to continue to be flexible and responsive to clients, and will support better decisions in running our business.

Issues and Events 2000

E-Commerce and Credit Insurance

Many, if not all insurers, to some degree, are considering how the Internet phenomenon can enhance their business strategies. Credit insurance is one area of the industry for which e-commerce represents a dual opportunity, both as a valuable distribution and communications channel and as a possibility for growth, by creating suitable products that will introduce confidence into electronic transactions. Opportunities bring challenges and how the credit insurance sector responds over the next two to three years may well be critical to its long-term future.

Credit insurers provide a sophisticated blend of products essentially designed to keep businesses trading stably and profitably. This market has gone through a concentrated period of consolidation and so, having sighed with relief when Y2K became a non-event for the global economy, credit insurers were able to focus their attention on exciting and unique

The recent phenomenon of the e-commerce marketplace, which brings global buyers and sellers together electronically, provides a new insurance client base.

possibilities as well as challenging demands. The sector remains very competitive, but stable results, helped by the favorable economic environment in most industrialized countries, should ensure steady growth over the coming years. Nevertheless, there is a need to explore new avenues, and e-commerce represents one area of opportunity.

Higher customer expectation has already enticed more insurers to provide innovative products and high-value services. E-commerce is becoming the catalyst for a re-evaluation of how insurers may meet and exceed these expectations in a more cost and time efficient manner. On the one hand, credit insurers are unbundling their products and services and the distribution and information provision is rendered immeasurably easier and more cost effective by means of the Internet. On the other hand, the make-up of their core business will be reshaped, as the growth of business-to-business (B2B) Internet transactions will impact on traditional trade as well as create new sources of business to underwrite as new risks associated with e-transactions evolve.

Distribution Channel

We are being constantly reminded that we live in the information age and the explosion of a diverse array of data is due to the emergence of the web both as an archiver of vast quantities of information and an ideal conduit for all forms of customer-specific information. This will be an important factor for credit insurers who expect to deliver timely, high quality and customized information to their clients. In competitive environments like the credit insurance market, insurers require strong distribution channels for their products and services and the Internet offers a powerful alternative.

During 2000, the use of e-business technology became more prevalent within the insurance industry in general as more insurers embraced the potential unleashed by the Internet to further their business objectives. The initial focus has been the utilization of the web as a marketing, communication and distribution tool.

Credit insurers have developed integrated systems to allow underwriters, regardless of their location, to better manage the globalization of trade and risk. This evolution will be facilitated by web-enabling these systems if not already web-based.

Ease and speed of communication are essential in today's impatient society and the service industries recognize web technology as the prime medium to ensure this vital ingredient in service provision. This is very relevant to credit insurance where there is constant interaction between the parties involved particularly as the insured has the need to request credit limits from the insurer as frequently as on a daily basis. The next generation of wireless technology may bring the development of mobile commerce links to allow an insured to check the limits on his debtors or potential clients from any location and at any time, with his mobile telephone as his only equipment.

Delivering traditional credit insurance via the Internet is technically feasible but needs the initial conversion investment. However, it is the onset of new types of credit insurance that are being developed hand-in-hand with Internet technology that many insurers are focusing on for the future.

New Solutions and Products

New solutions are being devised for the ever-expanding volume of B2B transactions being conducted over

The explosion of a diverse array of data is due to the emergence of the web, which is both an archiver of vast quantities of general information and an ideal conduit for all forms of customer-specific information.

the Internet. The potential growth from this sector over the next four years poses a challenge for insurers to provide innovative and viable products for this new source of business. B2B transactions are predicted to grow from a relatively small market volume base of $150 billion in 1999 to more than $7 trillion by 2004.

The recent phenomenon of the e-commerce marketplace, which brings global buyers and sellers together electronically, provides a new insurance client base but also adds an extra dimension to the risks that insurers face. These virtual marketplaces are the main generator of the growing number of anonymous transactions being carried out, and are a major source of the demand for credit insurance with its inherent uncertainties and increased information needs.

The traditional role of the credit insurer is to insure and secure trade transactions, by guaranteeing payment from trade debtors to the insured supplier. Now, with the increasing amount of trade transactions being done electronically, credit insurers have to adapt to this new dimension. It is still a trade transaction but it is conducted on a new electronic platform that is relatively untested from a legal point of view. Also, suppliers and buyers may not know each other as well as in the "traditional" business world environment where long standing relationships have been built up over the years. This raises new issues, from how to secure these borderless and often anonymous transactions, to how to introduce trust and confidence.

Many credit insurers have responded to these new demands. The main developments so far have been:

- Selling a solvency certificate or a credit "rating". Credit insurers can sell company-specific credit information and provide their clients with proprietary as well as externally sourced information on the creditworthiness of companies globally. This is a first answer to the electronic market trade participants' needs (introducing a trust element in the relationship) but also a new source of revenues for credit insurers.

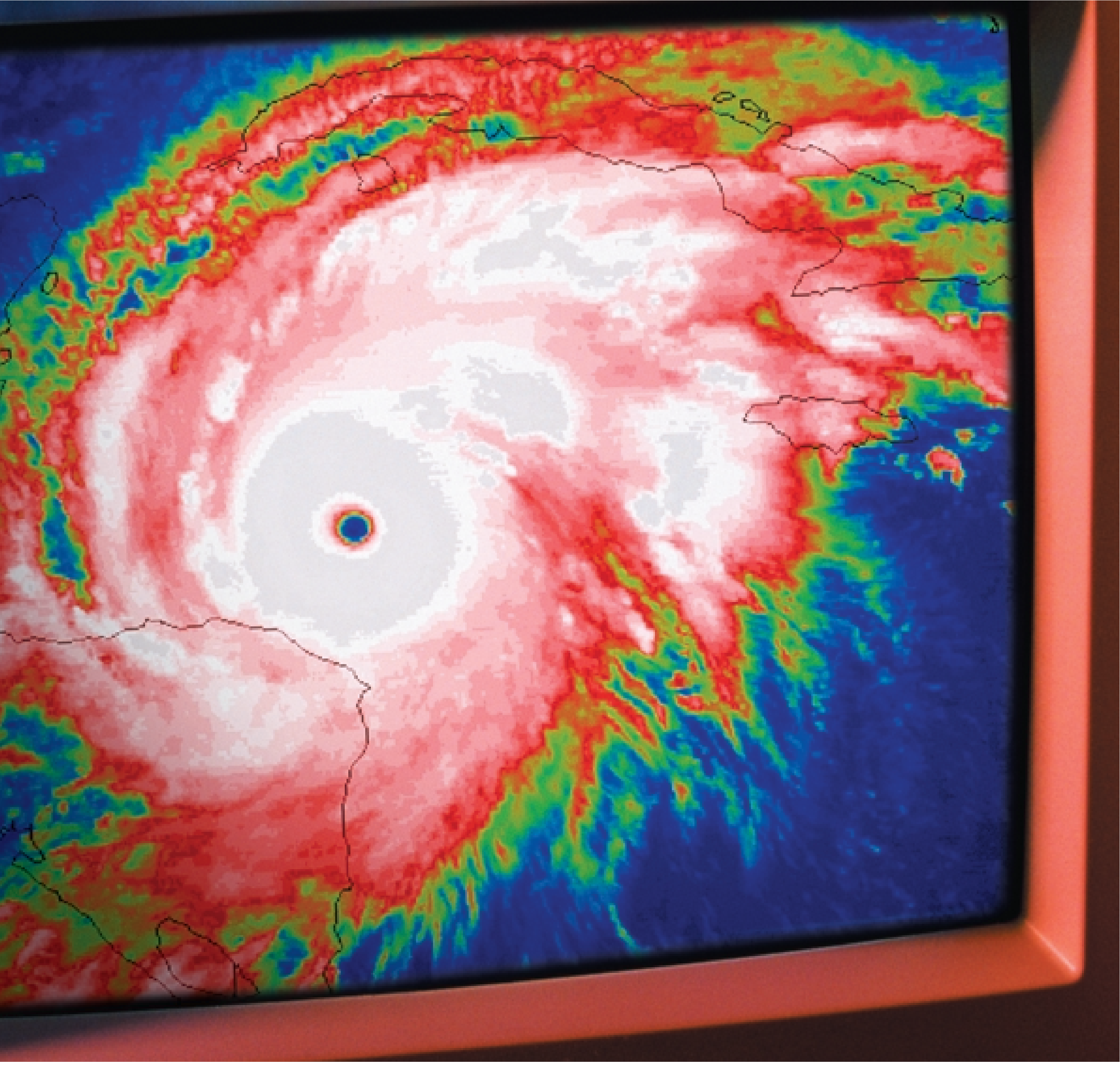
- Insuring electronic marketplace transactions. Some credit insurers have already started to insure this new type of trade transaction; the preferred way to do so is by providing insurance to an electronic marketplace, where suppliers and buyers are identified and referenced.

- Two way insurance. This is an additional opportunity for credit insurers. Not only will they issue trade credit insurance to suppliers against payment default, but they will at the same time be able to sell payment guarantees (bonds) benefitting the suppliers and even delivery guarantees benefitting the buyers.

- Other potential issues could include comprehensive guarantee solutions, providing cover against all Internet related hazards (IT problems, fraud, data security, etc.) in addition to credit or performance risks.

Clearly, e-commerce transactions represent a new potential source of revenue for credit insurers. Moreover, credit insurance is likely to be vital to the success of e-commerce. Some of the latest studies show that e-commerce volume is growing, but less rapidly than expected. The major reason behind this "slow down" is the lack of confidence in e-commerce relationships. The credit insurer can provide the cover or information that will bring an element of trust and confidence to the transaction. PartnerRe can provide reinsurance solutions, so that credit insurers can become a significant factor in developing e-commerce transactions.

B2B transactions are predicted to rocket from a relatively small market volume base of $150 billion in 1999 to over $7 trillion by 2004



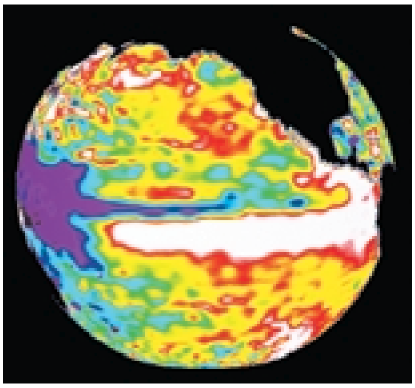
Catastrophe Modeling Gains Greater Acceptance

During 2000, PartnerRe was involved in an increasing number of catastrophe modeling initiatives. Not only are our clients becoming much more aware of the benefits that such modeling can bring, they are also increasingly seeking greater sophistication in modeling and an approach that is more tailored to their needs. As this was a development that we had foreseen, we have combined our catastrophe underwriting experience, actuarial expertise, systems know-how, and established models into a valuable asset for our clients. This teamwork is an essential element in ensuring that our clients receive the best possible advice. Advancing and upgrading modeling capabilities is an on-going process for PartnerRe, but here we examine some of the capabilities which are currently proving beneficial to our partners.

Expanded Modeling Techniques

We have been developing our own catastrophe modeling software for more than four years. The first

We have expertise in the use of GIS and satellite data, in an insurance context, and can produce natural peril rating models for primary insurers.



models were used to analyze U.S. hurricane and tropical storm perils. Subsequently, we developed a typhoon and tropical storm model for Japan. In 2000, our research team expanded the scope of peril coverage to include earthquake and associated risk in Japan, New Zealand, Turkey and Europe. This has been a substantial exercise, as the data and coverage types provided for earthquake modeling vary far more than those required for windstorm. In order to develop accurate earthquake modeling, it is necessary to employ techniques that operate at individual policy or risk level. This involves analyzing huge data volumes; one client might insure up to a million locations. A robust IT infrastructure and systematic data storage procedures allow us to successfully use the data for pricing purposes and to serve our clients with customized analysis.

Detailed client data provides us with valuable insights into worldwide catastrophe exposure and the basic information required to optimize returns for an acceptable level of exposure to capital. This has been a clear target for us from the beginning of our internal model development, and hence all our models are designed to work either at individual contract level, or across a whole portfolio of multiple clients' data.

In addition to providing us with a competitive edge in our catastrophe reinsurance operations, the in-house models also allow us to establish a proprietary view of catastrophe risk, which is of value to our clients.

We have developed our own models to be both unique and flexible. As a result they have been very useful to our clients, beyond simple pricing, in a variety of ways. The most common services provided have been simple PML analyses investigating the amount of reinsurance cover required, depending on a client's risk appetite, in various regions and for various perils.

Increased Benefits to Clients

Beyond this basic service more detailed studies have been undertaken. For example, our research team has used modeled hurricane wind fields and our in-house Geographic Information System (GIS) to investigate client loss data directly, and to evaluate the relationship between wind strength and damage levels. Similar studies have been undertaken with hail losses, and earthquake losses.

This sort of analysis has benefits for both parties – the client learns more about the performance of their insured risks, and the reinsurer better calibrates the loss model. Real claims data analysis is an invaluable component of the development of any catastrophe model as the theoretical engineering response of structures and the actual losses observed are not always in line with one another. An example of this can be drawn from the Northridge, Los Angeles, earthquake, where some older structures performed surprisingly well compared to engineering expectations (based on building code changes). A number of plausible explanations exist. One is that the worst of the older structures were already destroyed by an earlier earthquake, whilst another is that the enforcement of improved codes was not always adequate, particularly for residential stock. In fact, engineered structures have also performed worse than engineers expected; for example, a surprising number of steel framed buildings developed fractures at welded beam to column connections as a result of the Northridge earthquake.

Detailed analyses of claims data also help with the optimization of primary deductibles. PartnerRe has provided clients with feedback on

Many of our clients have opened discussions with us that place the modeled catastrophe loss in the context of the broader financial risk which their organizations face.

how various deductible structures would affect their catastrophe loss cost. For example, in one instance in the U.S. we evaluated the marginal reduction in expected loss burden for a client as a result of instituting a 2% hurricane deductible.

Partnership with Clients

In the U.S. and in the Caribbean region the potential for a hurricane to make multiple landfalls, or to impact multiple islands, is clearly an issue. To allow for this our model accurately simulates storm tracks and the intensity of storms over the full life of the system, both off and on land. Consequently, when a client writing multiple island exposures expressed concern over potential for accumulation of claims over the island group, we were able to provide them with matrices to evaluate the probability of island-to-island loss correlation.

Our cooperation with clients goes beyond sharing of model results, as we are also ready to provide technical advice particularly on how to use the technologies underlying model development. In this respect we have expertise in the use of GIS and satellite data in an insurance context, and can produce natural peril rating models for primary insurers. This expertise has been shared widely via publications and at conferences and seminars, but also in a more individually tailored fashion with specific clients.

Without reliable exposure data even the best models cannot provide meaningful insights. As a result a special server for client exposure data will be created to capture all incoming information from PartnerRe underwriters. This database will have two key features; first it will be linked to our underwriting information system, and second it will be a geographically enabled database developed using high-end GIS tools. The first feature is essential to enable the database to be used at all, since each set of exposures must be linked to the client and contract information. The advantages of the second point only become clear once the nature and power of GIS has been outlined.

In a normal database information can be linked using keys like client or business identifiers. In addition, numeric operations can be performed. GIS adds another dimension to the data mining tools, allowing data to be linked using geographic attributes. Typical queries will return all risks insured within 50 km of a given location, or all risks likely to be affected by a particular hurricane or earthquake. Such information is extremely useful to underwriters and risk managers attempting to avoid severe accumulations of risk, or determine whether to expect losses from a given event, before our clients themselves notify PartnerRe.

The linking of client portfolios to geography will also help our underwriters to more efficiently evaluate business. Electronic maps of base rates for various perils worldwide will facilitate this. These can be rapidly combined with geocoded client exposure information to indicate the total required premiums for many portfolios, or simply to inform the underwriter exactly which perils are the risk drivers in a given region.

Going beyond independent “underwriting risk” modeling, many of our clients have opened discussions with us that place the modeled catastrophe loss in the context of the broader financial risk which their organizations face. We are constantly learning more about our own global risk management issues. In future, while we will continue to provide the highest quality catastrophe analysis, we will also develop expertise surrounding the integration of underwriting and other financial risk.

Global Trends In Agriculture in 2000

Trends and Issues

The agriculture industry continues to advance rapidly across the world as the sector adopts more efficient production, processing and distribution techniques. Production of food and renewable raw material is keeping pace with the growing global population of about 80 million persons per year. In 2000, global agriculture production was valued at $1.4 trillion at farmgate and at $4 trillion including the up-and-downstream agribusiness activities respectively. The trend towards more complex and integrated production is continuing and creates new business risks. Increasing capital allocation, less predictable climate patterns, and the continuing trend towards specialization are fueling a greater need for both risk transfer and risk management.

Prices for the major agriculture commodities such as wheat, corn, soybeans and coffee remained

The global agriculture insurance market has reached a size of $7 billion and shows in 2000 a healthy growth rate of about 8%.

depressed during 2000. The strong U.S. currency and increased energy prices fueled this development to a large extent. However, economic recovery in major Asian countries as well as higher foreign currency earnings of Russian oil exports have reversed the current trend to some extent. The forecast of leading economic institutes in the U.S. and Europe indicate slightly higher agriculture commodity prices in 2001. With the exception of Europe, livestock commodity markets enjoyed an upturn with improved prices in 2000. European beef markets, in contrast, are severely impacted by the growing consumer concern about the further spreading of Bovine Spongiform Encephalopathy (BSE), commonly known as mad cow disease.

Strong government support for agriculture continues in most OECD countries, despite the request of the World Trade Organization (WTO) for reduced agriculture subsidies and lower trade barriers, in order to avoid distorting markets and unfair competition. For that reason the WTO requires governments to reduce subsidies on agricultural production, whilst still permitting support for risk management and direct income transfer. Public contributions to agricultural risk management and insurance schemes are expected to increase in OECD countries in general and in Europe in particular.

In 2000, global agricultural subsidies have reached the level of $360 billion, of which 83% have been provided to farmers in the European Union, the U.S. and Japan whilst farmers in Latin America, Africa, Asia and Canada have faced low or reducing government support. In consequence agriculture insurance – although relying on new products – is expected to grow faster than the insurance industry in general.

In 2000 adverse weather patterns affected agriculture production in several important producing countries, leading to a reduced global cereals production of about 40 million metric tons in comparison with previous years.

Widespread crop hail losses in most of the European countries, Canada and Australia, as well as crop losses due to drought in Africa, southeast Europe and Latin America, affected the global agricultural output. From the major producing countries only the U.S. experienced another favorable crop season with record yields for most agriculture commodities. As a consequence of the unfavorable climatic conditions and continuing strong demand, world cereals stocks declined sharply during 2000, with wheat stocks reduced by 13%, corn by 19% and rice 11%, respectively.

Agriculture Insurance and Reinsurance

The global agriculture insurance market has reached a size of $7 billion and showed in 2000 a healthy growth rate of about 8% in dollar terms. This is a remarkable figure considering the strong U.S. currency during 2000 and the generally depressed agricultural commodity markets. The growth in agricultural insurance premiums was fueled to a large extent by additional government premium subsidy support of $400 million in the U.S. and increased agricultural insurance activities in Latin America, eastern Europe and Asia. Most of the new agricultural insurance activities in emerging and developed markets are crop insurance related and require specialist consultancy services for risk assessment and product development as well as a high level of reinsurance support.

Increasing capital allocation, less predictable climate patterns, and the continuing trend towards specialization are fueling a greater need for both risk transfer and risk management.

PartnerRe's Response

PartnerRe's agriculture department continually reviews and, where appropriate, utilizes the latest developments in crop insurance solutions. As part of our strategy in agriculture reinsurance, we provide comprehensive know-how transfer to our preferred clients by providing customized product development, underwriting guidelines, new rating tools, staff training and operating support. In addition international seminars provide a global platform for experience exchange, and discussion of new product developments for our key clients and prospects. We use the latest GIS software for risk mapping, rating, and accumulation control and loss adjustment applications, and we continue to monitor closely advances in remote sensing technology and potential future applications to agricultural insurance programs (e.g. for loss assessment).

Chile

In 2000, PartnerRe successfully assisted the government of Chile and a consortium of Chile's leading private commercial insurance companies to launch a new National Crop Insurance Scheme (NCIS). In addition to leading the NCIS reinsurance program, we provided assistance in the planning and design of the organization, management and operating systems and procedures for the new NCIS scheme. We continue to provide on-going technical support to the consortium.

Indonesia

PartnerRe has studied the long-term effects of El Niño on the economics of agricultural and commercial tree crop enterprises in southeast Asia. The main concern has been forest fires, but recently awareness has focused on the correlated drop in oil palm yields (as much as 25%) due to low rainfall. Working with one of the industry's main producers in Indonesia, PartnerRe used yield and climate data to design a new policy wording and rating tables, to develop loss assessment procedures, and to provide coverage against this risk. The new product has worldwide application and a natural risk spread that can make it a sustainable profitable product for all stakeholders.

Ukraine

PartnerRe's experienced agriculture consultancy team is well equipped to handle the complex risk management requirements of large and integrated agribusiness. Through comprehensive local risk assessment we worked with a leading global agriculture and food company, to provide a customized risk management solution for its newly established integrated potato and potato chip production operation in the Ukraine.

Climatic Change and Global Warming

Currently we are working on the following initiatives in this area:

- Industrial emissions trading products alongside Annex 1 forestry carbon sequestration covers.

- Agricultural environmental products coverage, in particular watershed management, salinity credits and down-stream water quality and quantity.

- European forestry windstorm protection and business interruption for renewable energy schemes ("green" certificates).

- Designing integrated national agricultural insurance schemes in relation to credit finance on a macro and micro scale within the context of increasing volatility of agricultural production.

- Reinsuring the invested funds in global sustainable managed forests.

Stability on the Horizon for Aviation?

As a multi-line reinsurer, PartnerRe continues to successfully develop its specialty lines of business with the highest level of expertise.

An example of this is the highly specialized market of aviation insurance/reinsurance and particularly the high profile airline segment. This sector is currently experiencing escalating hull values and relaxing liability regimes coupled with higher awards. In 2000 alone, the exposure has risen by 7% on both hull values and passengers carried, and traffic is predicted to grow at an annual rate of 5% or more over the next 10 to 20 years. With changes to passenger liability limits as initiated in Montreal in 1999, a single event claim could soon exceed $1 billion. The prospect of larger, faster and more expensive aircraft with 555 plus seats (planned for the first A380 entering into service by 2006) drastically increases the potential for a mega loss. However, the immediate priority is to correct the imbalance

We feel that great opportunities exist, during 2001, to build on the improvements of the preceding year, and it is our expectation that by 2002 the aviation sector will be more balanced and self-sufficient.

that exists between the total losses sustained by the airline market, which have remained consistent over recent years, and the insufficient premium base.

The airline insurance market has traded at a loss for seven of the past ten years. This area, which today accounts for 30% of the total aviation and space premium income, underwent this sustained period of losses with little corrective action taken. The rates for airline hulls and liabilities (passenger and third-party) have traditionally been subject to dramatic fluctuations. Since 1995, the airline premium volume has virtually been halved from $1,800 million to less than $900 million in 1998, whilst incurred losses for the same period have attained an average of $1,600 million. 2000 produced loss costs and frequency in line with the average loss pattern mirroring the well-established trends of the nineties. For that year, airline underwriters are already looking at total losses exceeding $1.8 billion, whilst the global gross premium is estimated at around $1.15 billion. The headline-making crashes were Alaska Airlines in January, Air France's Concorde in July and Singapore Airlines in October, but these were only 3 of 22 known (western built) total jet losses that occurred during the calendar year.

Although the total aviation market accounts for a mere 0.4% of the global Property and Casualty income base, it cannot help but be impacted by the overall performance of this sector. During 2000, the returns on investment expectations of capital providers forced insurers and reinsurers to perform more profitably both from an investment and a technical underwriting perspective. Aviation insurers are no exception to this. In addition, a series of large and expensive hull losses (coupled with speedier liability payments) over the last nine quarters has put severe strain on their cash flow resources. With reserve positions being eroded, their investment income is decreasing, regardless of interest rates.

Supply and demand dominate this largely unregulated sector. The excess capacity has peaked at 200-plus % and is now gradually diminishing. The market, comprising mostly monoline aviation and space specialists, has had uniform adverse results across all participants, irrespective of their involvement in the major losses. Under these conditions, a hardening market is not a matter of simple cosmetics but rather a compelling step in the only direction.

During 2000, the market hardened progressively: whilst in the first quarter airlines were still able to negotiate rate reductions of up to 10%, by March this trend had been reversed and 10% to 15% rate increases were imposed on many airlines that had negotiated their renewals early. Airlines with a poor loss experience saw increases of 40% to 50% or more. The trend accelerated in the second half of the year. Carriers with good claims track records were able to hold hikes at 25% to 30%, the type of augmentations that underwriters were demanding by the fourth quarter, whilst operators with poor loss records saw increases between 70% to 100%. This long overdue change in underwriters' approaches results in almost 20% more premiums for the year as a whole.

Further positive developments include the market's endeavor to create a globally acceptable clause to deal with potential cross liability as a result of legal implications under airlines' alliances and code sharing agreements. The existing situation has created a litigation minefield that could heavily impact

The headline-making crashes were Alaska Airlines in January, Air France's Concorde in July and Singapore Airlines in October, but these were only 3 of 22 known (western built) total jet losses that occurred during the calendar year.

on underwriters' exposures. The drafting of the document and subsequent consultation may spur airlines to at least co-ordinate their claims settlement structure.

The emergence of long-term deals in 1998 and 1999 has had a slowing effect on overall improvement in rates, as has the consolidation process in the airline industry. These larger groups have greater purchasing power when seeking insurance on their combined fleets, draining sizeable amounts of premium difficult to recover.

A potential new threat is posed by recent scientific evidence suggesting harmful effects of tight seating on long haul passenger flights. The condition termed Economy Class Syndrome is alleged to be responsible for a number of mysterious deaths in-flight or shortly thereafter. Extended scientific research is being carried out in Australia to establish whether cramped air travel increases the risk of passengers developing thrombosis.

With the inherent unbalanced nature of aviation insurance, the cost and availability of reinsurance and retrocession is having a major influence on the direct market. Whilst proportional reinsurance has remained relatively stable, excess of loss cover has become considerably more expensive as a result of the disappearance of some reinsurance markets that offered cheap rates and the very restricted retrocession capacity that is still available.
The potential for increased liability awards and the possibility of substantial third-party claims should see the cost of excess of loss protection rise further. This, in combination with seriously deteriorating losses to the bottom and middle layers of programs, has led many reinsurers to rethink their underwriting strategy. There has been a drastic reduction in the number of reinsurers prepared to provide cover in the working area of up to $450 million excess $50 million original loss, prompting dramatic rate hikes in this segment. Covers in excess of $500 million original loss are currently seeing substantial increases of 30% or more. In addition, premium payment terms have also been tightened.

The general contraction in prime reinsurance capacity is due to the closure of certain underwriting units or companies being put into run-off, with others having merged or scaled down their activities. This is expected to bring total capacity levels more in line with the $2.5 billion limits that are currently available for the largest aviation risks. The squeeze on insurers is two-fold: on the one hand, direct markets are faced with larger retentions, as lack of reinsurance capacity begins to bite; on the other, they need to mitigate the impact of increased excess of loss costs, both requiring a serious boosting of prices up front.

Overall, premium growth in the order of 60% or more is needed just to achieve a break-even position. Current forecasts for global airline premiums for the 2001 underwriting year indicate a volume of $1.7 billion. Whilst that will go some way towards addressing the shortfall generated by average claims costs, it still does not allow for any reasonable upward loss trend. The goal of eliminating the current imbalance may be within the market's grasp but the objective must then be to sustain this plateau long term and build in sufficient margin to cope with an extraordinary loss year. PartnerRe continues to support and influence the positive changes in the market. In addition to providing capacity and risk management consulting, PartnerRe is selective in its approach, ensuring stability for its clients.

Financial Review

Selected Consolidated Financial Data

(Expressed in millions of U.S. dollars, except share and per share data)

The following Selected Consolidated Financial Data is presented in accordance with generally accepted accounting principles. This data should be read in conjunction with the Consolidated Financial Statements and the accompanying Notes to Consolidated Financial Statements.

For the year ended December 31, 1996	1997	1998	1999	2000	Operating Data
$ 206.0	$ 472.5	$ 735.8	$ 1,433.0	**$ 1,439.5**	Gross premiums written
206.0	427.8	687.0	1,326.4	**1,380.3**	Net premiums written
210.5	476.2	685.6	1,338.0	**1,314.3**	Net premiums earned
88.1	121.0	169.4	307.6	**273.6**	Net investment income
5.1	18.0	23.7	(15.9)	**(62.7)**	Net realized investment gains (losses)
–	0.5	0.9	0.7	**0.4**	Other income
303.7	615.7	879.6	1,630.4	**1,525.6**	Total revenues
23.0	207.3	396.9	1,130.1	**975.7**	Losses and loss expenses including life policy benefits
54.0	327.0	602.5	1,579.4	**1,427.0**	Total expenses
249.7	288.7	277.1	51.0	**98.6**	Income before taxes
–	17.6	10.8	(43.8)	**(43.7)**	Income tax expense (benefit)
249.7	271.1	266.3	94.8	**142.3**	Net income
4.49	4.48	4.05	1.73	**3.79**	Diluted operating earnings per common share
4.58	4.69	4.34	1.40	**2.41**	Diluted net income per common share
					Non-life Ratios
10.9%	39.0%	56.9%	77.1%	**70.2%**	Loss ratio
14.4%	24.4%	28.6%	32.7%	**32.3%**	Expense ratio
25.3%	63.4%	85.5%	109.8%	**102.5%**	Combined ratio
$ 0.60	$ 0.72	$ 0.86	$ 1.00	**$ 1.04**	**Dividends per Common Share**

As at December 31, 1996	1997	1998	1999	2000	Balance Sheet Data
$ 1,443.9	$ 2,820.2	$ 5,432.2	$ 5,494.8	**$ 3,882.1**	Total investments, cash and cash equivalents
1,505.9	3,591.8	7,554.0	7,560.0	**6,091.3**	Total assets
59.9	1,221.3	4,618.2	4,747.0	**3,059.1**	Unpaid losses and loss expenses and policy benefits for life contracts
–	–	220.0	220.0	**220.0**	Long-term debt
1,400.9	1,978.3	2,113.4	1,840.7	**2,086.0**	Total shareholders' equity
26.33	29.57	33.53	31.82	**35.54**	Diluted book value per common and common equivalent share
54.5	55.8	56.8	53.2	**50.7**	Weighted average number of common and common equivalent shares outstanding
47.8	53.8	52.8	49.3	**50.1**	Number of common shares outstanding

In 1997 and 1998, the Company acquired SAFR and Winterthur Re, respectively. (See Note 2 to the Consolidated Financial Statements.)

The following is a discussion and analysis of PartnerRe Ltd.'s (the "Company") financial condition at December 31, 2000 and 1999, and results of operations for the years ended December 31, 2000, 1999 and 1998. This discussion and analysis should be read in conjunction with the Consolidated Financial Statements and Notes thereto.

General

The Company provides multi-line reinsurance to insurance companies on a worldwide basis through its wholly owned subsidiaries, Partner Reinsurance Company Ltd. ("Partner Reinsurance Company"), SAFR PartnerRe ("SAFR") and Partner Reinsurance Company of the U.S. ("PartnerRe U.S."). Risks reinsured include property, catastrophe, agriculture, automobile, casualty, marine, aviation and space, credit and surety, technical and miscellaneous lines and life/annuity and health.

Because of the inherent volatility of some of the business the Company underwrites, such as catastrophe reinsurance, the operating results and financial condition of the Company can be adversely affected by catastrophes and other large losses that may give rise to claims under reinsurance coverages provided by the Company. The Company endeavors to manage this exposure by (i) attempting to limit its aggregate exposure on catastrophe reinsurance in any particular geographic zone, (ii) selective underwriting practices, (iii) diversification by geographic area, by lines and classes of business and (iv) to a certain extent by purchasing retrocessional reinsurance.

Business Environment

The reinsurance industry is cyclical and is influenced by such factors as the frequency and/or severity of claims and losses, including natural disasters or other catastrophic events, variations in interest rates and financial markets, changes in the legal, regulatory and judicial environments, inflationary pressures and general economic conditions. These factors influence the demand for reinsurance, the supply (or capacity) of which is generally represented by the total capital of reinsurers in the market and pricing (premium rates). Over most of the past several years, primary insurers have reduced their dependence on reinsurers by increasing the amount of risk they retain.

The reinsurance industry is highly competitive. Management believes the absence of large losses affecting the industry in the several years prior to the second quarter of 1999, combined with a generally favorable investment environment, have created excess capacity in the market. Accordingly, reinsurance premium rates have declined in major reinsurance markets over each of the last several years. This environment has also resulted in significant consolidation in the industry. Because of the prolonged cyclical downturn in the reinsurance industry, certain of the Company's competitors have encountered financial difficulties, related primarily to poor underwriting results.

Management believes, however, unsatisfactory insurance and reinsurance results and continued industry consolidation have begun to have an effect on pricing and available capacity in certain business lines and geographic markets. Management believes that there have been signs of improvement in many business segments and markets, indicative of an improvement in the underlying fundamentals of the industry. Although management did see some signs of improved pricing and reinsurance terms and conditions in the important January 1, 2001 renewal negotiations, it believes the market recovery will be a gradual process. Consequently, management considers it prudent to pursue only targeted growth in such a highly competitive market, and will only pursue those opportunities which it perceives will generate acceptable returns. Management believes that, through dedication to client service and its disciplined approach to underwriting, the Company provides a stable and reliable source of underwriting capacity to its clients.

Winterthur Re Acquisition

On December 23, 1998, the Company completed the acquisition (the "Acquisition") of the reinsurance operations of Winterthur Re from Winterthur Insurance Group. The purchase included Winterthur Reinsurance Corporation of America in New York (the "U.S. Operations") and the reinsurance operations of Winterthur in Switzerland (the "Swiss Operations"), along with Winterthur Re Life Insurance Company in Dallas ("PartnerRe Life Insurance Company of the U.S."). The total purchase price of $771.2 million was funded by internal sources and $220.0 million from external bank debt.

The Acquisition provided further geographic diversification of underwriting risks and complements the Company's underwriting skills, adding risk specialties such as agricultural, credit and surety, engineering, aviation and marine. The expanded breadth of capabilities substantially enhances the Company's position globally while, in the U. S., the transaction also advances the Company's strategy by providing a solid platform of underwriting capabilities, infrastructure and market presence.

On August 4, 2000, the Company concluded the sale (the "Transaction") of PartnerRe Life Insurance Company of the U.S. and its subsidiaries Republic-Vanguard Life Insurance Company, Investors Insurance Corporation and Investors Marketing Group, Inc. (collectively "PartnerRe Life U.S."), to SCOR Group. The total consideration for the Transaction was $155 million, including the repayment by SCOR Group of a $10 million surplus note held by the Company.

Results of Operations

Since the Acquisition closed in late December 1998, the results of Winterthur Re were immaterial to the Company's consolidated results of operations for 1998. The Company concluded the sale of PartnerRe Life U.S. during the third quarter of 2000, effective July 1, 2000 and, accordingly, 2000 includes six months of operating earnings and realized investment losses of PartnerRe Life U.S. while 1999 includes a full year. However, the investment income earned on the proceeds of the sale offset much of the operating earnings of the business sold and therefore, operating earnings for the periods are comparable.

Results of operations for the years ended December 31, 2000, 1999 and 1998 were as follows ($ millions, except per share data):

	2000	1999	1998
Operating earnings available to common shareholders	$ 192.1	$ 92.0	$ 230.3
Net realized investment (losses) gains, net of tax	(69.8)	(17.2)	16.0
Net income available to common shareholders	$ 122.3	$ 74.8	$ 246.3
Diluted operating earnings per common share	$ 3.79	$ 1.73	$ 4.05
Net realized investment (losses) gains per common share	(1.38)	(0.33)	0.29
Diluted net income per common share	$ 2.41	$ 1.40	$ 4.34

Operating earnings available to common shareholders for 2000 increased 108.8% compared to 1999, and net income available to common shareholders increased by 63.6%. The increase in both operating earnings and net income is primarily attributable to the lack of large catastrophe losses in the current year as compared to 1999. In 1999, the Company incurred losses related to large catastrophic events of approximately $164 million, net of tax, including the Australian hailstorm, tornadoes and Hurricane Floyd in the U.S., earthquakes in Turkey and Taiwan, Typhoon Bart in Japan and the European storms Lothar and Martin. Although 2000 was free of any new major catastrophe losses, a high frequency of non-catastrophe losses in the $1 million to $5 million range and the generally poorer performance of the non-catastrophe lines of business affected the Company's operating earnings and net income. Most of the losses for 2000 were incurred in taxable jurisdictions and resulted in the recognition of significant tax benefits for the year. Net income for 2000 was further impacted by an increase in realized investment losses over the prior year arising from derivative financial instruments and from the timing of the disposition of available for sale securities, both of which are part of the ongoing management of the investment portfolio within the investment guidelines and objectives set out by management.

Operating earnings available to common shareholders for the 1999 period decreased by 60.0% compared to 1998, and net income available to common shareholders decreased by 71.9%. As discussed above, 1999 was impacted by several significant large catastrophe events. The impact of these events was somewhat mitigated by the effect of the higher investment income resulting from the Acquisition. The Company incurred losses related to large catastrophic events of approximately $43 million during 1998. The decrease in net income for 1999 was primarily attributable to the decrease in operating earnings and the net realized investment losses.

Operating return on beginning common shareholders' equity for 2000 was 12.1% compared to 4.9% in 1999 and 13.3% in 1998. The variances in the return on equity from 1999 to 2000 and 1998 to 1999 are for the reasons discussed above.

Reinsurance Operations - Underwriting Results

Non-life underwriting business comprises the majority of the Company's underwriting results. The underwriting results of the life business are shown separately in Note 17 to the Consolidated Financial Statements included in this report. The following analysis includes life business unless otherwise noted.

Gross and net premiums written and earned for the years ended December 31, 2000, 1999 and 1998 were as follows ($ millions):

	2000	1999	1998
Gross premiums written	$ 1,439.5	$ 1,433.0	$ 735.8
Net premiums written	1,380.3	1,326.4	687.0
Net premiums earned	1,314.3	1,338.0	685.6

After adjusting for the sale of PartnerRe Life U.S., which was effective July 1, 2000, gross and net premiums written increased by 5% and 8%, respectively, in 2000. The increase in gross premiums written was primarily related to the Company's growth strategy in the U.S., modestly improving conditions in certain other markets and the timing of certain renewals, somewhat offset by the effect of the relative value between the U.S. dollar and other currencies in which the Company writes premiums. Because of continuing competitive market conditions in the reinsurance industry, the Company pursued premium growth only where market conditions met the Company's selective standards. The difference between gross and net premiums written was attributable to the cost of retrocession protection. The Company selectively purchases retrocession protection as part of its overall risk management process. The Company purchased retrocession protection on a group basis during the 2000 period rather than having each of the Company's subsidiaries purchase coverage independently. With the Company's implementation of a centralized policy for purchasing retrocession protection, the Company retained more of its premiums and still obtained comparable protection. The increases in gross premiums written, net premiums written and net premiums earned for the 1999 period compared to 1998 were primarily due to the Acquisition. Premiums written are earned on a basis that is consistent with the risks covered under the terms of the reinsurance contracts, which generally is one to two years.

The distribution of net premiums written by line of business for the years ended December 31, 2000, 1999 and 1998, which demonstrates the diversification achieved as a result of the Company's transformation from a mono-line to a multi-line reinsurer, was as follows:

	2000	1999	1998
Catastrophe	11%	12%	25%
Property	23	21	30
Casualty	13	10	5
Automobile	17	17	20
Aviation/Space	4	3	1
Marine	2	2	4
Agriculture	7	6	2
Credit/Surety	8	8	5
Life	13	17	7
Other	2	4	1

The percentage of business generated by the Life line of business in 2000 decreased primarily as a result of the sale of PartnerRe Life U.S.

The Company produces its business both through brokers and through direct relationships with insurance company clients. The distribution of gross premiums written by type of business for the years ended December 31, 2000, 1999 and 1998 was as follows:

	2000	1999	1998
Treaty proportional	70%	73%	63%
Treaty non-proportional	23	21	31
Facultative	7	6	6

The geographic distribution of gross premiums written for the years ended December 31, 2000, 1999 and 1998 was as follows:

	2000	1999	1998
Europe	37%	44%	48%
North America	48	44	37
Asia, Australia, New Zealand	11	9	12
Latin America and the Caribbean	3	2	2
Africa	1	1	1

The relative decrease in gross premiums written in Europe is mainly attributable to a decrease of the relative value of the Euro and other European currencies against the U.S. dollar. The Company also pursued a strategy of selective growth in the U.S., which resulted in an increase in the percentage of gross premiums written in North America despite the mitigating effect of the sale of PartnerRe Life U.S. in the third quarter of 2000. As a result of the Acquisition, the percentage of business written in North America increased in 1999 compared to 1998, which is in line with the Company's strategic goal of balancing the global distribution of the reinsurance portfolio.

Losses and loss expenses incurred (and the corresponding ratios as a percentage of net premiums earned) for the years ended December 31, 2000, 1999 and 1998 were as follows ($ millions):

	2000	1999	1998
Losses and loss expenses (non-life only)	$ 801.8	$ 856.8	$ 363.0
Loss ratio (non-life only)	70.2%	77.1%	56.9%
Life policy benefits	$ 173.9	$ 273.3	$ 33.9

2000 was free of any new major catastrophe losses while 1999 included the effects of catastrophe losses related to the Australian hailstorm, tornadoes and Hurricane Floyd in the U.S., earthquakes in Turkey and Taiwan, Typhoon Bart in Japan and the European storms Lothar and Martin. The resulting decrease in losses and loss expenses (and the non-life loss ratio) for 2000 compared to 1999 is mitigated by a high frequency of non-catastrophe losses in the $1 million to $5 million range and generally poorer underwriting results in the Company's non-catastrophe lines of business. The decrease in life policy benefits resulted primarily from the sale of PartnerRe Life U.S. during the third quarter of 2000.

The increases in the losses and loss expenses (and the non-life ratio) and life policy benefits in 1999 compared to 1998 are primarily attributable to the additional non-life and life business resulting from the Acquisition and the significant impact of major catastrophes during 1999. In 1999 and 2000 the Company began writing more casualty and other longer duration business. As a result, the Company is able to invest premiums received for this business for a longer period of time allowing for a higher acceptable loss ratio.

Underwriting expenses include acquisition costs (primarily brokerage, commissions, excise taxes and other costs directly related to underwriting reinsurance contracts) and other operating expenses. Underwriting expenses (and the corresponding expense ratios for the non-life business) for the years ended December 31, 2000, 1999 and 1998 were as follows ($ millions):

	2000	1999	1998
Acquisition costs	$ 319.4	$ 318.6	$ 165.2
Other operating expenses	103.2	93.1	33.1
Total underwriting expenses	$ 422.6	$ 411.7	$ 198.3
Acquisition expense ratio	24.3%	25.8%	23.7%
Other operating expense ratio	8.0	6.9	4.9
Expense ratio (Non-life only)	32.3%	32.7%	28.6%

The acquisition costs and non-life acquisition expense ratio have fluctuated modestly in 2000 compared to 1999 primarily as a result of reductions in sliding-scale profit commissions and a modest shift in the business mix from treaty proportional business to treaty non-proportional business. Other operating expenses increased modestly compared to 1999 primarily as a result of expenses incurred for information systems as the Company is preparing to implement new global information systems over the next several years, and as a result of expenses related to the relocation of Swiss operations to Zurich in April of 2000.

The increase in the acquisition costs and acquisition ratio in 1999 compared to 1998 is attributable to the inclusion of Winterthur Re's global multi-line business. The increase in the acquisition expense ratio is primarily due to the higher percentage of proportional treaties which carry a higher average commission rate than non-proportional business. The increase in the other operating expenses and the related ratio in 1999, compared to 1998, is primarily related to the doubling of the Company's staff as a result of the Acquisition in 1998 and the diversification of the Company's business.

Net foreign exchange gains amounted to $10.3 million, $0.9 million and $3.5 million for the 2000, 1999 and 1998 periods, respectively. Foreign exchange gains are a function of the relative value between the U.S. dollar and other currencies in which the Company does business.

Investment Results

Net investment income and net realized investment gains (losses) for the years ended December 31, 2000, 1999 and 1998 were as follows ($ millions):

	2000	1999	1998
Net investment income	$ 273.6	$ 307.6	$ 169.4
Net realized investment gains (losses)	(62.7)	(15.9)	23.7

Net investment income for 2000 decreased by 11.1% compared to 1999 primarily due to the lower asset base resulting from the sale of PartnerRe Life U.S. during the third quarter of 2000, the negative cash flows from operating activities, primarily related to increased claims payments due to the high catastrophe claims in 1999, and the effect of the weaker international currencies against the U.S. dollar. This was partially mitigated by the reinvestment of investment income during the year at higher available rates due to generally increasing market interest rates over the last year. Net realized investment losses on sales of investments are related to the use of derivative instruments in the Company's investment portfolios and the timing of disposition of available for sale fixed maturities and equity securities as the Company seeks to position its portfolio to optimize returns in a changing rate environment.

Net investment income for 1999 increased over 1998 primarily due to the increased invested asset base resulting from the Acquisition.

Financial Condition and Liquidity and Capital Resources

Shareholders' Equity and Capital Management

Shareholders' equity at December 31, 2000 was $2,086.0 million, a 13.3% increase compared to $1,840.7 million at December 31, 1999. The major factors influencing the level of shareholders' equity in 2000 were:

- net income of $142.3 million;
- dividend payments of $71.2 million;
- the $22.4 million negative effect of the currency translation adjustment resulting from the strengthening of the U.S. dollar against the Euro; and
- a $183.6 million gain in the market value of investments, net of deferred taxes, recorded in equity.

The Company continuously evaluates its capital needs to support its reinsurance and investment operations. During 2000, the Company repurchased 135,543 common shares at a total cost of $4.3 million. The Company repurchased fewer common shares in 2000, compared to 1999, because the Company believes that under the currently improved market conditions its capital is best deployed in the writing of profitable business.

Assets

At December 31, 2000, total assets were $6,091.3 million compared to $7,560.0 million at December 31, 1999. The decrease in total assets is primarily due to the sale of PartnerRe Life U.S.

Total invested assets, including cash and cash equivalents, were $3,882.1 million as at December 31, 2000 compared to $5,494.8 million at December 31, 1999. The major factors influencing the decrease in cash and invested assets in 2000 were:

- disposition of $1,549.9 million in invested assets relating to the sale of PartnerRe Life U.S.;
- cash outflows from operations of $45.3 million;
- increase in unsettled security trades of $36.2 million;
- dividend payments totaling $71.2 million;
- the increase in the net unrealized gains on investments of $158.3 million, net of realized gains and losses on securities sold; and
- the negative influence of the effect of the stronger U.S. dollar relative to the Euro as it relates to conversion of SAFR's invested assets and cash balances into U.S. dollars.

At December 31, 2000, fixed maturities, short-term investments and cash and cash equivalents had an average expected duration of 3.7 years, down from the duration of 4.0 years as at December 31, 1999. As of December 31, 2000, approximately 88% of the fixed maturities were rated "A-" or better by Standard & Poor's (or estimated equivalent) compared to 92% as of December 31, 1999. The decline in the average duration of the investment portfolio is largely attributable to the sale of PartnerRe Life U.S whose invested assets typically had longer durations due to the nature of the business it wrote.

The Company's investment strategy is unchanged from previous years, although the Acquisition and the continuing evolution of the Company into a global multi-line reinsurer has affected the construction and composition of the investment portfolio. The Company's investment philosophy distinguishes between those assets that are matched against existing liabilities ("liability funds") and those that are part of shareholders' equity ("capital funds"). Liability funds are invested in investment grade fixed-income securities and are generally matched in currency and duration to the estimated liabilities in a way that generally seeks to immunize liabilities against changes in the general level of interest rates or the relative valuation of currencies. Capital funds are available for investment in a broadly diversified portfolio, which includes investments in common stock, preferred stock, convertible securities, high yield debt and other asset classes that offer potentially higher returns.

At December 31, 2000, fixed maturities, short-term investments and cash and cash equivalents had an average yield to maturity at market of 6.2%, compared to 6.7%, as at December 31, 1999. The decrease in average yield to maturity in 2000 was primarily due to the sale of PartnerRe Life U.S., whose longer duration investments generally carried higher yields, and the impact of lower interest rates at the end of the year.

Liabilities

The Company has recorded non-life reserves for unpaid losses and loss expenses, of $2,386.0 million and $2,616.6 million at December 31, 2000 and 1999, respectively. Policy benefits for life contracts were $673.1 million and $2,130.4 million at December 31, 2000 and 1999, respectively. The decrease in the value of unpaid losses and loss expenses and policy benefits for life and annuity contracts as at December 31, 2000 compared to December 31, 1999, resulted primarily from the sale of PartnerRe Life U.S., the payment during 2000 of losses related to the 1999 catastrophes and the heavy influence of exchange rates, as explained under Currency below.

As discussed further in Note 5 to the Consolidated Financial Statements, the Company's reserves for unpaid losses and loss expenses include an estimate for its net ultimate liability for asbestos and environmental claims. Ultimate values for such claims cannot be estimated using traditional reserving techniques. There are significant uncertainties in estimating the amount of the Company's potential losses for these claims and these uncertainties are not likely to be resolved in the near future. There can be no assurances that the reserves established by the Company will not be adversely affected by development of other latent exposures, and further there can be no assurances that the reserves established by the Company will be adequate.

The Company does, however, actively evaluate potential exposure to asbestos and environmental claims and establishes additional reserves as appropriate. The Company believes that it has made a reasonable provision for these exposures and is unaware of any specific issues that would materially affect its estimates. Furthermore, as discussed in Note 6 to the Consolidated Financial Statements, the Company has a guaranty from the AGF Group relating to certain of these exposures whereby AGF has agreed to guarantee adverse loss development for pre-1992 business written by certain companies which were part of the AGF Group and which are currently part of SAFR. This guaranty expires on December 31, 2001.

Liquidity

Cash flow from operations for 2000 decreased to negative $45.3 million from a positive $428.6 million in 1999. This decrease is primarily attributable to payments related to large catastrophe losses incurred in the second, third and fourth quarters of 1999. Although cash flow from operations was negative for 2000, the Company expects that its financial and operational needs for the foreseeable future will be met by funds generated by operations.

The Company relies primarily on cash dividends from Partner Reinsurance Company and SAFR, including its subsidiary, PartnerRe U.S. (collectively the "reinsurance subsidiaries") to pay its operating expenses. Although the payment of dividends by the reinsurance subsidiaries to the Company is limited under Bermuda and French law and certain insurance statutes of various U.S. states in which PartnerRe U.S. is licensed to transact business, there are presently no significant restrictions on the payment of dividends by the reinsurance subsidiaries. (See Note 12 to the Consolidated Financial Statements for further information.)

Currency

The Company's functional currency is the U.S. dollar. The Company has exposure to foreign currency risk due to its ownership of SAFR, whose functional currency is the Euro (formerly the French franc), and due to SAFR and Partner Reinsurance Company (including the Swiss branch) underwriting reinsurance exposures and collecting premiums in currencies other than the U.S. dollar and holding certain net assets in such currencies. As a result of the SAFR acquisition in 1997, the Company's most significant foreign currency exposure is to the Euro. The Euro decreased in value by 7% in 2000 (from 1.01 to 0.94 U.S. dollar per Euro) thereby increasing the aggregate currency translation loss of $23.3 million as at December 31, 1999 to $45.7 million at December 31, 2000.

Effects of Inflation

The effects of inflation are considered implicitly in pricing and estimating reserves for unpaid losses and loss adjustment expenses. The actual effects of inflation on the results of operations of the Company cannot be accurately known until claims are ultimately settled.

New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133 entitled "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133). SFAS 133 was subsequently amended by SFAS 137, which delayed the effective date by one year, and SFAS 138, which clarified four areas which were causing difficulties in implementation. SFAS 133 becomes effective for the Company on January 1, 2001.

SFAS 133 requires the recognition of all derivative financial instruments, including embedded derivative instruments, as either assets or liabilities in the statement of financial position and measurement of those instruments at fair value. The accounting for gains and losses associated with changes in the fair value of a derivative and the effect on the consolidated financial statements will depend on its hedge designation and whether the hedge is highly effective in achieving offsetting changes in the fair value or cash flows of the asset or liability hedged. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and the hedged item will be recognized in earnings. If the derivative is designated as a cash flow hedge, changes in the fair value of the derivative will be recorded in other comprehensive income and will be recognized in the income statement when the hedged item affects earnings. A derivative that is not designated or does not qualify as an effective hedge will be marked to fair value through earnings.

To the extent the Company has positions in non-U.S. dollar currencies, the Company may use derivatives to manage its risk arising from these currency exposures. Prior to the application of SFAS 133, the Company recorded gains and losses associated with its fair value currency hedging activities in "accumulated other comprehensive income." The Company estimates that at January 1, 2001 (date of initial application), it will record a transition adjustment relating to these hedging activities through December 31, 2000 which will increase net income by approximately $58 million, net of tax, or $1.14 per diluted share, and which will be reported as the cumulative effect of a change in accounting principle. This transition adjustment does not affect the Company's book value. The Company did not have any derivatives designated as cash flow hedges prior to December 31, 2000.

In response to the accounting implications of SFAS 133, the Company estimates that it will reclassify approximately $90 million of available for sale convertible debt and equity securities to a "trading" portfolio at January 1, 2001. Upon transfer, the Company estimates that this reclassification will result in a $4.2 million net loss, net of tax, or $0.08 per diluted share, being recognized in earnings. Prior to this reclassification, this net unrealized loss was included as a component of "accumulated other comprehensive income" and, accordingly, the reclassification will not affect the Company's book value.

While the Company's adoption of SFAS 133 impacts the manner in which it accounts for certain types of hedging activities, primarily those related to foreign currency, the Company's objectives and strategy related to management of those risks being hedged has not changed (see "Quantitative and Qualitative Disclosures about Market Risk").

Quantitative and Qualitative Disclosures about Market Risk

Overview

Management believes the Company is principally exposed to four types of market risk: interest rate risk, foreign currency risk, credit risk and equity price risk. How these risks relate to the Company, and the process used to manage them, is discussed below.

The Company's investment philosophy distinguishes between assets that may appropriately be matched against the estimated reinsurance liabilities ("liability funds") and those assets that represent shareholder capital ("capital funds"). Liability funds are invested in a way that matches them to the corresponding liabilities in both duration and currency composition. This procedure seeks to immunize the liability funds against two of the most powerful market forces–changes in interest rates and currency exchange rates. As the focus of this disclosure is to identify risk exposures that impact the market value of assets alone, it is important for the reader to recognize that the risks discussed herein are significantly mitigated to the extent that the Company's investment strategy allows market forces to influence the economic valuation of both assets and liabilities in the same way. At December 31, 2000, liability funds represented 51% (or $1.9 billion) of the Company's total investment assets.

At December 31, 2000, capital funds represented 49% (or $1.8 billion) of the Company's total investment assets. These assets represent shareholder capital and they are invested in a diversified portfolio that has the objective of maximizing total investment return, subject to prudent risk constraints. Capital funds contain most of the asset classes typically viewed as offering a higher risk, higher return profile: primarily longer duration fixed-income securities, common stock, convertible and high yield bonds and real estate, in addition to high quality investment grade securities. The Company's investment philosophy is to reduce foreign currency risk on capital funds by investing primarily in U.S. dollar investments and hedging most non-U.S. dollar investments back to the U.S. dollar. In considering the market risk of capital funds, it is important to recognize the benefits of portfolio diversification. Although these asset classes in isolation may introduce more risk into the portfolio, market forces have a tendency to influence each class in different ways and at different times. Consequently, the Company believes that the aggregate risk introduced by a portfolio of these assets should be less than might be estimated by summing the individual risks.

The Company's investment strategy allows the use of derivative securities, subject to strict limitations. Derivative instruments may be used to hedge market risk, or to replicate investment positions or market exposures that would be allowed under Company investment policy if implemented in other ways. The use of financial leverage, whether achieved through derivatives or margin borrowing, is prohibited without the express approval of the Board of Directors. The Company also imposes a high standard for the credit quality of counterparties in all derivative transactions. Counterparties rated "AA" or higher are used unless significant economic benefit is to be derived by accepting the additional credit risk of an "A" rated counterparty. See Note 15 to the Consolidated Financial Statements for additional disclosure concerning derivatives.

The following addresses those areas where the Company believes it has exposure to material market risk in its operations.

Interest Rate Risk

The Company's fixed-income portfolio is exposed to interest rate risk. Fluctuations in interest rates have a direct impact on the market valuation of these securities. As interest rates rise, market values of fixed-income portfolios fall, and vice versa. The Company manages interest rate risk on liability funds by constructing bond portfolios in which the economic impact of a general interest rate shift is comparable to the related liabilities. This process involves matching the duration of the portfolio to the estimated duration of the liabilities. For loss reserves and policy benefits related to non-life and traditional life business, the estimated duration of the Company's liabilities is based on projected pay-out patterns. For policy benefits related to life annuity business, the Company estimates duration based on its commitment to annuitants. The Company believes that this matching process mitigates the overall interest rate risk on an economic basis.

The maturity distribution of the Company's fixed-income and short term investments at December 31, 2000 was as follows ($ millions):

	Amortized Cost	Market Value
One year or less	$ 81.7	$ 80.4
More than one year through five years	1,294.2	1,289.8
More than five years through ten years	516.3	511.7
More than ten years	371.8	378.4
Subtotal	2,264.0	2,260.3
Mortgage / Asset-backed securities	808.1	818.3
Total	$ 3,072.1	$ 3,078.6

Interest rate movements also affect the economic values of the Company's outstanding fixed-rate debt obligations and preferred stock in the same way as they affect the Company's fixed-income investments, and this can result in a liability whose economic value is different from the value reported in the financial statements. The Company believes the economic fair value of its outstanding fixed-rate debt obligations is approximately $215.1 million (compared to $220.0 million as reported in the Consolidated Balance Sheet as at December 31, 2000) and the economic value of its preferred stock obligations is not materially different from the value reported in the Consolidated Financial Statements.

A certain proportion of the fixed income portfolio is designated as capital funds. The Company manages the exposure to interest rate volatility by choosing a duration profile which it believes will optimize the risk-reward relationship.

The Company holds approximately $818.3 million (or 21%) of its total invested assets in mortgage-related securities. These assets are exposed to prepayment risk, the adverse impact of which is more evident in a declining interest rate environment. In such an environment, holders of individual mortgages increase the frequency with which they prepay the outstanding principal before the maturity date and refinance at lower interest cost. This can cause a diminution of future investment income (relative to an equivalent fixed-income security without prepayment risk). The Company's investment managers invest in selected mortgage-related securities that are expected to be less exposed to this prepayment risk.

The Company estimates that a 100 basis point increase in interest rates (across all currencies) would result in a $123.5 million decline in the market value of its fixed income portfolio (including mortgage-related securities). This does not take into account the corresponding reduction in the economic value of its reinsurance liabilities, which, as noted above, the Company believes would substantially offset the negative effect on invested assets.

As noted above, the Company strives to match the currency exposure in its fixed-income portfolios to its multi-currency liabilities. The Company believes this matching process creates a diversification benefit. Consequently, the exact market value effect of a change in interest rates will depend on which countries experience interest rate changes and the currency mix of the Company's fixed-income portfolio at the time of rate changes. See "Foreign Currency Risk."

Foreign Currency Risk

Through its multinational reinsurance operations, the Company conducts business in a variety of foreign (non-U.S.) currencies, the principal exposures being in the Euro, the British pound, the Swiss franc, the Canadian dollar and the Japanese yen. Assets and liabilities denominated in foreign currencies are exposed to changes in currency exchange rates. As the Company's functional currency is the U.S. dollar, exchange rate fluctuations may materially impact the Company's consolidated results of operations and financial position. However, the Company employs two strategies to manage its exposure to foreign currency exchange risk.

The first strategy, discussed above, involves the natural hedging related to its "liability funds" where assets are matched against liabilities both by currency and duration. However, the Company does not maintain invested assets in currencies where its liability exposures are immaterial or in countries where it is unable or impractical to maintain investments. In such cases, the Company is not hedged and is exposed to currency risk. However, the Company does not believe that its unhedged positions in these currencies, and the corresponding currency risk, are material.

The second strategy employed is to maintain capital funds primarily, in U.S. dollar investments. To the extent that the Company has net asset positions invested in non-U.S. dollar currencies, forward currency contracts may be used to hedge these non-U.S. dollar currency exposures.

An additional factor mitigating the Company's foreign currency risk is the ongoing nature of its reinsurance operations. Cash receipts in foreign currencies from premiums can be used to pay claims and expenses incurred in the same currency.

As mentioned above, the Company's currency risk management objectives and strategy will not change as a result of the Company's adoption of SFAS 133 beginning in 2001. However, the manner in which the Company's currency risk management strategy is executed will be modified to comply with the accounting provisions of SFAS 133.

Prior to the adoption of SFAS 133, the Company employed a "natural hedging" approach related to its liability funds (described above). SFAS 133 no longer permits the Company to offset foreign currency gains and losses arising from those invested assets designated as liability funds and the related currency-matched net liabilities. The Company believes that these new accounting rules do not adequately consider or portray the economic reality of the Company's business and basic asset/liability matching techniques.

In response to the accounting implications of SFAS 133, the Company has implemented a hedging program which will utilize currency derivatives to hedge the foreign currency exposure of its liability funds and other non-U.S. dollar assets and liabilities related to the Company's reinsurance operations. Those derivatives related to the Company's liability funds will be designated as "fair value hedges" for purposes of SFAS 133 so as to allow the recording of both the currency gains and losses on the derivatives and those gains and losses on the underlying liability funds in earnings. Derivatives employed to hedge currency exposure related to the other reinsurance assets and liabilities are not required by the Company to be so designated. Irrespective of the hedging designation, gains and losses arising from the derivative instruments will be recorded in the income statement along with the offsetting currency gains or losses related to the underlying assets and liabilities. To the extent that this currency risk management and hedging program are ineffective in hedging the currency risk inherent in the Company's reinsurance assets and liabilities, a net gain or loss will be reflected in earnings. SFAS 133 does not affect the way in which the Company manages its capital funds.

As of December 31, 2000, 71% of the Company's total investments were in U.S. dollar denominated instruments and 29% were non-U.S. dollar investments identified as liability funds or hedged to the U.S. dollar matched to corresponding liabilities (as discussed above).

Credit Risk

The Company has exposure to credit risk primarily as a holder of fixed income securities. The Company controls this exposure by emphasizing investment grade credit quality in the fixed income securities it purchases. At December 31, 2000, approximately 63% of the Company's fixed-income portfolio was rated "AAA" (or equivalent rating) and 70% was rated "AA" or better. At December 31, 2000, 7% of the Company's fixed income portfolio was rated below investment grade. The Company believes this high quality concentration significantly reduces its exposure to credit risk on these fixed-income investments to an acceptable level. To a lesser extent, the Company also has credit risk exposure as a party to foreign currency forward contracts. To mitigate this risk, the Company ensures that counterparties to these contracts are high credit quality international banks.

Equity Price Risk

The Company invests a small portion of its capital funds in marketable equity securities ($354.8 million) and equity derivatives ($90.1 million). These assets are exposed to equity price risk, defined as the potential for loss in market value owing to a decline in equity prices. The Company reviews this class of assets on a regular basis to ensure that diversification strategies to manage this risk continue to be in place. The Company believes that effects of diversification and the relatively small size of the existing investment in equities mitigates its exposure to equity price risk.

Forward-Looking Statements

Certain statements contained in this document, including Management's Discussion and Analysis, may be considered forward-looking statements as defined in section 27A of the United States Securities Act of 1933, as amended, and section 21E of the United States Securities Exchange Act of 1934, as amended. Forward-looking statements are made based upon management's expectations and beliefs concerning future developments and their potential effect on the Company. Many factors could cause the Company's actual results to differ materially from those in the forward-looking statements, including the following: (i) the occurrence of catastrophic events with a frequency or severity exceeding the Company's expectations; (ii) a decrease in the level of demand for reinsurance and/or an increase in the supply of reinsurance capacity; (iii) increased competitive pressures, including the consolidation and increased globalization of reinsurance providers; (iv) actual losses and loss expenses exceeding the Company's loss reserves, which are necessarily based on actuarial and statistical projections of ultimate losses; (v) changing rates of inflation and other economic conditions; (vi) losses due to foreign currency exchange rate fluctuations; (vii) changes in the legal or regulatory environments in which the Company operates; (viii) integration risk related to the Company's recent acquisitions. The foregoing review of important factors should not be construed as exhaustive and should be read in conjunction with other cautionary statements that are included herein. The Company undertakes no obligation to release publicly the results of any future revisions it may make to forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

PartnerRe Ltd.
Consolidated Balance Sheets

(Expressed in thousands of U.S. dollars, except share data)

December 31, 1999	December 31, 2000	**Assets**
		Investments and cash:
$ 4,776,148	**$ 3,053,790**	Fixed maturities, available for sale, at fair value (amortized cost: 1999, $4,939,883; 2000, $3,047,090)
58,477	**24,853**	Short-term investments, available for sale, at fair value (amortized cost: 1999, $58,650; 2000, $24,972)
186,708	**354,801**	Equities, available for sale, at fair value (cost: 1999, $176,824; 2000, $327,965)
438,183	**434,033**	Cash and cash equivalents, at fair value, which approximates amortized cost
35,286	**14,594**	Other invested assets
5,494,802	**3,882,071**	**Total investments and cash**
74,680	**54,876**	Accrued investment income
446,305	**440,550**	Reinsurance balances receivable
262,425	**249,569**	Reinsurance recoverable on paid and unpaid losses
371,178	**653,260**	Funds held by reinsured companies
375,505	**245,981**	Deferred acquisition costs
481,588	**455,554**	Goodwill
53,506	**109,433**	Other
$ 7,559,989	**$ 6,091,294**	**Total Assets**
		Liabilities
$ 2,616,556	**$ 2,386,032**	Unpaid losses and loss expenses
2,130,421	**673,096**	Policy benefits for life and annuity contracts
386,610	**424,487**	Unearned premiums
39,361	**26,924**	Funds held under reinsurance treaties
220,000	**220,000**	Long-term debt
238,119	**201,881**	Payable for securities purchased
88,211	**72,868**	Accounts payable, accrued expenses, and other
5,719,278	**4,005,288**	**Total Liabilities**
		Shareholders' Equity
49,265	**50,113**	Common shares (issued and outstanding: 1999, 49,264,866; 2000, 50,113,311)
10,000	**10,000**	Preferred shares (issued and outstanding: 1999, 10,000,000; 2000, 10,000,000)
879,603	**892,310**	Additional paid-in capital
–	**(534)**	Deferred compensation
		Accumulated other comprehensive (loss) income:
(76,125)	**107,511**	Net unrealized (losses) gains on investments, net of income taxes
(23,264)	**(45,710)**	Currency translation adjustment
1,001,232	**1,072,316**	Retained earnings
1,840,711	**2,086,006**	**Total Shareholders' Equity**
$ 7,559,989	**$ 6,091,294**	**Total Liabilities and Shareholders' Equity**

See accompanying Notes to Consolidated Financial Statements.

PartnerRe Ltd.
Consolidated Statements of Operations and Comprehensive Income
(Expressed in thousands of U.S. dollars, except per share data)

For the year ended December 31, 1998	For the year ended December 31, 1999	For the year ended December 31, 2000	**Revenues**
$ 735,849	$ 1,432,966	**$ 1,439,515**	Gross premiums written
$ 687,025	$ 1,326,410	**$ 1,380,252**	Net premiums written
(1,395)	11,599	**(65,880)**	(Increase) decrease in unearned premiums
685,630	1,338,009	**1,314,372**	Net premiums earned
169,382	307,638	**273,588**	Net investment income
23,650	(15,880)	**(62,740)**	Net realized investment gains (losses)
915	691	**382**	Other income
879,577	1,630,458	**1,525,602**	**Total Revenues**
			Expenses
396,889	1,130,102	**975,699**	Losses and loss expenses including life policy benefits
165,221	318,579	**319,434**	Acquisition costs
33,170	93,094	**103,185**	Other operating expenses
1,051	12,903	**13,029**	Interest expense
9,684	25,715	**26,034**	Amortization of goodwill
(3,490)	(906)	**(10,348)**	Net foreign exchange gains
602,525	1,579,487	**1,427,033**	Total Expenses
277,052	50,971	**98,569**	Income before taxes
10,746	(43,784)	**(43,738)**	Income tax expense (benefit)
266,306	94,755	**142,307**	**Net Income**
20,000	20,000	**20,000**	Preferred dividends
$ 246,306	$ 74,755	**$ 122,307**	**Net Income Available to Common Shareholders**
			Comprehensive Income (Loss), Net of Tax
$ 266,306	$ 94,755	**$ 142,307**	Net income
4,359	(83,849)	**183,636**	Net unrealized gains or losses on investments
26,935	(34,883)	**(22,446)**	Currency translation adjustment
$ 297,600	$ (23,977)	**$ 303,497**	Comprehensive income (loss)
			Per Share Data
			Earnings per common share:
$ 4.65	$ 1.44	**$ 2.48**	Basic net income
$ 4.34	$ 1.40	**$ 2.41**	Diluted net income
56,803.6	53,231.1	**50,677.5**	Weighted average number of common and common equivalent shares outstanding

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

(Expressed in thousands of U.S. dollars)

For the year ended December 31, 1998	For the year ended December 31, 1999	For the year ended December 31, 2000	
			Common Shares
$ 53,842	$ 52,801	**$ 49,265**	Balance at beginning of year
(1,423)	(4,704)	**(136)**	Repurchase of common shares
382	1,168	**984**	Issue of common shares
52,801	49,265	**50,113**	Balance at end of year
			Preferred Shares
10,000	10,000	**10,000**	Balance at beginning and end of year
			Additional Paid-In Capital
1,148,965	1,053,138	**879,603**	Balance at beginning of year
(98,859)	(172,593)	**(4,177)**	Repurchase of common shares and warrants
3,032	(942)	**16,884**	Issue of common shares
1,053,138	879,603	**892,310**	Balance at end of year
			Deferred Compensation
(680)	(433)	**–**	Balance at beginning of year
–	–	**(545)**	Issue of restricted common shares
247	433	**11**	Amortization of deferred compensation
(433)	–	**(534)**	Balance at end of year
			Accumulated Other Comprehensive Income (Loss)
(11,951)	19,343	**(99,389)**	Balance at beginning of year
4,359	(83,849)	**183,636**	Unrealized gains (losses) on investments, net of reclassification adjustments
26,935	(34,883)	**(22,446)**	Currency translation adjustment
19,343	(99,389)	**61,801**	Balance at end of year
			Retained Earnings
778,131	978,585	**1,001,232**	Balance at beginning of year
266,306	94,755	**142,307**	Net income
(45,852)	(52,108)	**(51,223)**	Dividends on common shares
(20,000)	(20,000)	**(20,000)**	Dividends on preferred shares
978,585	1,001,232	**1,072,316**	Balance at end of year
$ 2,113,434	$ 1,840,711	**$ 2,086,006**	**Total Shareholders' Equity**

See accompanying Notes to Consolidated Financial Statements.

PartnerRe Ltd.
Consolidated Statements of Cash Flows
(Expressed in thousands of U.S. dollars)

For the year ended December 31, 1998	For the year ended December 31, 1999	For the year ended December 31, 2000	Cash Flows from Operating Activities
$ 266,306	$ 94,755	**$ 142,307**	Net income
			Adjustments to reconcile net income to cash provided by operating activities:
1,664	10,419	**(18,294)**	Accrual of discount on investments, net of amortization of premium
9,684	25,715	**26,034**	Amortization of goodwill
(23,650)	15,880	**62,740**	Net realized investment (gains) losses
			Changes in:
1,408	(16,355)	**52,200**	Unearned premiums
32,066	65,319	**(65,076)**	Reinsurance balances receivable
(55,226)	274,671	**(197,677)**	Unpaid losses and loss expenses including life policy benefits
(26,242)	(41,835)	**(47,494)**	Other items, net
206,010	428,569	**(45,260)**	**Net cash provided by (used in) operating activities**
			Cash Flows from Investing Activities
1,811,997	5,997,415	**5,614,130**	Sales of fixed maturities
132,771	200,389	**203,298**	Redemptions of fixed maturities
(2,297,231)	(6,763,370)	**(5,598,978)**	Purchases of fixed maturities
165,010	(24,337)	**9,943**	Net sales (purchases) of short-term investments
95,414	(48,398)	**(167,105)**	Net sales (purchases) of equities
721,088	–	**–**	Cash obtained in acquisition
(257,617)	–	**–**	Cash used for acquisition
–	–	**145,000**	Proceeds from disposition of subsidiary
–	–	**(57,348)**	Cash sold with subsidiary
(28,889)	14,422	**(44,944)**	Other
342,543	(623,879)	**103,996**	**Net cash provided by (used in) investing activities**
			Cash Flows from Financing Activities
(65,852)	(72,108)	**(71,223)**	Cash dividends paid to shareholders
(100,282)	(176,898)	**(4,313)**	Repurchase of common shares and warrants
244	399	**–**	Accounts payable related to repurchase of common shares and warrants
3,414	156	**17,323**	Issue of common shares
220,000	–	**–**	Long-term debt
57,524	(248,451)	**(58,213)**	**Net cash provided by (used in) financing activities**
12,563	145	**(4,673)**	Effect of exchange rate changes on cash
618,640	(443,616)	**(4,150)**	**Increase (decrease) in cash and cash equivalents**
263,159	881,799	**438,183**	**Cash and cash equivalents – beginning of year**
$ 881,799	$ 438,183	**$ 434,033**	**Cash and cash equivalents – end of year**

See accompanying Notes to Consolidated Financial Statements.

1. Organization

PartnerRe Ltd. (the "Company") provides multi-line reinsurance to insurance companies on a worldwide basis through its wholly owned subsidiaries, Partner Reinsurance Company Ltd. ("Partner Reinsurance Company"), SAFR PartnerRe ("SAFR") and Partner Reinsurance Company of the U.S. ("PartnerRe U.S."). Risks reinsured include property, catastrophe, agriculture, automobile, casualty, marine, aviation and space, credit and surety, technical and miscellaneous lines and life/annuity and health.

The Company was incorporated in August 1993 under the laws of Bermuda. The Company commenced operations in November 1993, upon completion of the sale of common shares and warrants pursuant to subscription agreements and an initial public offering. On July 10, 1997, the Company completed the acquisition of SAFR and on December 23, 1998, the Company completed the acquisition of Winterthur Re.

2. Acquisitions and Disposition

Winterthur Re Acquisition

On December 23, 1998, the Company completed the acquisition (the "Acquisition") of the active reinsurance operations ("Winterthur Re") of the Winterthur Insurance Group ("Winterthur"). The purchase included Winterthur Reinsurance Corporation of America in New York and Winterthur Re Life Insurance Company in Dallas (collectively the "U.S. Operations") and the reinsurance operations of Winterthur in Switzerland (the "Swiss Operations").

On October 3, 1998, Partner Reinsurance Company entered into an Asset Purchase Agreement with Winterthur Swiss Insurance Company and certain affiliates (collectively "Winterthur Swiss"), to purchase the Swiss Operations. On the same date, Partner Reinsurance Company entered into a Reinsurance Agreement with Winterthur Swiss to transfer certain life and non-life reinsurance portfolios of Winterthur Swiss, including current business and reserves of approximately $1.5 billion, to Partner Reinsurance Company.

On October 23, 1998, PartnerRe U.S. Corporation, a wholly owned subsidiary of the Company, entered into a Share Purchase Agreement with two U.S. subsidiaries of Winterthur to acquire the U.S. Operations.

Although the Company entered into both agreements in October 1998, the Acquisition was not completed until all regulatory approvals were obtained on December 23, 1998. The Swiss Operations and U.S. Operations have functioned as part of Partner Reinsurance Company (through a branch in Switzerland) and PartnerRe U.S., respectively, since January 1, 1999.

The aggregate purchase price for the Swiss Operations and U.S. Operations was approximately $771 million. The Company financed the purchase with $551 million from sources internal to the Company and $220 million of external bank debt. The Company accounted for the Acquisition as a purchase.

2. Acquisitions and Disposition (Continued)

SAFR Acquisition and Preferred Share Offering

On July 10, 1997, the Company completed the acquisition of SAFR, a French reinsurance company, from Swiss Reinsurance Company ("Swiss Re"). The total purchase price was financed as follows: (i) 6,453,007 newly issued common shares of the Company, which have been recorded at $152.9 million in the consolidated statement of shareholders' equity, were transferred to Swiss Re (4,353,007 of which Swiss Re received by exercise of its existing Class A Warrants of the Company through delivery of shares of SAFR); and (ii) $773.9 million of cash consideration which included (a) $192.2 million in net proceeds from a public offering (the "Offering") of 8.0 million of 8% Series A Cumulative Preferred Shares (the "Preferred Shares"), (b) $50.0 million in net proceeds from the sales to Swiss Re of 2.0 million Preferred Shares, directly and not as part of the Offering, and (c) the balance from sources internal to the Company. The Company accounted for the SAFR acquisition as a purchase.

PartnerRe Life U.S. Disposition

On August 4, 2000, the Company concluded the sale (the "Transaction") of its indirect wholly-owned subsidiary PartnerRe Life Insurance Company of the U.S. and its subsidiaries Republic-Vanguard Life Insurance Company, Investors Insurance Corporation and Investors Marketing Group, Inc. (collectively "PartnerRe Life U.S."), to SCOR Group. The Company purchased PartnerRe Life U.S. in December 1998 as part of the Winterthur Re acquisition. The total consideration for the Transaction was $155 million, including the repayment by SCOR Group of a $10 million surplus note held by the Company.

3. Significant Accounting Policies

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP"). The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Intercompany accounts and transactions have been eliminated. Certain reclassifications have been made to prior year amounts to conform with the current year's presentation. Since the Acquisition closed late in 1998, the results of Winterthur Re were immaterial to the Company's consolidated results of operations for 1998. The consolidated balance sheet as at December 31, 1998 includes Winterthur Re's assets and liabilities. Because effective control of PartnerRe Life was transferred on July 1, 2000, the second half of the year does not include operating results from PartnerRe Life U.S. and the consolidated balance sheet as at December 31, 2000 does not include PartnerRe Life U.S.

3. Significant Accounting Policies (Continued)

(a) Premiums

Premiums written are based upon reports received from ceding companies, supplemented by the Company's own estimates of premiums written for which ceding company reports have not been received. Differences between such estimates and actual amounts are recorded in the period in which the actual amounts are determined. Premiums are earned on a basis that is consistent with the risks covered under the terms of the reinsurance contracts, which are generally one to two years. Unearned premiums represent the portion of premiums written which is applicable to the unexpired risks under contracts in force. Annuity and universal life insurance premiums received are accounted for in a manner consistent with accounting for interest-bearing financial instruments and are not reported as revenues but rather as direct deposits to the contract. Amounts assessed against annuity and universal life policyholders are recognized as revenue in the period assessed.

(b) Losses and Loss Expenses, Including Life Policy Benefits

The liability for unpaid losses and loss expenses for property and casualty business includes amounts determined from loss reports on individual cases and amounts for losses incurred but not reported. Such reserves are estimated by management based upon reports received from ceding companies, supplemented by the Company's own actuarial estimates of reserves for which ceding company reports have not been received and based on the Company's own historical experience. To the extent that the Company's own historical experience is inadequate for estimating reserves, such estimates may be actuarially determined based upon industry experience and management's judgment. The estimates are continually reviewed and the ultimate liability may be in excess of, or less than, the amounts provided, for which any adjustments will be reflected in the periods in which they become known.

The liabilities for policy benefits for ordinary life and accident and health policies have been established based upon information reported by ceding companies supplemented by the Company's best actuarial estimates of mortality, morbidity, persistency and investment income, with appropriate provision for adverse deviation. Future policy benefit reserves for annuity and universal life products are carried at their accumulated values. Reserves for policy claims and benefits include both mortality and morbidity claims in the process of settlement and claims that have been incurred but not yet reported. Interest rate assumptions used to estimate liabilities for policy benefits for life and annuity contracts ranged from 2.5% to 6.0%. Actual experience in a particular period may vary from assumed experience and, consequently, may affect the Company's operating results in future periods.

(c) Deferred Acquisition Costs

Acquisition costs, primarily brokerage fees, commissions and excise taxes, which vary directly with, and are primarily related to, the acquisition of new and renewal reinsurance contracts, are capitalized and charged to expense as the related premium revenue is recognized. Anticipated losses and loss

3. Significant Accounting Policies (Continued)

expenses, other costs and investment income related to these premiums are considered in determining the recoverability of deferred acquisition costs. Acquisition costs related to individual life and annuity business are deferred and amortized over the premium paying periods in proportion to anticipated premium income, allowing for lapses, terminations and anticipated investment income. Acquisition costs related to universal life and single premium annuity contracts are deferred and amortized over the lives of the policies as a percentage of the estimated gross profits expected to be realized on the policies.

(d) Funds Held by Reinsured Companies

Funds held by reinsured companies represent premiums retained by ceding companies for a period in accordance with contractual terms. The Company generally earns investment income on these balances during the period funds are held.

(e) Investments

Fixed maturities and short-term investments are classified as "available for sale" and carried at fair value, based on quoted market prices. The difference between amortized cost and fair value, net of the effect of deferred income taxes, is included as a separate component of "accumulated other comprehensive income." Equity investments are carried at fair value, based on quoted market prices, with the difference between original cost and fair value, net of the effect of deferred income taxes, included as a separate component of "accumulated other comprehensive income." Short term investments comprise securities with a maturity greater than three months but less than one year from the date of purchase. Investment purchases and sales are recorded on the trade date.

The Company utilizes financial futures contracts for the purpose of managing certain investment portfolio exposures and duration. Futures contracts are not recognized as assets or liabilities in the accompanying consolidated financial statements. Changes in the market value of futures contracts produce daily cash flows, which are included in net realized gains or losses on investments in the statement of operations. Collateral held by brokers equal to a percentage of the total value of open futures contracts is included in fixed maturities.

Investment income is recognized when earned and includes the accrual of discount or amortization of premium on fixed maturities and short-term investments. Realized gains and losses on the disposition of investments, which are determined based upon specific identification of the cost of investments sold, and provisions for other than temporary impairments in the value of investments retained, are reflected in the statements of operations.

(f) Cash and Cash Equivalents

Cash equivalents are carried at fair value and include debt securities that, at purchase, have a maturity of three months or less.

(g) Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets received related to the acquisitions of SAFR and Winterthur Re. The Company amortizes goodwill on a straight-line basis over a period of 20 years. Accumulated amortization as of December 31, 2000 and 1999 was $66.0 million and $40.0 million respectively.

(h) Income Taxes

Certain subsidiaries of the Company operate in jurisdictions where they are subject to taxation. Current income taxes are charged or credited to operations, or "accumulated other comprehensive income" in certain cases, based upon enacted tax laws and rates applicable in the relevant jurisdiction in the period in which the tax becomes payable. Deferred income taxes are provided for all temporary differences between the bases of assets and liabilities used in the financial statements and those used in the various jurisdictional tax returns.

(i) Translation of Foreign Currencies

The functional currency of the Company is the U.S. dollar. The national currencies of the Company's subsidiaries are generally their functional currencies, except for the Bermuda subsidiaries whose functional currency is the U.S. dollar. In translating the consolidated financial statements of those subsidiaries whose functional currency is other than the U.S. dollar, assets and liabilities are converted into U.S. dollars using the rates of exchange in effect at the balance sheet dates and revenues and expenses are converted using the average exchange rates for the period. Related translation adjustments and exchange gains and losses on forward exchange contracts used to hedge these investments are reported as a separate component of "accumulated other comprehensive income."

In recording foreign currency transactions, revenue and expense items are converted into the functional currency at the weighted average rates of exchange for the year. Monetary assets and liabilities originating in currencies other than the functional currency are translated into the functional currency at the rates of exchange in effect at the balance sheet dates. Non-monetary items originating in currencies other than the functional currency are translated into the functional currency at the rates of exchange in effect at the dates when the transactions occurred. The resulting exchange gains or losses are included in the results of operations. Exchange gains and losses related to the translation of investments available for sale are included in net unrealized gains and losses on investments, a component of "accumulated other comprehensive income."

The Company's policy is to match, where deemed appropriate, liabilities for unpaid losses with investments denominated in the same currency. To the extent that investments are insufficient to pay claims that are denominated in the same currency, or in the event that losses relate to business written in currencies for which it is impracticable to maintain investments, the Company is exposed to currency risk and, accordingly, related exchange rate fluctuations are reflected in the consolidated statement of operations.

(j) Net Income per Common Share

Diluted net income per common share is based upon the weighted average number of common shares outstanding using the treasury stock method for all potentially dilutive securities, including common share warrants and options. Basic earnings per share is determined as net income available to common shareholders divided by the weighted average number of common shares outstanding for the period, giving no effect for dilutive securities.

(k) New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133 entitled "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133). SFAS 133 was subsequently amended by SFAS 137, which delayed the effective date by one year, and SFAS 138, which clarified four areas which were causing difficulties in implementation. SFAS 133 becomes effective for the Company on January 1, 2001.

SFAS 133 requires the recognition of all derivative financial instruments, including embedded derivative instruments, as either assets or liabilities in the statement of financial position and measurement of those instruments at fair value. The accounting for gains and losses associated with changes in the fair value of a derivative and the effect on the consolidated financial statements will depend on its hedge designation and whether the hedge is highly effective in achieving offsetting changes in the fair value or cash flows of the asset or liability hedged. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and the hedged item will be recognized in earnings. If the derivative is designated as a cash flow hedge, changes in the fair value of the derivative will be recorded in other comprehensive income and will be recognized in the income statement when the hedged item affects earnings. A derivative that is not designated or does not qualify as an effective hedge will be marked to fair value through earnings.

To the extent the Company has positions in non-U.S. dollar currencies, the Company may use derivatives to manage its risk arising from these currency exposures. Prior to the application of SFAS 133, the Company recorded gains and losses associated with its fair value currency hedging activities in "accumulated other comprehensive income." The Company estimates that at January 1, 2001 (date of initial application), it will record a transition adjustment relating to these hedging activities through December 31, 2000 which will increase net income by approximately $58 million, net of tax, or $1.14 per diluted share, and which will be reported as the cumulative effect of a change in accounting principle. This transition adjustment does not affect the Company's book value. The Company did not have any derivatives designated as cash flow hedges prior to December 31, 2000.

In response to the accounting implications of SFAS 133, the Company estimates that it will reclassify approximately $90 million of available for sale convertible debt and equity securities to a "trading" portfolio at January 1,

3. Significant Accounting Policies (Continued)

2001. Upon transfer, the Company estimates that this reclassification will result in a $4.2 million net loss, net of tax, or $0.08 per diluted share, being recognized in earnings. Prior to this reclassification, this net unrealized loss was included as a component of "accumulated other comprehensive income" and, accordingly, the reclassification will not affect the Company's book value.

While the Company's adoption of SFAS 133 impacts the manner in which it accounts for certain types of hedging activities, primarily those related to foreign currency, the Company's objectives and strategy related to management of these risks being hedged has not changed.

4. Investments Available for Sale

(a) Fixed Maturities, Equities and Short-term Investments

The cost, market value, gross unrealized gains and gross unrealized losses on investments available for sale at December 31, 2000 and 1999 were as follows ($000's):

	Cost[1]	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
2000				
Fixed maturities				
- U.S. Government	$ 783,287	$ 45,137	$ (23,628)	$ 804,796
- States or political subdivisions of states of the U.S.	12,462	–	(1,180)	11,282
- other foreign governments	379,759	5,459	(5,977)	379,241
- corporate	1,063,467	28,956	(52,273)	1,040,150
- mortgage / asset-backed securities	808,115	15,319	(5,113)	818,321
Total fixed maturities	3,047,090	94,871	(88,171)	3,053,790
Short-term investments	24,972	158	(277)	24,853
Equities	327,965	57,479	(30,643)	354,801
	$ 3,400,027	$ 152,508	$ (119,091)	$ 3,433,444
1999				
Fixed maturities				
- U.S. Government	$ 672,221	$ 13,484	$ (16,160)	$ 669,545
- States or political subdivisions of states of the U.S.	6,299	–	(497)	5,802
- other foreign governments	870,205	8,575	(46,225)	832,555
- corporate	1,352,596	21,920	(63,333)	1,311,183
- mortgage / asset-backed securities	2,038,562	3,173	(84,672)	1,957,063
Total fixed maturities	4,939,883	47,152	(210,887)	4,776,148
Short-term investments	58,650	–	(173)	58,477
Equities	176,824	19,583	(9,699)	186,708
	$ 5,175,357	$ 66,735	$ (220,759)	$ 5,021,333

[1] Cost is amortized cost for fixed maturities and short-term investments and original cost for equity securities.

4. Investments Available for Sale (Continued)

(b) Maturity Distribution

The distribution of fixed maturities and short-term investments at December 31, 2000 by contractual maturity is shown below ($000's):

	Amortized Cost	Market Value
One year or less	$ 81,695	$ 80,443
More than one year through five years	1,294,148	1,289,768
More than five years through ten years	516,293	511,717
More than ten years	371,811	378,394
Subtotal	2,263,947	2,260,322
Mortgage / Asset-backed securities	808,115	818,321
Total	$ 3,072,062	$ 3,078,643

(c) Change in Net Unrealized Gains (Losses) on Investments

The analysis of the change in net unrealized gains (losses) on investments for the years ended December 31, 2000, 1999 and 1998 is as follows ($000's):

	2000	1999	1998
Fixed maturities	$ 170,435	$ (163,775)	$ (10,293)
Short-term investments	54	100	784
Cash and cash equivalents	(90)	47	–
Equity securities	16,952	8,408	4,920
	187,351	(155,220)	(4,589)
Decrease (Increase) in tax liability and other foreign exchange gains or losses	(3,715)	71,371	8,948
Net change reflected in "accumulated other comprehensive income"	$ 183,636	$ (83,849)	$ 4,359

(d) Realized Gains and Losses on Available for Sale Securities

Proceeds from the sales of investments available for sale for the years ended December 31, 2000, 1999 and 1998 were $5,707.1, $6,346.6, and $1,953.0 million, respectively. Realized investment gains and losses for the years ended December 31, 2000, 1999 and 1998 were as follows ($000's):

	2000	1999	1998
Gross realized gains	$ 121,475	$ 81,195	$ 72,116
Gross realized losses	(138,762)	(78,080)	(48,466)
Total net realized (losses) gains	$ (17,287)	$ 3,115	$ 23,650

(e) Net Investment Income

The components of net investment income for the years ended December 31, 2000, 1999 and 1998 were as follows ($000's):

	2000	1999	1998
Fixed maturities, short-term investments, and cash and cash equivalents	$ 262,413	$ 308,290	$ 173,765
Equities	9,294	7,292	2,487
Other	12,073	10,689	2,223
Investment expenses	(10,192)	(18,633)	(9,093)
Net investment income	$ 273,588	$ 307,638	$ 169,382

4. Investments Available for Sale (Continued)

At December 31, 2000 and 1999, cash and securities with a market value of approximately $1,091.0 million and $907.8 million, respectively, were deposited, pledged or held in an escrow account to support long term debt or in favor of ceding companies or government authorities to comply with reinsurance contract provisions and insurance laws. Excluding debt securities issued by the U.S. and other AAA-rated sovereign governments, the Company is not exposed to any significant credit concentration risk.

5. Unpaid Losses and Loss Expenses

The table below is a reconciliation of the beginning and ending liability for unpaid losses and loss expenses, excluding policy benefits for life contracts, for the years ended December 31, 2000, 1999 and 1998 ($000's):

	2000	1999	1998
Gross liability at beginning of year	$ 2,616,556	$ 2,649,380	$ 1,098,527
Reinsurance recoverable at beginning of year	205,982	257,398	126,112
Net liability at beginning of year	2,410,574	2,391,982	972,415
Winterthur Re net liability, acquired December, 1998	–	–	1,402,256
Net incurred losses related to:			
Current year	801,916	917,106	420,854
Prior year	(112)	(60,351)	(57,857)
	801,804	856,755	362,997
Net paid losses related to:			
Current year	146,433	144,720	148,509
Prior year	778,382	537,682	231,454
	924,815	682,402	379,963
Effects of exchange rate changes	(104,711)	(155,761)	34,277
Net liability at end of year	2,182,852	2,410,574	2,391,982
Reinsurance recoverable at end of year	203,180	205,982	257,398
Gross liability at end of year	$ 2,386,032	$ 2,616,556	$ 2,649,380

The 2000, 1999 and 1998 reductions in incurred losses relating to prior years represent favorable settlements of previously established case reserves and changes in actuarial estimates of losses incurred but not reported as a result of favorable loss experience.

5. Unpaid Losses and Loss Expenses (Continued)

The Company's reserve for unpaid losses and loss expenses as of December 31, 2000 and 1999 included $60.5 million and $56.9 million, respectively, that represents an estimate of its net ultimate liability for asbestos and environmental claims. The gross liability for such claims as at December 31, 2000 and 1999 was $171.3 million and $173.7 million, respectively, of which $145.6 million and $150.6 million, respectively, related to U.S. casualty exposures arising from business written by SAFR (see Note 6).

SAFR ceased writing industrial casualty business covering risks in the U.S. in 1986. Ultimate values for such claims cannot be estimated using traditional reserving techniques and there are significant uncertainties in estimating the amount of the Company's potential losses for these claims. In view of the changes in the legal and tort environment that affect the development of such claims, the uncertainties inherent in valuing asbestos and environmental claims are not likely to be resolved in the near future. There can be no assurances that the reserves established by the Company will not be adversely affected by development of other latent exposures, and further there can be no assurances that the reserves established by the Company will be adequate.

The Company does, however, actively evaluate potential exposure to asbestos and environmental claims and establishes additional reserves as appropriate. The Company believes that it has made a reasonable provision for these exposures and is unaware of any specific issues which would materially affect its loss and loss expense estimates. Furthermore, as discussed in Note 6, the Company has a guaranty from the Assurances Générales de France ("AGF") and certain of its affiliates (collectively, the "AGF Group") whereby AGF has agreed to guarantee adverse loss development for pre-1992 business written by certain companies that were part of the AGF Group and which are currently part of SAFR. This guaranty expires on December 31, 2001.

6. Ceded Reinsurance

The Company uses retrocessional agreements to reduce its exposure to risk of loss on reinsurance assumed. These agreements provide for recovery of a portion of losses and loss adjustment expenses from retrocessionaires. The Company remains liable to the extent the retrocessionaires do not meet their obligations under these agreements, and therefore the Company evaluates the financial condition of its reinsurers and monitors concentration of credit risk. Provisions are made for amounts considered potentially uncollectible. The allowance for uncollectible reinsurance recoverable was $13.0 million and $12.7 million as at December 31, 2000 and 1999, respectively.

6. Ceded Reinsurance (Continued)

The Company has obtained a guaranty from the AGF Group relating to loss development on U.S. casualty exposures arising from business written prior to January 1, 1992 by certain companies that were at the time part of the AGF Group and are currently part of SAFR. This guaranty expires on December 31, 2001, with the final settlement due on or before September 30, 2002. If losses and loss expenses relating to those reserves develop further after the final settlement under the guaranty, the Company will be required to increase loss reserves with a corresponding reduction in income in the period in which the deficiency is identified. Balances payable under the guaranty have been received when due. There can be no assurances that AGF will be able to meet its obligations under the guaranty. As at December 31, 2000, AGF had an AAA financial strength rating from Standard & Poor's.

Premiums and losses and loss expenses for 2000, 1999 and 1998 are reported net of reinsurance in the Company's statement of operations. Assumed, ceded and net amounts for the years ended December 31, 2000, 1999 and 1998 were as follows ($000's):

2000	Premiums Written	Premiums Earned	Losses and Loss Expenses
Assumed	$ 1,439,515	$ 1,378,140	$ 1,078,667
Ceded	59,263	63,768	102,968
Net	$ 1,380,252	$ 1,314,372	$ 975,699
1999			
Assumed	$ 1,432,966	$ 1,447,404	$ 1,287,738
Ceded	106,556	109,395	157,636
Net	$ 1,326,410	$ 1,338,009	$ 1,130,102
1998			
Assumed	$ 735,849	$ 749,974	$ 449,106
Ceded	48,824	64,344	52,217
Net	$ 687,025	$ 685,630	$ 396,889

7. Long-Term Debt

In connection with the Acquisition, the Company's subsidiary, PartnerRe U.S., obtained a $220.0 million, 5.81% fixed rate bank loan. The loan, which is fully collateralized, is repayable in 2008, with interest payments due semiannually. The Company incurred interest expense of $13.0 million, $12.9 million and $1.1 million in 2000, 1999 and 1998, respectively, and paid interest of $13.0 million in both 2000 and 1999 in relation to the loan.

8. Taxation

Under current Bermuda law, none of the Company or any of its Bermuda-domiciled subsidiaries is required to pay taxes in Bermuda on either income or capital gains. The Company has received from the Minister of Finance of Bermuda an assurance under The Exempted Undertakings Tax Protection Act, 1966 of Bermuda that in the event of any such taxes being imposed, the Company will be exempted until 2016. Certain subsidiaries of the Company operate in, and are subject to taxation by, other jurisdictions.

Income tax expense for the years ended December 31, 2000, 1999 and 1998 and income taxes payable as at December 31, 2000, 1999 and 1998 were as follows ($000's):

	2000	1999	1998
Current income tax (benefit) expense	$ (5,984)	$ (22,557)	$ 24,786
Deferred income tax benefit	(37,754)	(21,227)	(14,040)
Income tax (benefit) expense	$ (43,738)	$ (43,784)	$ 10,746
Current income tax recoverable	$ (10,525)	$ (14,958)	$ (20,206)
Deferred income tax (recoverable) payable	(12,471)	6,810	61,115
Income taxes (recoverable) payable	$ (22,996)	$ (8,148)	$ 40,909

Deferred income taxes reflect the tax impact of temporary differences between the carrying amounts of assets and liabilities for financial reporting and income tax purposes. Significant components of the net deferred tax asset or liability as of December 31, 2000 and 1999 were as follows ($000's):

	2000	1999
Discounting of loss reserves and adjustment to life policy reserves	$ 16,257	$ 50,369
Retirement and other compensation plans	1,973	2,384
Tax loss carryforwards	47,959	33,638
Unearned premium	8,617	8,292
Other deferred tax assets	6,975	2,073
	81,781	96,756
Valuation allowance	(9,409)	–
Deferred tax assets	72,372	96,756
Unrealized appreciation and timing differences on investments	19,887	34,801
Deferred acquisition costs	16,097	38,139
Tax equalization reserves	11,698	12,852
Other deferred tax liabilities	12,219	17,774
Deferred tax liabilities	59,901	103,566
Net deferred tax (asset) liability	$ (12,471)	$ 6,810

As at December 31, 2000 the Company had tax benefits associated with deferred tax loss carryforwards with the following expiration dates: $11.5 million in 2006, $18.8 million in 2007, $10.6 million in 2018, $6.7 million in 2019 and $0.4 million in 2020. The Company has recorded a valuation allowance related to certain deferred tax assets. The valuation allowance reflects management's assessment, based on available information, that it is more likely than not that certain deferred income tax assets will not be realized. Realization of the deferred tax asset is dependent on generating sufficient taxable income in future periods. Although realization is not assured, management believes it is more likely than not that the remaining deferred tax asset will be realized.

In 1998 the Company adopted Statement of Financial Accounting Standards No. 130 "Reporting Comprehensive Income." This statement requires disclosure of the amount of income tax expense or benefits allocated to each component of "other comprehensive income." The following table summarizes the changes in "accumulated other comprehensive income" and the related tax benefit for the years ended December 31, 2000, 1999 and 1998 ($000's):

2000	Before Tax	Tax Effect	Net of Tax
Foreign currency translation adjustment	$ (22,446)	$ –	$ (22,446)
Unrealized (losses) gains on investments:			
Unrealized (losses) gains on investments and other foreign exchange gains and losses	197,279	(37,993)	159,286
Less reclassification adjustment for available for sale securities	17,287	7,063	24,350
	214,566	(30,930)	183,636
Change in accumulated other comprehensive income	$ 192,120	$ (30,930)	$ 161,190
1999			
Foreign currency translation adjustment	$ (34,883)	$ –	$ (34,883)
Unrealized (losses) gains on investments:			
Unrealized (losses) gains on investments and other foreign exchange gains and losses	(116,780)	34,632	(82,148)
Less reclassification adjustment for available for sale securities	(3,115)	1,414	(1,701)
	(119,895)	36,046	(83,849)
Change in accumulated other comprehensive income	$ (154,778)	$ 36,046	$ (118,732)
1998			
Foreign currency translation adjustment	$ 26,935	$ –	$ 26,935
Unrealized (losses) gains on investments:			
Unrealized (losses) gains on investments and other foreign exchange gains and losses	19,061	1,318	20,379
Less reclassification adjustment for available for sale securities	(23,650)	7,630	(16,020)
	(4,589)	8,948	4,359
Change in accumulated other comprehensive income	$ 22,346	$ 8,948	$ 31,294

9. Agreements with Related Parties

The Company was party to agreements with Swiss Reinsurance Company ("Swiss Re"), Head & Company L.L.C. ("Head Company"), Morgan Stanley and their respective affiliates as discussed below:

Agreements with Swiss Reinsurance Company

The Company utilized, in the conduct of its business, certain underwriting services and licensed technology provided by Swiss Re pursuant to various service agreements. Fees incurred pursuant to such agreements included fixed fees for access to technology and database resources. Fees incurred for each of the years ended December 31, 2000, 1999 and 1998, were $0.1 million, $0.3 million and $0.3 million, respectively.

In the normal course of their underwriting activities, the Company and certain subsidiaries entered into reinsurance contracts (assumed and ceded) with Swiss Re and certain Swiss Re subsidiaries during 2000 and 1999. Included in the 2000 consolidated results were assumed and ceded premiums of $15.1 million and $1.2 million, respectively, losses and loss expenses, including policy benefits for life contracts, of $10.6 million, loss recoveries of $7.7 million and assumed and ceded acquisition costs of $5.4 million and $0.7 million, respectively. As at December 31, 2000, there were reinsurance balances receivable and recoverable aggregating $22.8 million, unpaid losses and loss expenses, including policy benefits for life contracts, of $18.6 million, and funds held under reinsurance treaties of $3.8 million. Included in the 1999 consolidated results were assumed and ceded premiums of $18.7 million and $9.6 million, respectively, losses and loss expenses, including policy benefits for life contracts, of $17.0 million, loss recoveries of $14.2 million, and assumed and ceded acquisition costs of $6.9 million and $2.7 million, respectively. As at December 31, 1999, there were reinsurance balances recoverable aggregating $42.8 million, unpaid losses and loss expenses, including policy benefits for life contracts, of $24.9 million, and funds held under reinsurance treaties of $2.3 million.

Investment Advisory Agreements

The Company utilized the services of Swiss Re, Head Asset Management (Bermuda) L.P. (“HAMB”), an affiliate of Head Company, and Morgan Stanley Dean Witter Investment Management and affiliates (“MSDWIM”), a division of Morgan Stanley, to manage portions of its investment portfolio pursuant to investment advisory agreements. Pursuant to these agreements, which are subject to the Company’s investment guidelines and other restrictions, the Company paid a fee to each of Swiss Re, HAMB and MSDWIM. Investment fees expensed for the years ended December 31, 2000, 1999 and 1998 aggregated $2.8 million, $2.7 million and $1.7 million, respectively, under these agreements.

10. Retirement Benefit Arrangements

For employee retirement benefits, the Company maintains defined contribution plans, which are contributory or non-contributory depending upon local market practices.

Contributions are based on the participants’ base salary and the accumulated benefit for the majority of the plans vests immediately or over a two-year period. As of January 1, 2000, all employees previously enrolled in defined-benefit retirement plans have been transferred to defined-contribution plans. As required by law, certain retirement plans also provide for death and disability benefits as well as lump sum indemnities to employees upon retirement.

The Company incurred pension expense for these pension arrangements of $4.2 million, $2.1 million, and $1.6 million, for the years ended December 31, 2000, 1999 and 1998, respectively.

11. Stock and Stock Option Plans

Stock Option Plan

The Company has adopted a Stock Option Plan (the "Option Plan") under which the Company may grant, subject to certain restrictions, incentive ("ISOs") and non-qualified ("NQSOs") stock options to directors and employees of the Company. The Option Plan is administered by the Compensation Committee of the Board of Directors (the "Committee"). Under the Option Plan, ISOs may only be granted to employees of the Company, while NQSOs may be granted to employees, directors and consultants to the Company and to any other person selected by the Committee.

Pursuant to the terms of the Option Plan, the dates on which each option can be exercised, the expiration date of each option and the purchase price of shares subject to each option shall be fixed by the Committee at the time such options are granted. The exercise price of the options will be subject to a minimum price in the case of ISOs equal to the fair market value, as defined, of the common shares on the date of grant and a minimum price in the case of NQSOs equal to the par value of the common shares. No options shall be exercisable after ten years from the date of grant. A total of 2 million common shares may be issued under the Option Plan.

Employee Incentive Plan

The Company has adopted an Employee Incentive Plan (the "EIP") under which the Company may grant, subject to certain restrictions, stock options, restricted stock ("RS"), phantom stock units ("PSU"), performance units ("PU"), and performance shares ("PS") to key employees of the Company. The EIP is administered by the Committee.

Pursuant to the terms of the EIP, awards may be granted to eligible employees at any time, in any amount, to be determined by the Committee. The RS and PSU awards will be subject to terms, conditions, restrictions, and restricted periods fixed by the Committee which may be linked to prescribed performance goals. The PU and PS awards will be subject to performance goals that shall be fixed by the Committee. A total of 3,500,000 common shares may be issued under the EIP.

The Company issued 10,000 restricted shares in 2000 with a weighted-average grant date fair value of $54.50 per share. These shares will vest no earlier than four years from the grant date. The Company incurred compensation expense for restricted share grants in the years ended December 31, 2000, 1999 and 1998 of approximately $11,000, $433,000 and $247,000, respectively. Related deferred compensation expense at December 31, 2000 and 1999 was $534,000 and $nil, respectively.

11. Stock and Stock Option Plans (Continued)

Non-Employee Directors' Stock Plan

The Company has adopted a non-employee Directors' Stock Plan (the "Directors' Stock Plan"). Under the terms of the Directors' Stock Plan, non-employee Directors receive $35,000 in annual fees, paid at each annual shareholders' meeting, in common shares ("Directors' Shares") or cash depending on their election. The Directors' Stock Plan also provides for automatic annual awards of stock options to purchase 8,000 common shares at an exercise price per share equal to the market value per share at the time of grant, to be made to non-employee Directors at each successive annual shareholders' meeting. No options shall be exercisable after ten years from the date of grant. A total of 800,000 common shares may be issued under the Directors' Stock Plan.

Employee Share Purchase Plan

The Employee Share Purchase Plan (the "ESPP") was approved by the shareholders of the Company at the May 19, 2000 Annual General Meeting. The ESPP is administered by the Committee. The ESPP has two offering periods a year and purchases every six months with the first period commencing June 1, 2000. All employees are eligible to participate in the ESPP and can contribute between 1% and 10% of base salary towards the purchase of PartnerRe Ltd. shares up to a limit of $25,000 per annum. Employees who enroll in the ESPP may purchase PartnerRe Ltd. shares at a 15% discount of the fair market value. Once purchased, there is a restriction upon transfer or sale of the shares for a period of two years following purchase. Participants in the ESPP are eligible to receive dividends on their PartnerRe Ltd. shares as of the purchase date. A total of 500,000 common shares may be issued under the ESPP.

A summary of the status of the Company's outstanding stock options as of December 31, 2000, 1999 and 1998 and changes during the years ending on those dates is presented below:

		2000		1999		1998
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at beginning of year	**2,182,008**	**$ 31.59**	1,579,358	$ 28.24	1,376,308	$ 22.82
Granted	**755,969**	**37.11**	640,210	40.48	349,250	47.59
Exercised	**(806,987)**	**20.69**	(7,100)	27.12	(145,900)	23.40
Forfeited	**(56,348)**	**38.37**	(30,460)	44.52	(300)	34.13
Outstanding at end of year	**2,074,642**	**37.62**	2,182,008	31.59	1,579,358	28.24
Options exercisable at end of year	**980,352**	**$ 36.24**	1,418,078	$ 26.23	1,232,958	$ 23.88

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants in 2000, 1999 and 1998, respectively: risk free interest rates of 6.4%, 5.7% and 5.3%, expected lives of seven years, expected volatility of 25% and a dividend yield of 2%. The weighted average fair value of options granted during 2000, 1999 and 1998 was $13.90, $18.89 and $13.78, respectively.

11. Stock and Stock Option Plans (Continued)

The following table summarizes information about stock options outstanding at December 31, 2000:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 19.38 - $ 29.09	255,253	3.5 years	$ 21.56	255,253	$ 21.56
30.25 - 34.41	310,500	8.6	31.11	101,100	31.69
35.06 - 39.63	747,139	8.7	36.82	178,349	36.45
40.12 - 44.75	347,000	8.1	43.61	210,200	43.10
45.71 - 54.26	414,750	7.9	48.82	235,450	47.83
$ 19.38 - $ 54.26	2,074,642	7.8	$ 37.62	980,352	$ 36.24

Exercise prices for all options issued during 2000, 1999 and 1998 equaled the average market price of the stock on the grant date.

The Company applies APB Opinion No. 25 in accounting for stock options. Accordingly, no compensation cost has been recognized for grants of stock options under the Option Plan or the Directors' Stock Plan. Had compensation cost for the Company's stock option plans been determined based on the fair value at the grant dates for awards under those plans consistent with the method of SFAS No. 123, the Company's net income available to common shareholders and earnings per common share would have been reduced to the pro forma amounts indicated below ($000's except per share data):

	2000	1999	1998
Net income available to common shareholders:			
As reported	$ 122,307	$ 74,755	$ 246,306
Pro forma	$ 115,724	$ 70,218	$ 244,409
Earnings per common share:			
Basic			
As reported	$ 2.48	$ 1.44	$ 4.65
Pro forma	$ 2.35	$ 1.35	$ 4.61
Diluted			
As reported	$ 2.41	$ 1.40	$ 4.34
Pro forma	$ 2.28	$ 1.32	$ 4.30

12. Dividend Restrictions and Statutory Requirements

Under Bermuda law, the Company is prohibited from declaring or paying a dividend if such payment would reduce the realizable value of its assets to an amount less than the aggregate value of its liabilities ($4,005.3 million), issued share capital (share capital in the amount of $60.1 million) and share premium (additional paid-in capital in the amount of $892.3 million) accounts.

12. Dividend Restrictions and Statutory Requirements (Continued)

The Company's ability to pay common and preferred shareholders' dividends and its operating expenses is dependent on cash dividends from Partner Reinsurance Company and SAFR, including its subsidiary, PartnerRe U.S. (collectively the "reinsurance subsidiaries"). The payment of such dividends by the reinsurance subsidiaries to the Company is limited under Bermuda and French law and certain insurance statutes of various U.S. states in which PartnerRe U.S. is licensed. The restrictions are generally based on net income and/or certain levels of policyholders' earned surplus as determined in accordance with the relevant statutory accounting practices. At December 31, 2000, 1999 and 1998 there were no material statutory restrictions, except as noted below, on the reinsurance subsidiaries' abilities to pay dividends. PartnerRe U.S., a company licensed in the U.S., may not pay cash dividends without prior regulatory approval.

The reinsurance subsidiaries are required to file annual statements with insurance regulatory authorities prepared on an accounting basis prescribed or permitted by such authorities ("statutory basis"), maintain minimum levels of solvency and liquidity, and comply with risk-based capital requirements and licensing rules. As of December 31, 2000, the reinsurance subsidiaries' solvency, liquidity, surplus and risk-based capital amounts were well in excess of the minimum levels required. The typical adjustments to insurance statutory amounts to convert to U.S. GAAP include elimination of certain statutory reserves, deferral of certain acquisition costs, recognition of deferred income taxes, valuation of bonds at market and presenting ceded reinsurance balances gross of assumed balances.

13. Shareholders' Equity

Authorized Shares

At December 31, 2000 and 1999, the total authorized shares of the Company were 120 million shares, par value $1.00 per share, of which 100 million shares have been designated as common shares, 10 million shares have been designated as 8% Series A Cumulative Preferred Shares and 10 million shares remain undesignated.

Class A and Class B Warrants

In 1993, in connection with the issuance of common shares, the Company issued Class A Warrants to purchase, in the aggregate, approximately 10.1 million common shares. No Class A Warrants remain unexercised as of December 31, 2000. In 1993, the Company also issued Class B Warrants to purchase, in the aggregate, up to approximately 6.8 million common shares provided certain performance criteria were met. The exercise price is also subject to adjustment upon the occurrence of certain events relating principally to changes in the number of common shares, options or warrants outstanding. Twenty percent of the Class B Warrants were available for

13. Shareholders' Equity (Continued)

vesting on each of the first five anniversary dates of the issue of the Warrants. The vesting conditions for the Class B Warrants available for vesting in November 1998, 1996, 1995 and 1994, which aggregated to 5.5 million warrants, were not met and those warrants have been forfeited. The vesting conditions for the 1.3 million Class B Warrants available for vesting in November 1997 were met and those warrants are available for exercise through November 2004 at an exercise price of $20 per share, which reduces to $17 per share in November 2001.

Series A Cumulative Preferred Shares

In July 1997, the Company issued 10 million of the Company's 8% Series A Cumulative Preferred Shares, par value $1.00 per share, for net proceeds of $242.2 million, 2 million shares of which were issued to Swiss Re. Cumulative dividends of $0.50 per share are payable quarterly. The Company may under certain circumstances, described in the Company's Bye-Laws and the Certificate of Designation, redeem the stock, in whole or in part, after July 10, 2002 for $25.00 per share plus accrued dividends. In the event of liquidation of the Company, the holders of outstanding preferred shares would have preference over the common shareholders and would receive a distribution of $25.00 per share plus accrued dividends.

Earnings Per Share

The reconciliation of basic and diluted earnings per share is as follows ($000's except per share amounts):

			2000			1999			1998
	Income	Shares	Per Share	Income	Shares	Per Share	Income	Shares	Per Share
Net income	$ 142,307			$ 94,755			$266,306		
Preferred stock dividends	(20,000)			(20,000)			(20,000)		
Basic Earnings Per Share									
Net income available to common shareholders	$ 122,307	49,274.8	$ 2.48	$ 74,755	51,941.0	$ 1.44	$246,306	52,997.7	$ 4.65
Effect of Dilutive Securities:									
Class A and B Warrants		873.8			63.7			3,179.2	
Stock Options		528.9			1,226.4			626.7	
Diluted Earnings Per Share									
Net income available to common shareholders	$ 122,307	50,677.5	$ 2.41	$ 74,755	53,231.1	$ 1.40	$246,306	56,803.6	$ 4.34

14. Commitments

Lease Arrangements

The Company leases office space under operating leases expiring in various years through 2012. The leases are renewable at the option of the lessee under certain circumstances. The following is a schedule of future minimum rental payments, exclusive of escalation clauses, on non-cancelable leases as of December 31, 2000 ($000's):

Period	Amount
2001	$ 10,041
2002	10,827
2003	9,533
2004	7,973
2005 through 2012	50,220

Rent expense for the years ended December 31, 2000, 1999 and 1998, was $9.2 million, $8.4 million and $5.7 million, respectively.

Employment Agreements

The Company has entered into employment agreements with its executive officers for periods extending up to December 2001. These agreements provide for annual compensation in the form of salary, bonus, options to purchase shares in the Company and the reimbursement of certain expenses, as well as certain severance provisions.

15. Fair Value of Financial Instruments

Statement of Financial Accounting Standards ("SFAS") No. 107 "Disclosures about Fair Value of Financial Instruments" requires disclosure of fair value information of financial instruments. For certain financial instruments where quoted market prices are not available, management's best estimate of fair value may be based on quoted market prices of similar instruments or on other valuation techniques. Financial instruments may or may not be recognized on the balance sheet. SFAS 107 excludes insurance contracts, other than financial guarantees and investment contracts and certain other financial instruments.

The following methods and assumptions were used by the Company in estimating fair market value of each class of financial instruments recorded on the consolidated balance sheet:

Fair value for fixed maturities, short-term investments and equities are based on quoted market prices. Carrying value of other invested assets approximate fair value. Policy benefits for life and annuity contracts have a fair value equal to the cash value available to the policyholder should the policyholder surrender the policy. Fair value of long-term debt has been calculated as the present value of estimated future cash flows using a discount rate reflective of market interest rates.

15. Fair Value of Financial Instruments (Continued)

The carrying values and fair values of the financial instruments recorded in the consolidated balance sheet as at December 31, 2000 and 1999 were as follows ($000's):

	2000 Carrying Value	2000 Fair Value	1999 Carrying Value	1999 Fair Value
Assets				
Fixed maturities	$ 3,053,790	$ 3,053,790	$ 4,776,148	$ 4,776,148
Short term investments	24,853	24,853	58,477	58,477
Equities	354,801	354,801	186,708	186,708
Other invested assets	14,594	14,594	35,286	35,286
Liabilities				
Net policy benefits for life and annuity contracts	$ 656,492	$ 656,492	$ 996,857	$ 914,979
Long-term debt	220,000	215,140	220,000	197,290

Statement of Financial Accounting Standards No. 119 "Disclosures about Derivative Financial Instruments with Off-Balance Sheet Risk and Fair Value of Financial Instruments" requires additional disclosure for entities that hold or issue derivative financial instruments for purposes other than trading.

Foreign Exchange Forward Contracts

To the extent the Company has positions in non-U.S. dollar currencies, the Company may use foreign exchange forward contracts to hedge its currency risk. These derivative financial instruments are held for purposes other than trading, and as a result, gains or losses on these contracts are recorded in "accumulated other comprehensive income" as an offset to the gains or losses on the hedged position.

The Company is exposed to credit risk in the event of nonperformance by the other parties to the contracts. However, because the counterparties to these agreements are high quality international banks, the Company does not anticipate nonperformance. The difference between the contract amounts and the related market value is the Company's maximum credit exposure.

Forward foreign exchange contracts outstanding at December 31, 2000 and 1999 were as follows ($000's):

	2000 Contract Amount	2000 Market Value	2000 Net Unrealized (Losses) Gains	1999 Contract Amount	1999 Market Value	1999 Net Unrealized (Losses) Gains
Receivable	$ 2,040,169	$ 2,043,152	$ 2,983	$ 81,827	$ 81,741	$ (86)
Payable	(2,040,169)	(2,040,454)	(285)	(81,827)	(81,531)	296
Net	$ –	$ 2,698	$ 2,698	$ –	$ 210	$ 210

15. Fair Value of Financial Instruments (Continued)

In order to comply with the accounting provisions of SFAS 133, the Company has modified the execution of its currency risk management strategy, resulting in an increase in the amount of individual contracts used by the Company as at December 31, 2000.

Futures Contracts

The Company uses equity index futures as part of its asset allocation strategy, whereby equity index futures contracts are held in an amount equal to the market value of an equity market exposure. Each index futures contract held by the Company is rolled over quarterly into a new contract with a later maturity, thereby maintaining a constant equity market exposure. The value of the funds invested in equity index futures was $90.1 million at December 31, 2000.

Exchange traded bond and note futures are used by the Company as substitutes for ownership of the physical bonds and notes for the purposes of managing portfolio duration. Bond and note futures net positions were $64.6 million at December 31, 2000.

16. Credit Agreements

The Company has entered into agreements with financial institutions to provide unsecured committed credit facilities in the aggregate amount of $250 million. These facilities provide for the issuance of lines of credit and letters of credit. Under the terms of certain reinsurance agreements, irrevocable letters of credit were issued on an unsecured basis in the amount of $159.7 million, $173.8 million, and $63.8 million at December 31, 2000, 1999 and 1998, respectively, in respect of reported loss reserves.

17. Segment Information

The determination of the Company's reportable segments is based on how the Company is managed. The Company employs a matrix organization whereby the core underwriting operations are managed by teams of "Client Partners," which generally are responsible for geographic zones, and "Technical Partners," which are responsible for specialty lines or classes of business. Management believes measuring underwriting results by line of business is the most relevant representation of the segmentation of the Company's underwriting operations. As a result of the Acquisition, the Company has further diversified its operations and has strengthened its existing specialty lines. As of April 1, 1999, the Company further defined its organizational structure and, accordingly, the Company's segment reporting has been amended.

17. Segment Information (Continued)

Because the Company does not manage its assets by segment, investment income is not allocated to the segments of the property and casualty reinsurance operations. However, because of the interest sensitive nature of some of the Company's life products, investment income is considered in management's assessment of the profitability of the life reinsurance operations. The following items are not considered in evaluating the results of each segment: other operating expenses, net realized investment gains/losses, other income, goodwill amortization, interest expense, net foreign exchange gains/losses, income tax and preferred share dividends. Segment revenues and profits (or losses) are shown net of intercompany transactions.

Management measures segment results for the property, casualty and specialty segments on the basis of the "technical ratio," which is obtained by dividing the sum of the loss and loss adjustment expenses and acquisition costs by net premiums earned. Management measures segment results for the life segment on the basis of "technical result" which is defined as net premiums earned less loss and loss adjustment expenses and acquisition costs. The following table provides a summary of the segment revenues and results for the years ended December 31, 2000, 1999 and 1998 ($ millions):

Property (including Catastrophe)	2000	1999	1998
Net premiums written	$ 472.9	$ 436.0	$ 383.4
Net premiums earned	452.6	446.6	391.9
Technical ratio (1)	83.1 %	106.6 %	69.5 %
Casualty (including Automobile)			
Net premiums written	$ 408.4	$ 358.5	$ 173.0
Net premiums earned	386.1	338.2	166.4
Technical ratio (1)	113.4 %	116.0 %	107.7 %
Specialty (Agriculture, Marine, Aviation/Space, Credit/Surety, Miscellaneous)			
Net premiums written	$ 326.4	$ 308.9	$ 83.9
Net premiums earned	302.8	325.8	79.5
Technical ratio (1)	87.8 %	84.2 %	79.2 %
Total Non-life			
Net premiums written	$ 1,207.7	$1,103.4	$ 640.3
Net premiums earned	1,141.5	1,110.6	637.8
Technical ratio (1)	94.5 %	102.9 %	80.6 %
Life, Annuity & Health			
Net premiums written	$ 172.6	$ 223.0	$ 46.7
Net premiums earned	172.8	227.4	47.8
Technical result (2)	(42.9)	(78.5)	0.1
Investment income	68.0	107.8	5.1
Net technical result	$ 25.1	$ 29.3	$ 5.2

(1) Technical ratio is obtained by dividing the sum of loss and loss adjustment expenses and acquisition costs by net premiums earned.

(2) Technical result is defined as net premiums earned, less loss and loss adjustment expenses and acquisition costs.

17. Segment Information (Continued)

Reconciliation to Income before taxes:	2000	1999	1998
Technical result	$ 19.2	$(110.6)	$ 123.6
Other operating expenses	(103.2)	(93.1)	(33.2)
Net investment income	273.6	307.6	169.4
Net realized investment (losses) gains	(62.7)	(15.9)	23.7
Other income	0.4	0.7	0.9
Interest expense	(13.0)	(12.9)	(1.1)
Amortization of goodwill	(26.0)	(25.7)	(9.7)
Net foreign exchange gains	10.3	0.9	3.5
Income before taxes	$ 98.6	$ 51.0	$ 277.1

The following table provides the geographic distribution of gross premiums written for the years ended December 31, 2000, 1999 and 1998 ($ millions):

	2000	1999	1998
Europe	$ 534.4	$ 629.9	$ 354.2
North America	685.1	631.9	270.9
Asia, Australia and New Zealand	158.9	135.5	87.8
Latin America and the Caribbean	47.6	27.0	16.6
Africa	13.5	8.7	6.3
Total gross premiums written	$ 1,439.5	$ 1,433.0	$ 735.8

The Company produces its business both through brokers and through direct relationships with insurance company clients. None of the Company's clients accounted for more than 2% of total gross premiums written. One broker accounted for approximately 16%, 10%, and 12% of total gross premiums written in 2000, 1999 and 1998, respectively. All segments include business written through this broker.

18. Unaudited Quarterly Financial Information

($ millions except per share amounts)	2000 Fourth Quarter	2000 Third Quarter	2000 Second Quarter	2000 First Quarter	1999 Fourth Quarter	1999 Third Quarter	1999 Second Quarter	1999 First Quarter
Net premiums written	$ 290.0	$ 304.7	$ 345.4	$ 440.1	$ 296.5	$ 320.0	$ 301.8	$ 408.1
Net premiums earned	331.4	313.3	351.3	318.3	349.4	346.9	326.0	315.8
Net investment income	55.0	62.1	78.9	77.5	79.2	78.3	78.1	72.9
Net realized investment (losses) gains	(10.8)	(6.5)	(7.7)	(37.7)	16.0	(31.6)	(4.0)	3.7
Other income	0.2	0.2	0.1	(0.1)	0.1	0.3	0.5	(0.1)
Losses and loss expenses including life policy benefits	242.1	222.1	264.1	247.3	350.2	290.6	267.8	221.5
Acquisition costs and other expenses	122.1	97.1	110.9	92.5	113.9	98.6	106.7	92.5
Amortization of goodwill, interest expense and net foreign exchange losses	2.9	6.4	9.9	9.5	11.0	4.5	13.1	10.1
Income tax benefit	(7.9)	(7.4)	(13.8)	(14.6)	(20.1)	(15.6)	(7.3)	(0.8)
Net income (loss)	16.6	50.9	51.5	23.3	(10.3)	15.8	20.3	69.0
Preferred dividends	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Net income (loss) available to common shareholders	11.6	45.9	46.5	18.3	(15.3)	10.8	15.3	64.0
Earnings per common and common equivalent share:								
Diluted operating income (loss) per common share	$ 0.54	$ 1.06	$ 1.07	$ 1.14	$ (0.55)	$ 0.78	$ 0.33	$ 1.11
Diluted net income (loss) per common share	$ 0.23	$ 0.90	$ 0.92	$ 0.36	$ (0.30)	$ 0.21	$ 0.28	$ 1.15
Dividends per common share	$ 0.26	$ 0.26	$ 0.26	$ 0.26	$ 0.25	$ 0.25	$ 0.25	$ 0.25
Common stock price range								
High	$ 61.00	$ 47.44	$ 38.69	$ 36.81	$ 34.00	$ 39.50	$ 41.25	$ 46.00
Low	49.06	34.94	35.25	28.75	29.38	34.00	36.44	39.50

To the Board of Directors and Shareholders of PartnerRe Ltd.

We have audited the accompanying consolidated balance sheets of PartnerRe Ltd. and subsidiaries (the "Company") as of December 31, 2000 and 1999, and the related consolidated statements of operations and comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion such consolidated financial statements present fairly, in all material respects, the financial position of PartnerRe Ltd. and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States.

Deloitte & Touche

Hamilton, Bermuda
February 12, 2001

The management of PartnerRe Ltd. is responsible for the integrity of the financial information included in this annual report and for assuring that such information presents fairly the consolidated results of PartnerRe Ltd. The financial statements have been prepared in conformity with accounting principles that are generally accepted in the United States. The financial statements include amounts that are based on management's best estimates and judgments. The financial information presented elsewhere in this annual report is consistent with the financial statements.

The accounting systems and internal accounting controls of the Company are designed to provide reasonable assurance that transactions are executed in accordance with management's authorization, that the financial records are reliable for preparing financial statements and maintaining accountability for assets, and that assets are safeguarded against losses from unauthorized use or disposition. Qualified staff throughout the Company maintain and monitor these internal accounting controls on an ongoing basis.

The Company strives to foster an ethical environment such that its affairs are conducted in accordance with the highest standards of business and personal conduct.

Deloitte & Touche, our independent auditors, have audited the financial statements of the Company, and their audit report is included on page 87. In this regard, in conducting their audits, the independent auditors have full access to all of the Company's records, each member of management and the Audit Committee. Such audits are conducted in accordance with auditing standards generally accepted in the United States and include a review of internal controls, tests of transactions and other auditing procedures as they believe are necessary to express an opinion about the Company's financial statements.

The Audit Committee of the Board of Directors, which is composed solely of non-management directors, oversees management's fulfillment of its financial reporting responsibilities. Audit Committee activities are discussed on page 89 in the Audit Committee Chairman's Letter.

Patrick A. Thiele
President and Chief Executive Officer

Albert Benchimol
Chief Financial Officer

The Audit Committee of the Board of Directors is composed entirely of non-management directors. The Committee held four meetings during 2000.

The Audit Committee oversees management's fulfillment of its financial reporting responsibilities and also oversees the system of internal controls established by management. In fulfilling its responsibility, the Committee recommended to the Board of Directors, subject to shareholder approval, the selection of Deloitte & Touche as the Company's independent auditors. The Audit Committee discussed with representatives from Deloitte & Touche the overall scope and specific plans for their audit, as well as other matters required by the Securities and Exchange Commission. The Audit Committe has reviewed Deloitte & Touche's ability to act independently, and has concluded that there are no auditor independence issues. The Committee has also discussed the Company's financial statements and adequacy of the Company's internal control structure.

The Committee met with management and representatives of Deloitte & Touche to discuss financial reporting and auditing matters. Representatives from Deloitte & Touche are given the opportunity to meet with the Audit Committee to discuss, without management present, the results of their audits, their evaluations of the Company's internal controls and the overall quality of the Company's financial reporting. Deloitte & Touche has, at all times, access to the Audit Committee.

Robert M. Baylis
Chairman, Audit Committee

David T. McLaughlin
Member, Audit Committee

Lucio Stanca
Member, Audit Committee

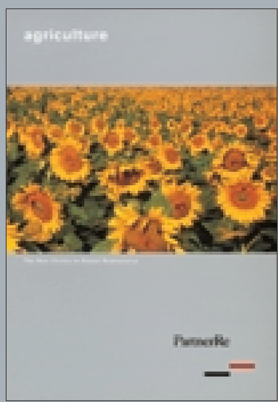
PartnerRe Publications

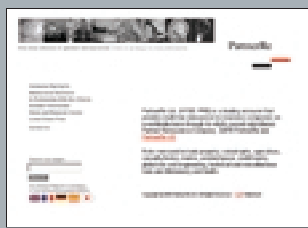
PartnerResearch

Conducting research in our areas of expertise and providing timely coverage on large loss events and their effects is an important part of our service. In 2000 we produced research reports on employment practices liability (EPL), whiplash injury, and the guaranteed minimum death benefit. Please check our website for a full list of our research publications and ordering details.

PartnerReviews

Our newsletter communicates our views on events in the world insurance and reinsurance markets, and news from within our Group.





PartnerRe CATalogue

PartnerRe provides a weekly summary of the natural catastrophes occurring around the world to our clients by e-mail.

Agriculture Brochure

A brochure about our enhanced agriculture services, addressing major issues and risk solutions.

PartnerRe.com

PartnerRe information is accessible on the world wide web, located at http://www.partnerre.com.

All of PartnerRe's publications are available from our Corporate Relations Manager, Celia Powell, in our Bermuda office (powell@partnerre.com) or through our website at www.partnerre.com

From left: Scott D. Moore,
Albert Benchimol, Bruno Meyenhofer,
Graham J. Dimmock, Patrick Thiele.

Group Management Executive Committee

Patrick Thiele
President & Chief Executive Officer
PartnerRe Ltd.

Albert Benchimol
Executive Vice President &
Chief Financial Officer
PartnerRe Ltd.

Scott D. Moore
PartnerRe, U.S.

Bruno Meyenhofer
PartnerRe, Zurich

Graham J. Dimmock
PartnerRe, Paris

Client Partners


Emil Bergundthal
Asia – Ex. Japan and Korea


Patrick Delalleau
Central Europe


Olivier Guiffart
Southern Europe


Christophe Kaegi
Northern Europe


Pierre Laurent
Canada – Australia/New Zealand – Middle East – Africa


Salvatore Orlando
Latin America


François-Bernard Savelli
France – Netherlands

Technical Partners


Kurt Angst
Chief Underwriting Officer, Europe


Eugene Balogh
Casualty


Peter Filliger
Credit & Surety


Maurus Iseli
Marine


Erich Kasten
Agriculture


Peter Nikitaidis
New Solutions


Marvin Pestcoe
New Solutions

Finance


John Adimari
Chief Financial Officer, U.S.


Harold Hoeg
Group Treasurer


Hugo Singer
Chief Financial Officer, Zurich


Edward Rand
Group Controller


Jean-Noël Schoutteten
Japan – Korea


Robin Williams
Chief Underwriting Officer, U.S.


Dennis Giannos
Treaty Underwriting, U.S.


Jean-Pierre Fillebeen
Treaty Underwriting, U.S.


John Murad
Chief Actuarial Officer, U.S.


John Robilotta
Facultative Casualty, U.S.


Roger Jacobsen
Surety, U.S.


Franck Pinette
Life


Philippe Pinquier
Global Risks


Willi Schürch
Catastrophe


Benjamin Weber
Aviation


Franz Wettach
Property & Engineering

Group Functions


Werner Heiz
Chief Technology Officer


Christine Patton
Legal & Corporate Compliance


Celia Powell
Corporate Relations


François Vilnet
Strategy, Planning and Risk Management


Diana Wilson
Human Resources

Vera Abati • John N. Adimari • Norbert Aepli • Gilles Agostini • Catherine Aicardi • Markus Aichinger Chantal Albert • Claudia Albrecht • Charles A. Allen • Paula Alves • Magdalena Amat Garcia Manuela Anderegg • Nathalie Andre • Georg Andrea • Mak Andrew • Kurt Angst • Michel Ansermet Shiori Anzai • Felix Arbenz • Greta Arena • Stella J. Assante • Isidra Aumont • Hélène Avedikian Jean-Michel Aymard • Zahia - Zina Baccouche • Andreas Balg • Eugen Balogh • Francoise Barbier Marie-Christine Barjon • Alain Barraud • Pascale Barriere • Philippe Bartolo • Yanchgen Baru Renaud Basta • Ghyslaine Batisse • Jean Pierre Bedoussac • Monika Behr • Anna Barbara Bek Amin Belabou • Arlette Belard • Albert Benchimol • Sue Benson • Denise L. Berger-Abouaf • Emil Bergundthal • Claude Bernard • Fabrice Berny • François Bianchi • Simone Bigler • Markus Biner • Martine Binois • Peter Bitterlin • Theodore R. Blank • Hervé Blumenthal • Prisca Boldo Violetta Boldrin • Domenick Bonarrigo • Thierry Bony • Christa Borowy • Sophie Borrens • Mary Bostic • Elisabete Bougis • Akim Boukdour • Valerie Boulley • Dorothea Boumezbar • Alain Bourdet • Pascal Bourquin • Estelle Boussendorffer • Didier Bouvet • Marco Bozzolo • Philip Bracco • Denis Braillon • Michel Breton • Corinne Bretonnet • Richard Brewer • Herve Brice • Marcel Brogle • James J. Brown • Markus Brugger • Jürg Buff • Kirk K. Bui • Fabienne Bui Dinh • Yvonne Bürgi • Werner Burkhardt • Peter Buser • Jean Pierre Buteau • Patricia Buteau • Hervé Cachin • Jean Pierre Caillard • Laurinda Calvario • Reto Candinas • Morgann Canny • John A. Capizzi • Simone Capon • Alix Carbonell • Hugo A. Cardona •Dalia Cardoso • Cecile Carel • Patrick Carnec • Herve Castella • Dominique Cattrini • Geraldine Ceruse • Gerard Chabas • Alain Charly • Philippe Charton Caroline Chedal-Anglay • Todd D. 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Dibuduo • François Dick • William Dick • Mariline Didierlaurent • Graham Dimmock • Christof Dobiess • James S. Dolan Myriam Dossche • Huong Douangphrachandr • Kevin Dougan • Robert R. Dragonetti • Marlene Dreano • Annick Drubin • Thierry Dubocage • Hervé Duke • Yvonne Dulong • Emmanuel Dumont Claudie Dupuis • Monique Duquenne • Evelyne Duquesne • J. Wesley Durrett • Stephan Eggli Stefan Eichl • Atilla Erarslan • Katherine M. Ervin • Delphine Espeyte • Magda S. Ezzeldin • Denise Fahrni • Dana Farrington • Isabelle Fauche • Jean-Francois Faye • Doug Fernadez • Elia Ferreira Lisa A. Fidelibus • Jean-Pierre Fillebeen • Peter Filliger • Isabelle Fiole • Diana Fionda • Andre Firon Silvio Fischer • Susanne Fischer • Susan M. 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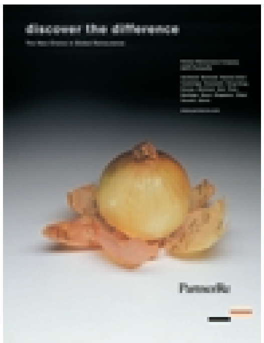
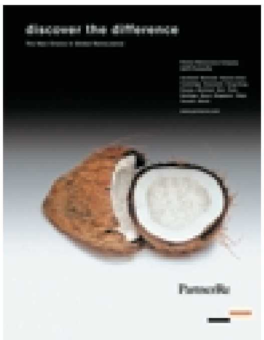


Group Advertising
Campaign 2000/2001



Krubitski • Birgit Künzler • Marianne Küpfer • Martin Küpfer • Caroline Kuruneri • Bernard La Bourdonnaye • Alain La Rochebrochard • Christiane Lacour • Patrick Lacourte • Richard V. Laguarina • Audrey Landes • Dennis S. LaPak • Mylene Laplace • David Lappin • Daniel T. Larkin Adrian Läubli • Jean Marc Laurent • Pierre Laurent • Julia M. LaVolpe • Veronique Le Boles • Jocelyne Le Guennec • Danielle Le Moullec • Jean-Michel Lecerf • Catherine Ledieu • Sebastian Lee Ghislaine Leglise • Sophie Lehmann • Urs Lehmann • Christina Leitner • Philippe Leveque • Jean Paul L'Henoret • Zhang Li • Susana Li • Patrick Li • Christina Lilburn • Jeremy Lilburn • Christina Lim Barbara Linsi • Michael F. 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Board of Directors

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Chairman
Orion Safety Products
New Hampshire, USA

Patrick Thiele
President & Chief Executive Officer
PartnerRe Ltd.
Pembroke, Bermuda

Robert Baylis
Vice Chairman (Retired)
CS First Boston
Connecticut, USA

Jan H. Holsboer
Executive Board Member (Retired)
ING Group
Huizen, Netherlands

Sir Robert B. Horton
Chairman (Retired)
Railtrack
London, England
and Former Chairman and CEO
British Petroleum

Walter B. Kielholz
Chief Executive Officer
Swiss Reinsurance Company
Zurich, Switzerland

Lucio Stanca
Chairman
IBM Europe Middle East Africa
Paris, France

Frederick B. Whittemore
Advisory Director
Morgan Stanley Dean Witter
New York, USA

Corporate Secretary

Christine Patton
General Counsel
PartnerRe Ltd.

Shareholders Meeting

The 2000 Annual General Meeting will be held on May 22, 2001, in Pembroke, Bermuda.

Independent Accountants

Deloitte & Touche
Church & Parliament Streets
Hamilton, Bermuda

Outside Counsel

Willkie Farr & Gallagher
787 Seventh Avenue
New York, NY 10019

Appleby, Spurling & Kempe
41 Cedar Avenue
Hamilton, Bermuda

Market Information

PartnerRe common shares are traded on the New York Stock Exchange under the symbol "PRE."

PartnerRe 8% Series A cumulative preferred shares are traded on the New York Stock Exchange under the symbol "PRE PrA."

As of March 16, 2001, the approximate number of common shareholders was 10,600.

Stock Transfer & Dividend Agent

State Street Bank & Trust Company
c/o Boston Equiserve Limited
Partnership
150 Royall Street
Canton, MA 02021

Additional Information

PartnerRe's Annual Report on Form 10-K, as filed with The Securities and Exchange Commission, is available at the Corporate Headquarters in Bermuda.

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