PARTNERRE LTD
Form 10-Q
November 04, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2009

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from __________ to __________.

Commission file number 1-14536

PartnerRe Ltd.

(Exact name of Registrant as specified in its charter)

Bermuda	**Not Applicable**
(State of incorporation)	**(I.R.S. Employer Identification No.)**

90 Pitts Bay Road, Pembroke, HM08, Bermuda

(Address of principal executive offices) (Zip Code)

(441) 292-0888

(Registrant s telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The number of the Registrant s common shares (par value $1.00 per share) outstanding, net of treasury shares, as of October 30, 2009 was 79,691,744.

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PartnerRe Ltd.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of PartnerRe Ltd.

We have reviewed the accompanying condensed consolidated balance sheet of PartnerRe Ltd. and subsidiaries (the Company) as of September 30, 2009, and the related condensed consolidated statements of operations and comprehensive income for the three-month and nine-month periods ended September 30, 2009 and 2008, and of shareholders equity and of cash flows for the nine-month periods ended September 30, 2009 and 2008. These interim condensed consolidated financial statements are the responsibility of the Company s management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of PartnerRe Ltd. and subsidiaries as of December 31, 2008 and the related consolidated statements of operations and comprehensive income, shareholders equity and cash flows for the year then ended (not presented herein); and in our report dated February 27, 2009, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2008 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Deloitte & Touche
Deloitte & Touche
Hamilton, Bermuda

November 4, 2009

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PartnerRe Ltd.

Unaudited Condensed Consolidated Balance Sheets

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

	September 30, 2009	December 31, 2008
Assets		
Investments:		
Fixed maturities, trading securities, at fair value (amortized cost: 2009, $10,908,153; 2008, $10,219,126)	**$ 11,252,027**	$ 10,181,995
Short-term investments, trading securities, at fair value (amortized cost: 2009, $47,111; 2008, $116,445)	**48,364**	117,091
Equities, trading securities, at fair value (cost: 2009, $787,874; 2008, $637,198)	**865,144**	512,812
Other invested assets	**120,281**	74,493
Total investments	**12,285,816**	10,886,391
Cash and cash equivalents, at fair value, which approximates amortized cost	**772,250**	838,280
Accrued investment income	**167,902**	169,103
Reinsurance balances receivable	**1,977,265**	1,719,694
Reinsurance recoverable on paid and unpaid losses	**148,663**	153,594
Funds held by reinsured companies	**851,932**	786,422
Deferred acquisition costs	**646,341**	617,121
Deposit assets	**320,455**	342,132
Net tax assets	**64,917**	215,703
Goodwill	**429,519**	429,519
Net receivable for securities sold		43,007
Other assets	**94,586**	78,354
Total assets	**$ 17,759,646**	$ 16,279,320
Liabilities		
Unpaid losses and loss expenses	**$ 7,558,318**	$ 7,510,666
Policy benefits for life and annuity contracts	**1,580,380**	1,432,015
Unearned premiums	**1,594,274**	1,273,787
Other reinsurance balances payable	**216,537**	209,007
Deposit liabilities	**341,275**	362,485
Net tax liabilities	**278,860**	219,679
Accounts payable, accrued expenses and other	**188,855**	164,968
Net payable for securities purchased	**35,604**	
Current portion of long-term debt	**200,000**	200,000
Long-term debt		200,000
Debt related to senior notes	**250,000**	250,000
Debt related to capital efficient notes	**70,989**	257,605
Total liabilities	**12,315,092**	12,080,212
Shareholders Equity		
Common shares (par value $1.00, issued: 2009, 58,276,502; 2008, 57,748,507)	**58,277**	57,749
Series C cumulative preferred shares (par value $1.00, issued and outstanding: 2009 and 2008, 11,600,000; aggregate liquidation preference: 2009 and 2008, $290,000)	**11,600**	11,600
Series D cumulative preferred shares (par value $1.00, issued and outstanding: 2009 and 2008, 9,200,000; aggregate liquidation preference: 2009 and 2008, $230,000)	**9,200**	9,200
Additional paid-in capital	**1,501,960**	1,465,688
Accumulated other comprehensive income:		

Net unrealized gains on investments (net of tax of: 2009 and 2008, $nil)	**4,908**	3,943
Currency translation adjustment	**82,731**	34,888
Unfunded pension obligation (net of tax of: 2009, $4,745; 2008, $4,668)	**(16,311)**	(16,023)
Retained earnings	**3,792,561**	2,729,662
Common shares held in treasury, at cost (2009, 5,000; 2008, 1,295,173)	**(372)**	(97,599)
Total shareholders equity	**5,444,554**	4,199,108
Total liabilities and shareholders equity	**$ 17,759,646**	$ 16,279,320

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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PartnerRe Ltd.

Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income

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

	For the three months ended September 30, 2009	For the three months ended September 30, 2008	For the nine months ended September 30, 2009	For the nine months ended September 30, 2008
Revenues				
Gross premiums written	**$ 893,714**	$ 868,584	**$ 3,080,243**	$ 3,276,079
Net premiums written	**$ 891,547**	$ 869,194	**$ 3,044,264**	$ 3,237,027
Decrease (increase) in unearned premiums	**199,144**	209,265	**(260,994)**	(293,275)
Net premiums earned	**1,090,691**	1,078,459	**2,783,270**	2,943,752
Net investment income	**145,350**	146,138	**414,071**	428,642
Net realized and unrealized investment gains (losses)	**330,226**	(324,184)	**566,643**	(595,327)
Net realized gain on purchase of capital efficient notes			**88,427**	
Other income (loss)	**8,385**	(3,838)	**16,327**	2,390
Total revenues	**1,574,652**	896,575	**3,868,738**	2,779,457
Expenses				
Losses and loss expenses and life policy benefits	**574,228**	751,961	**1,552,025**	1,890,349
Acquisition costs	**232,475**	232,814	**614,133**	665,222
Other operating expenses	**102,224**	86,939	**284,286**	275,956
Interest expense	**6,161**	11,877	**21,643**	38,687
Net foreign exchange losses	**961**	4,597	**5,511**	7,820
Total expenses	**916,049**	1,088,188	**2,477,598**	2,878,034
Income (loss) before taxes and interest in earnings (losses) of equity investments	**658,603**	(191,613)	**1,391,140**	(98,577)
Income tax expense (benefit)	**93,433**	(39,508)	**210,198**	(50,205)
Interest in earnings (losses) of equity investments	**1,535**	386	**1,552**	(351)
Net income (loss)	**566,705**	(151,719)	**1,182,494**	(48,723)
Preferred dividends	**8,631**	8,631	**25,894**	25,894
Net income (loss) available to common shareholders	**$ 558,074**	$ (160,350)	**$ 1,156,600**	$ (74,617)
Comprehensive income (loss)				
Net income (loss)	**$ 566,705**	$ (151,719)	**$ 1,182,494**	$ (48,723)
Change in net unrealized gains or losses on investments, net of tax	**(164)**	(146)	**965**	15,081
Change in currency translation adjustment	**40,121**	(91,732)	**47,843**	(34,726)
Change in unfunded pension obligation, net of tax	**(688)**	225	**(288)**	(109)
Comprehensive income (loss)	**$ 605,974**	$ (243,372)	**$ 1,231,014**	$ (68,477)
Per share data				
Net income (loss) per common share:				
Basic net income (loss)	**$ 9.60**	$ (3.01)	**$ 20.26**	$ (1.38)
Diluted net income (loss)	**$ 9.44**	$ (3.01)	**$ 19.95**	$ (1.38)

Weighted average number of common shares outstanding		**58,118,175**		53,339,890		**57,085,619**		53,952,690
Weighted average number of common and common share equivalents outstanding		**59,128,488**		53,339,890		**57,978,485**		53,952,690
Dividends declared per common share	**$**	**0.47**	$	0.46	**$**	**1.41**	$	1.38

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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PartnerRe Ltd.

Unaudited Condensed Consolidated Statements of Shareholders Equity

(Expressed in thousands of U.S. dollars)

	For the nine months ended September 30, 2009	For the nine months ended September 30, 2008
Common shares		
Balance at beginning of period	**$ 57,749**	$ 57,380
Issue of common shares	**528**	305
Balance at end of period	**58,277**	57,685
Preferred shares		
Balance at beginning and end of period	**20,800**	20,800
Additional paid-in capital		
Balance at beginning of period	**1,465,688**	1,441,598
Issue of common shares	**36,272**	24,564
Balance at end of period	**1,501,960**	1,466,162
Accumulated other comprehensive income		
Balance at beginning of period	**22,808**	289,250
Change in net unrealized gains or losses on investments, net of tax	**965**	15,081
Change in currency translation adjustment	**47,843**	(34,726)
Change in unfunded pension obligation, net of tax	**(288)**	(109)
Impact of adopting the fair value option for certain investments		(105,961)
Balance at end of period	**71,328**	163,535
Retained earnings		
Balance at beginning of period	**2,729,662**	2,753,784
Net income (loss)	**1,182,494**	(48,723)
Reissuance of treasury shares	**(13,883)**	(2,101)
Dividends on common shares	**(79,818)**	(74,277)
Dividends on preferred shares	**(25,894)**	(25,894)
Impact of adopting the fair value option for certain investments		105,961
Balance at end of period	**3,792,561**	2,708,750
Common shares held in treasury		
Balance at beginning of period	**(97,599)**	(241,255)
Reissuance of treasury shares	**97,227**	19,026
Repurchase of common shares		(110,017)
Balance at end of period	**(372)**	(332,246)
Total shareholders equity	**$ 5,444,554**	$ 4,084,686

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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PartnerRe Ltd.

Unaudited Condensed Consolidated Statements of Cash Flows

(Expressed in thousands of U.S. dollars)

	For the nine months ended September 30, 2009	For the nine months ended September 30, 2008
Cash Flows from Operating Activities		
Net income (loss)	**$ 1,182,494**	$ (48,723)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization of net premium on investments	**14,938**	6,903
Net realized and unrealized investment (gains) losses	**(566,643)**	595,327
Net realized gain on purchase of capital efficient notes	**(88,427)**	
Changes in:		
Reinsurance balances, net	**(186,388)**	(417,506)
Reinsurance recoverable on paid and unpaid losses, net of ceded premiums payable	**7,791**	5,353
Funds held by reinsured companies	**(19,362)**	147,890
Deferred acquisition costs	**(6,685)**	(63,478)
Net tax liabilities	**196,895**	(62,905)
Unpaid losses and loss expenses including life policy benefits	**(59,461)**	404,605
Unearned premiums	**260,994**	293,275
Other changes in operating assets and liabilities	**32,891**	22,584
Other, net	**5,513**	7,821
Net cash provided by operating activities	**774,550**	891,146
Cash Flows from Investing Activities		
Sales of fixed maturities	**4,736,803**	4,643,320
Redemptions of fixed maturities	**799,958**	602,701
Purchases of fixed maturities	**(6,029,175)**	(6,022,442)
Sales and redemptions of short-term investments	**168,001**	158,982
Purchases of short-term investments	**(96,588)**	(176,881)
Sales of equities	**592,508**	1,320,338
Purchases of equities	**(602,834)**	(1,146,976)
Other, net	**(27,963)**	(68,992)
Net cash used in investing activities	**(459,290)**	(689,950)
Cash Flows from Financing Activities		
Cash dividends paid to shareholders	**(105,712)**	(100,171)
Repayment of long-term debt	**(200,000)**	(220,000)
Purchase of capital efficient notes	**(94,241)**	
Net issue (repurchase) of common shares and treasury shares	**11,777**	(85,289)
Contract fees on forward sale agreement	**(3,779)**	(8,779)
Proceeds from issuance of senior notes		250,000
Net cash used in financing activities	**(391,955)**	(164,239)
Effect of foreign exchange rate changes on cash	**10,665**	(16,258)
(Decrease) increase in cash and cash equivalents	**(66,030)**	20,699
Cash and cash equivalents beginning of period	**838,280**	654,895
Cash and cash equivalents end of period	**$ 772,250**	$ 675,594

Supplemental cash flow information:

Taxes paid	**$**	**74,183**	$	25,494
Interest paid	**$**	**19,209**	$	30,903

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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PartnerRe Ltd.

Notes to Unaudited Condensed Consolidated Financial Statements

1. Organization

PartnerRe Ltd. (the Company) provides reinsurance on a worldwide basis through its principal wholly owned subsidiaries, Partner Reinsurance Company Ltd. (Partner Reinsurance), Partner Reinsurance Company of the U.S. (PartnerRe U.S.) and Partner Reinsurance Europe Limited (PartnerRe Europe). Risks reinsured include, but are not limited to property, casualty, motor, agriculture, aviation/space, catastrophe, credit/surety, engineering, energy, marine, specialty property, specialty casualty, multiline and other lines, life/annuity and health and alternative risk products. The Company s alternative risk products include weather and credit protection to financial, industrial and service companies on a worldwide basis.

On July 4, 2009, the Company entered into definitive agreements to effect a multi-step acquisition of all the outstanding common shares and warrants of PARIS RE Holdings Limited (Paris Re), a French-listed, Swiss-based diversified reinsurer and its operating subsidiaries. In July 2009, the Company purchased approximately 6.1% of the outstanding Paris Re common shares.

On October 2, 2009, the Company closed its block purchase of Paris Re s common shares and warrants. This purchase represented in the aggregate approximately 77% of the outstanding common shares of Paris Re, resulting in the Company s ownership of Paris Re s common shares increasing to approximately 83%. Since October 2, 2009, the Company has acquired additional common shares of Paris Re, resulting in the Company s ownership of Paris Re increasing to approximately 88.7%. See Notes 10 and 11.

2. Significant Accounting Policies

The Company s Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. The Condensed Consolidated Financial Statements include the accounts of the Company and its subsidiaries, including those that meet the consolidation requirements of variable interest entities. Intercompany accounts and transactions have been eliminated. To facilitate comparison of information across periods, certain reclassifications have been made to prior year amounts to conform to the current year s presentation.

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. While Management believes that the amounts included in the Condensed Consolidated Financial Statements reflect its best estimates and assumptions, actual results could differ from those estimates. The Company s principal estimates include:

- Unpaid losses and loss expenses;
- Policy benefits for life and annuity contracts;
- Gross and net premiums written and net premiums earned;
- Recoverability of deferred acquisition costs;
- Recoverability of deferred tax assets;
- Valuation of goodwill; and

Valuation of fixed maturity and equity investments that are measured using significant unobservable inputs and valuation of other invested assets, including certain derivative financial instruments.

In the opinion of Management, all adjustments (which include normal recurring adjustments) necessary for a fair presentation of results for the interim periods have been made. As the Company s reinsurance operations are exposed to low-frequency, high-severity risk events, some of which are seasonal, results for certain interim periods may include unusually low loss experience, while results for other interim periods may include significant catastrophic losses. Consequently, the Company s results for interim periods are not necessarily indicative of results for the full year. These Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2008.

The following significant accounting policies were adopted by the Company during the nine months ended September 30, 2009. The adoption of these policies did not have a material impact on the Company s consolidated shareholders equity or net income.

In June 2009, the Financial Accounting Standards Board (FASB) established the Accounting Standards Codification (the Codification) as the source of authoritative U.S. GAAP for non-governmental entities, in addition to guidance issued by the Securities and Exchange Commission. The Codification supersedes all then-existing, non-SEC accounting and reporting standards and reorganizes existing U.S. GAAP into authoritative accounting topics and sub-topics. The Company adopted the Codification as of September 30, 2009, and it impacted the Company s disclosures by eliminating all references to pre-Codification standards.

In May 2009, the FASB issued new accounting guidance which requires the Company to evaluate subsequent events through the date that the financial statements are issued, establishes the requirements for recognition of a subsequent event in its financial statements and establishes disclosure requirements about events or transactions that occurred after the balance sheet date. The Company adopted this guidance as of June 30, 2009.

In April 2009, the FASB issued new accounting guidance which required the Company to make additional disclosures about the fair value of financial instruments in its interim financial statements. The Company adopted this guidance as of June 30, 2009.

In April 2009, the FASB issued new accounting guidance which provided additional guidance on fair value measurements when the volume and level of activity for an asset or liability has significantly decreased and identifying transactions that are not orderly. The Company adopted this guidance on April 1, 2009.

In June 2008, the FASB reached a consensus regarding the determination of whether an instrument (or embedded feature) is indexed to an entity s own stock. The guidance outlines a two-step approach to evaluate the instrument s contingent exercise provisions, if any, and to evaluate the instrument s settlement provisions when determining whether an equity-linked financial instrument (or embedded feature) is indexed to an entity s own stock. The Company adopted this guidance on January 1, 2009.

In February 2008, the FASB issued new accounting guidance which permits a one-year deferral of the application of fair value for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company adopted this guidance on January 1, 2009.

In December 2007, the FASB issued new accounting guidance to establish accounting and reporting standards for a noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The Company adopted this guidance on January 1, 2009.

3. New Accounting Pronouncements

In June 2009, the FASB issued new accounting guidance which requires an enterprise to perform ongoing reassessments of its variable interest entities and requires enhanced disclosures of an enterprise s involvement in variable interest entities. The guidance will be effective for annual and interim periods beginning after November 15, 2009, with early adoption prohibited. The Company is currently evaluating the impact of the adoption of this guidance on its consolidated shareholders equity and net income.

In August 2009, the FASB issued new accounting guidance regarding the measurement of liabilities at fair value by clarifying that the quoted price for the identical liability, when traded as an asset in an active market, is also a Level 1 measurement for that liability when no adjustment to the quoted price is required. The guidance will be effective for interim and annual reporting periods beginning after August 28, 2009. The adoption of this guidance will not have any impact on the Company s shareholders equity or net income and the Company is currently evaluating the impact of adoption on its disclosures.

In December 2007, the FASB issued new accounting guidance related to business combinations and noncontrolling interests. Significant changes arising from this new accounting guidance include the determination of the purchase price and treatment of transaction expenses, restructuring charges, negative goodwill and the recognition of noncontrolling interests at fair value. In April 2009, the FASB issued additional guidance related to accounting for assets acquired and liabilities assumed in a business combination that arise from contingencies. As a result of the acquisition of Paris Re, the Company will adopt the new accounting guidance for business combinations, noncontrolling interests and contingencies in the fourth quarter of 2009. The Company is currently evaluating the impact of the new accounting guidance on its consolidated shareholders equity, net income and related disclosures.

4. Fair value

(a) Fair Value of Financial Instrument Assets

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value by maximizing the use of observable inputs and minimizing the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing an asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company s assumptions about what market participants would use in pricing the asset or liability based on the best information available in the circumstances. The level in the hierarchy within which a given fair value measurement falls is determined based on the lowest level input that is significant to the measurement.

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The Company must determine the appropriate level in the hierarchy for each financial instrument that it measures at fair value. In determining fair value, the Company uses various valuation approaches, including market, income and cost approaches. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 inputs Unadjusted, quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. The Company s financial instruments that it measures at fair value using Level 1 inputs generally include: equities listed on a major exchange and exchange traded derivatives, such as futures and options that are actively traded.

Level 2 inputs Quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets and directly or indirectly observable inputs, other than quoted prices, used in industry accepted models. The Company s financial instruments that it measures at fair value using Level 2 inputs generally include: U.S. Treasury bonds; U.S. Government Sponsored Entities; Organization for Economic Co-operation and Development Sovereign Treasury bonds; investment grade and high yield corporate bonds; catastrophe bonds; mortgage-backed securities; asset-backed securities (ABS); foreign exchange forward contracts and over-the-counter derivatives such as foreign currency option contracts, equity put and call options, interest rate swaps and credit default swaps.

Level 3 inputs Unobservable inputs.
The Company s financial instruments that it measures at fair value using Level 3 inputs generally include: unlisted equities including preference shares; unit trusts; private ABS; credit linked notes; loans receivable; total return swaps and weather derivatives.

At September 30, 2009 and December 31, 2008, the Company s financial instruments measured at fair value were categorized between Levels 1, 2 and 3 as follows (in thousands of U.S. dollars):

September 30, 2009	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Fixed maturities, trading securities	**$**	**$ 11,153,243**	**$ 98,784**	**$ 11,252,027**
Short-term investments, trading securities		**48,364**		**48,364**
Equities, trading securities	**828,891**	**188**	**36,065**	**865,144**
Other invested assets		**(25,961)**	**16,311**	**(9,650)**
Total	**$ 828,891**	**$ 11,175,834**	**$ 151,160**	**$ 12,155,885**

December 31, 2008	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Fixed maturities, trading securities	$	$ 10,103,857	$ 78,138	$ 10,181,995
Short-term investments, trading securities		116,954	137	117,091
Equities, trading securities	436,627	42,638	33,547	512,812
Other invested assets		(870)	(16,136)	(17,006)
Total	$ 436,627	$ 10,262,579	$ 95,686	$ 10,794,892

At September 30, 2009 and December 31, 2008, the aggregate carrying amounts of items included in Other invested assets that the Company did not measure at fair value were $129.9 million and $91.5 million, respectively, which primarily related to the Company s investments that are accounted for using the equity method of accounting or investment company accounting.

Substantially all of the accrued investment income in the Condensed Consolidated Balance Sheets as of September 30, 2009 and December 31, 2008 related to the Company s fixed maturities, short-term investments and equities for which the fair value option was elected.

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The following tables are reconciliations of the beginning and ending balances for all financial instruments measured at fair value using Level 3 inputs for the three months ended September 30, 2009 and 2008, respectively (in thousands of U.S. dollars):

Three months ended September 30, 2009	**Fixed maturities**	**Short-term investments**	**Equities**	**Other invested assets**	**Total**
Balance at beginning of period	**$ 71,975**	**$ 73**	**$ 34,714**	**$ 5,289**	**$ 112,051**
Realized and unrealized investment gains (losses) included in net income	**2,521**	**(35)**	**1,351**	**9,673**	**13,510**
Net purchases, sales and settlements	**28,166**			**(2,149)**	**26,017**
Net transfers (out of) into Level 3	**(3,878)**	**(38)**		**3,498**	**(418)**
Balance at end of period	**$ 98,784**	**$**	**$ 36,065**	**$ 16,311**	**$ 151,160**
Change in unrealized investment gains relating to assets held at end of period	**$ 1,878**	**$**	**$ 1,351**	**$ 8,662**	**$ 11,891**

Three months ended September 30, 2008	**Fixed maturities**	**Short-term investments**	**Equities**	**Other invested assets**	**Total**
Balance at beginning of period	$ 9,944	$	$ 39,165	$ 25,109	$ 74,218
Realized and unrealized investment losses included in net loss	(135)	(4)	(1,268)	(5,462)	(6,869)
Net purchases, sales and settlements	(239)	114		50,464	50,339
Balance at end of period	$ 9,570	$ 110	$ 37,897	$ 70,111	$ 117,688
Change in unrealized investment losses relating to assets held at end of period	$ (135)	$ (4)	$ (1,268)	$ (6,622)	$ (8,029)

The following tables are reconciliations of the beginning and ending balances for all financial instruments measured at fair value using Level 3 inputs for the nine months ended September 30, 2009 and 2008, respectively (in thousands of U.S. dollars):

Nine months ended September 30, 2009	**Fixed maturities**	**Short-term investments**	**Equities**	**Other invested assets**	**Total**
Balance at beginning of period	**$ 78,138**	**$ 137**	**$ 33,547**	**$ (16,136)**	**$ 95,686**
Realized and unrealized investment gains (losses) included in net income	**21,262**	**(99)**	**2,577**	**33,393**	**57,133**
Net purchases, sales and settlements	**22,230**		**(59)**	**(4,444)**	**17,727**
Net transfers (out of) into Level 3	**(22,846)**	**(38)**		**3,498**	**(19,386)**
Balance at end of period	**$ 98,784**	**$**	**$ 36,065**	**$ 16,311**	**$ 151,160**
Change in unrealized investment gains relating to assets held at end of period	**$ 1,679**	**$**	**$ 2,577**	**$ 32,385**	**$ 36,641**

Nine months ended September 30, 2008	**Fixed maturities**	**Short-term investments**	**Equities**	**Other invested assets**	**Total**
Balance at beginning of period	$ 15,166	$	$ 39,606	$ (14,838)	$ 39,934
Realized and unrealized investment (losses) gains included in net loss	(1,899)	(4)	(1,709)	4,949	1,337
Net purchases, sales and settlements	(239)	114		80,000	79,875
Net transfers out of Level 3	(3,458)				(3,458)
Balance at end of period	$ 9,570	$ 110	$ 37,897	$ 70,111	$ 117,688
Change in unrealized investment losses relating to assets held at end of period	$ (1,899)	$ (4)	$ (1,709)	$ (9,406)	$ (13,018)

Changes in the fair value of the Company s financial instruments measured at fair value, for which the fair value option was elected, during the three months and nine months ended September 30, 2009 and 2008, respectively, were as follows (in thousands of U.S. dollars):

	For the three months ended September 30, 2009	For the three months ended September 30, 2008	For the nine months ended September 30, 2009	For the nine months ended September 30, 2008
Fixed maturities, trading securities	**$ 243,234**	$ (97,577)	**$ 381,683**	$ (326,927)
Short-term investments, trading securities	**(898)**	(1,049)	**(1,479)**	(1,364)
Equities, trading securities	**74,384**	(56,280)	**199,072**	(130,582)
Total	**$ 316,720**	$ (154,906)	**$ 579,276**	$ (458,873)

All of the above changes in fair value are included in the Condensed Consolidated Statements of Operations under the caption Net realized and unrealized investment gains (losses).

(b) Fair Value of Financial Instrument Liabilities

The methods and assumptions used by the Company in estimating the fair value of each class of financial instrument liabilities recorded in the Condensed Consolidated Balance Sheet for which the Company does not measure these instruments at fair value did not change from December 31, 2008. The carrying values and fair values of the financial instrument liabilities recorded in the Condensed Consolidated Balance Sheets as of September 30, 2009 and December 31, 2008 were as follows (in thousands of U.S. dollars):

	September 30, 2009		December 31, 2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Policy benefits for life and annuity contracts (1)	**$ 1,580,380**	**$ 1,580,380**	$ 1,432,015	$ 1,432,015
Debt related to senior notes (2)	**250,000**	**265,667**	250,000	237,095
Debt related to capital efficient notes (3)	**63,384**	**37,424**	250,000	94,536
Current portion of long-term debt	**200,000**	**199,256**	200,000	200,000
Long-term debt			200,000	196,103

(1) Policy benefits for life and annuity contracts included short-duration and long-duration contracts.

(2) PartnerRe Finance A LLC, the issuer of the Senior Notes, does not meet U.S. GAAP consolidation requirements. Accordingly, the Company shows the related intercompany debt of $250.0 million at September 30, 2009 and December 31, 2008 in its Condensed Consolidated Balance Sheets.

(3) PartnerRe Finance II Inc., the issuer of the capital efficient notes, does not meet U.S. GAAP consolidation requirements. Accordingly, the Company shows the related intercompany debt of $71.0 million at September 30, 2009 and $257.6 million at December 31, 2008 in its Condensed Consolidated Balance Sheets. The fair value of the capital efficient notes was based on the aggregate principal amount outstanding from PartnerRe Finance II Inc. of $63.4 million at September 30, 2009 and $250.0 million at December 31, 2008 (see Note 5).

5. Debt

On March 2, 2009, the Company announced the commencement of a cash tender offer for any and all of the 6.440% Fixed-to-Floating Rate Junior Subordinated Capital Efficient Notes (CENts) due 2066 (see Note 13 to the Consolidated Financial Statements in the Company s Annual Report on Form 10-K for the year ended December 31, 2008). Under the terms of the tender offer, Partner Re Finance II Inc. (PartnerRe Finance II), an indirect wholly-owned subsidiary of the Company, and the issuer of the CENts, paid holders $500 per $1,000 principal amount of CENts tendered. In addition, holders of the CENts were paid any accrued and unpaid interest on the purchased CENts from the last interest payment date.

On March 13, 2009, PartnerRe Finance II purchased approximately 75% of the issue, or $186.6 million, for $93.3 million. Contemporaneously, under the terms of a cross receipt agreement, PartnerRe U.S. Holdings paid PartnerRe Finance II consideration of $93.3 million for the extinguishment of $186.6 million of the principal amount of PartnerRe U.S. Holdings 6.440% Fixed-to-Floating Rate promissory note due December 1, 2066. All other terms and conditions of the remaining CENts and promissory note remain unchanged. A pre-tax gain of $88.4 million, net of deferred issuance costs and fees, was realized on the foregoing transactions. The aggregate principal amount of the CENts and promissory note outstanding at September 30, 2009 was $63.4 million and $71.0 million, respectively.

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On January 8, 2009, the Company entered into a second amendment to the loan agreement, dated as of October 25, 2005, among the Company, as borrower, Citibank, N.A., as administrative agent, and Citibank, N.A., as lender, which originally evidenced a three-and-a-half year term loan agreement with Citibank, N.A. Under the terms of the second loan amendment, the Company had a right to prepay the half of the original $400.0 million loan that had a maturity of April 27, 2009. Any such prepayment under the terms of the second loan amendment would be accompanied by payment of accrued and unpaid interest on the prepayment amount. The remaining half of the loan has a maturity of July 12, 2010 and the Company does not have a right to prepay this amount. The loan was otherwise unchanged. On January 14, 2009, the Company elected to repay the half of the original $400.0 million loan that was due April 27, 2009. As of September 30, 2009, the remaining half of the loan with a maturity of July 12, 2010, has been reclassified from long-term debt to current portion of long-term debt. See Notes 12 and 22 to the Consolidated Financial Statements in the Company s Annual Report on Form 10-K for the year ended December 31, 2008.

6. Net Income (Loss) per Share

The reconciliation of basic and diluted net income (loss) per share is as follows (in thousands of U.S. dollars or shares, except per share amounts):

	For the three months ended September 30, 2009	For the three months ended September 30, 2008	For the nine months ended September 30, 2009	For the nine months ended September 30, 2008
Numerator:				
Net income (loss)	**$ 566,705**	$ (151,719)	**$ 1,182,494**	$ (48,723)
Less: preferred dividends	**8,631**	8,631	**25,894**	25,894
Net income (loss) available to common shareholders	**$ 558,074**	$ (160,350)	**$ 1,156,600**	$ (74,617)
Denominator:				
Weighted average number of common shares outstanding basic	**58,118.2**	53,339.9	**57,085.6**	53,952.7
Stock options and other (1)	**1,010.3**		**892.9**	
Weighted average number of common and common share equivalents outstanding diluted	**59,128.5**	53,339.9	**57,978.5**	53,952.7
Basic net income (loss) per share	**$ 9.60**	$ (3.01)	**$ 20.26**	$ (1.38)
Diluted net income (loss) per share (1)	**$ 9.44**	$ (3.01)	**$ 19.95**	$ (1.38)

(1) Dilutive securities, in the form of stock options and others, that could potentially dilute basic net loss per share were not included in the computation of diluted net loss per share because to do so would have been anti-dilutive for the three months and nine months ended September 30, 2008. The weighted average number of common and common share equivalents outstanding would have amounted to 54,583.3 thousand shares and 55,315.9 thousand shares if these securities had been included for the three months and nine months ended September 30, 2008, respectively. In addition, at September 30, 2009 and 2008, stock options to purchase 875.8 thousand and 818.8 thousand common shares, respectively, were excluded from the calculation of diluted weighted average number of common and common share equivalents outstanding because their exercise prices were greater than the average market price of the common shares.

7. Derivatives

The Company s derivative instruments are recorded in the Condensed Consolidated Balance Sheets at fair value, with changes in fair value mainly recognized in either net foreign exchange gains and losses or net realized and unrealized investment gains and losses in the Condensed Consolidated Statements of Operations, depending on the nature of the derivative instrument. The Company s objectives for holding or issuing these derivatives are as follows:

Foreign Exchange Forward Contracts

The Company utilizes foreign exchange forward contracts as part of its overall currency risk management and investment strategies. The Company also utilizes foreign exchange forward contracts to hedge a portion of its net investment exposure resulting from the translation of its foreign subsidiaries and branches whose functional currency is other than the U.S. dollar.

Foreign Currency Option Contracts and Futures Contracts

The Company also utilizes foreign currency option contracts to mitigate foreign currency risk. The Company uses exchange traded treasury note futures contracts and commodity futures to manage portfolio duration or hedge certain investments, respectively.

Credit Default Swaps

The Company purchases protection through credit default swaps to mitigate the risk associated with its underwriting operations, most notably in the credit/surety line and to manage market exposures.

The Company assumes credit risk through credit default swaps to replicate investment positions. The original term of these credit default swaps is generally five years or less and there are no recourse provisions associated with these swaps. While the Company would be required to perform under exposure assumed through credit default swaps in the event of a default on the underlying issuer, no issuer was in default at September 30, 2009. The counterparties on the Company s assumed credit default swaps are all highly rated financial institutions.

Insurance-Linked Securities

The Company has entered into various weather derivatives, a weather future and a longevity total return swap for which the underlying risks include parametric weather risks for the weather derivatives and the weather future, and longevity risk for the longevity total return swap.

Total Return and Interest Rate Swaps

The Company has entered into total return swaps referencing various project and principal finance obligations. The Company has also entered into interest rate swaps to mitigate interest rate risk on certain total return swaps.

The fair values and the related notional values of derivatives included in the Company s Condensed Consolidated Balance Sheets at September 30, 2009 and December 31, 2008 were as follows (in thousands of U.S. dollars):

	September 30, 2009		December 31, 2008	
	Fair Value	Notional Value	Fair Value	Notional Value
Derivatives designated as hedges				
Foreign exchange forward contracts (net investment hedge)	**$ (5,340)**	**$ 223,088**	$ (37,470)	$ 443,210
Derivatives not designated as hedges				
Foreign exchange forward contracts	**$ 16,505**	**$ 1,277,009**	$ 32,522	$ 1,196,830
Foreign currency option contracts	**1,861**	**94,319**	(8,027)	123,932
Futures contracts	**(37,200)**	**1,824,030**	7,991	1,122,524
Credit default swaps (protection purchased)	**(1,030)**	**208,770**	20,305	295,665
Credit default swaps (assumed risks)	**(379)**	**22,500**	(16,191)	46,130
Insurance-linked securities	**(3,291)**	**61,156**	(5,393)	60,000
Total return swaps	**2,656**	**214,915**	(24,898)	239,733
Interest rate swaps	**(10,075)**		(12,355)	
Other	**(27)**			
Total derivatives not designated as hedges	**$ (30,980)**		$ (6,046)	
Total derivatives	**$ (36,320)**		$ (43,516)	

The fair value of all derivatives at September 30, 2009 and December 31, 2008 is recorded in other invested assets in the Company s Condensed Consolidated Balance Sheets.

The effective portion of net investment hedging derivatives, recognized in accumulated other comprehensive income, at September 30, 2009 and December 31, 2008 was a $64.5 million loss and a $37.5 million loss, respectively.

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The gains and losses in the Condensed Consolidated Statement of Operations for derivatives not designated as hedges for the three months and nine months ended September 30, 2009 was as follows (in thousands of U.S. dollars):

	For the three months ended September 30, 2009	For the nine months ended September 30, 2009
Foreign exchange forward contracts	$ 36,058	$ 38,093
Foreign currency option contracts	1,861	4,044
Total included in net foreign exchange gains and losses	**$ 37,919**	**$ 42,137**
Futures contracts	$ (50,148)	$ (15,948)
Credit default swaps (protection purchased)	(5,121)	(13,957)
Credit default swaps (assumed risks)	5,721	5,798
Insurance-linked securities	120	691
Total return swaps	7,673	26,876
Interest rate swaps	(921)	2,281
Other		230
Total included in net realized and unrealized investment gains and losses	**$ (42,676)**	**$ 5,971**
Total derivatives not designated as hedges	**$ (4,757)**	**$ 48,108**

8. Legal Proceedings

Legal proceedings at September 30, 2009 have not changed significantly since December 31, 2008. See Note 16(e) to the Consolidated Financial Statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2008.

9. Segment Information

The Company monitors the performance of its operations in three segments, Non-life, Life and Corporate & Other as described in Note 19 to the Consolidated Financial Statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2008. The Non-life segment is further divided into four sub-segments: U.S., Global (Non-U.S.) P&C, Global (Non-U.S.) Specialty and Catastrophe.

Because the Company does not manage its assets by segment, net investment income is not allocated to the Non-life segment. However, because of the interest-sensitive nature of some of the Company s Life products, net investment income is considered in Management s assessment of the profitability of the Life segment. The following items are not considered in evaluating the results of the Non-life and Life segments: net realized and unrealized investment gains and losses, net realized gain on purchase of CENts, interest expense, net foreign exchange gains and losses, income tax expense or benefit and interest in earnings and losses of equity investments. Segment results are shown net of intercompany transactions.

Management measures results for the Non-life segment on the basis of the loss ratio, acquisition ratio, technical ratio, other operating expense ratio and combined ratio (defined below). Management measures results for the Non-life sub-segments on the basis of the loss ratio, acquisition ratio and technical ratio. Management measures results for the Life segment on the basis of the allocated underwriting result, which includes revenues from net premiums earned, other income or loss and allocated net investment income, and expenses from life policy benefits, acquisition costs and other operating expenses.

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The following tables provide a summary of the segment revenues and results for the three months and nine months ended September 30, 2009 and 2008 (in millions of U.S. dollars, except ratios):

Segment Information

For the three months ended September 30, 2009

	U.S.	Global (Non-U.S.) P&C	Global (Non-U.S.) Specialty	Catastrophe	Total Non-life Segment	Life Segment	Corporate and Other	Total
Gross premiums written	$ 279	$ 125	$ 284	$ 47	$ 735	$ 157	$ 2	$ 894
Net premiums written	$ 279	$ 124	$ 283	$ 47	$ 733	$ 157	$ 2	$ 892
Decrease in unearned premiums	33	36	12	112	193	3	2	198
Net premiums earned	$ 312	$ 160	$ 295	$ 159	$ 926	$ 160	$ 4	$ 1,090
Losses and loss expenses and life policy benefits	(171)	(84)	(195)	(9)	(459)	(115)		(574)
Acquisition costs	(80)	(39)	(73)	(12)	(204)	(28)		(232)
Technical result	**$ 61**	**$ 37**	**$ 27**	**$ 138**	**$ 263**	**$ 17**	**$ 4**	**$ 284**
Other income					5		3	8
Other operating expenses					(61)	(13)	(28)	(102)
Underwriting result					**$ 207**	**$ 4**	**n/a**	**$ 190**
Net investment income						16	129	145
Allocated underwriting result (1)						**$ 20**	**n/a**	**n/a**
Net realized and unrealized investment gains							330	330
Interest expense							(6)	(6)
Net foreign exchange losses							(1)	(1)
Income tax expense							(93)	(93)
Interest in earnings of equity investments							2	2
Net income							**n/a**	**$ 567**
Loss ratio (2)	54.9%	52.2%	66.1%	5.6%	49.5%			
Acquisition ratio (3)	25.7	24.5	24.8	7.4	22.0			
Technical ratio (4)	80.6%	76.7%	90.9%	13.0%	71.5%			
Other operating expense ratio (5)					6.6			
Combined ratio (6)					78.1%			

(1) Allocated underwriting result is defined as net premiums earned, other income or loss and allocated net investment income less life policy benefits, acquisition costs and other operating expenses.

(2) Loss ratio is obtained by dividing losses and loss expenses by net premiums earned.

(3) Acquisition ratio is obtained by dividing acquisition costs by net premiums earned.

(4) Technical ratio is defined as the sum of the loss ratio and the acquisition ratio.

(5) Other operating expense ratio is obtained by dividing other operating expenses by net premiums earned.

(6) Combined ratio is defined as the sum of the technical ratio and the other operating expense ratio.

Segment Information

For the three months ended September 30, 2008

	U.S.	Global (Non-U.S.) P&C	Global (Non-U.S.) Specialty	Catastrophe	Total Non-life Segment	Life Segment	Corporate and Other	Total
Gross premiums written	$ 263	$ 137	$ 276	$ 48	$ 724	$ 140	$ 5	$ 869
Net premiums written	$ 264	$ 137	$ 274	$ 48	$ 723	$ 141	$ 5	$ 869
Decrease in unearned premiums	12	58	16	111	197	8	5	210
Net premiums earned	$ 276	$ 195	$ 290	$ 159	$ 920	$ 149	$ 10	$ 1,079
Losses and loss expenses and life policy benefits	(212)	(98)	(185)	(128)	(623)	(114)	(15)	(752)
Acquisition costs	(67)	(47)	(72)	(14)	(200)	(32)	(1)	(233)
Technical result	**$ (3)**	**$ 50**	**$ 33**	**$ 17**	**$ 97**	**$ 3**	**$ (6)**	**$ 94**
Other (loss) income					(5)		1	(4)
Other operating expenses					(55)	(11)	(21)	(87)
Underwriting result					**$ 37**	**$ (8)**	**n/a**	**$ 3**
Net investment income						17	129	146
Allocated underwriting result (1)						**$ 9**	**n/a**	**n/a**
Net realized and unrealized investment losses							(324)	(324)
Interest expense							(12)	(12)
Net foreign exchange losses							(5)	(5)
Income tax benefit							40	40
Interest in earnings of equity investments								
Net loss							**n/a**	**$ (152)**
Loss ratio (2)	76.9%	50.3%	63.8%	80.8%	67.8%			
Acquisition ratio (3)	24.2	24.2	24.8	8.7	21.7			
Technical ratio (4)	101.1%	74.5%	88.6%	89.5%	89.5%			
Other operating expense ratio (5)					6.0			
Combined ratio (6)					95.5%			

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Segment Information

For the nine months ended September 30, 2009

	U.S.	Global (Non-U.S.) P&C	Global (Non-U.S.) Specialty	Catastrophe	Total Non-life Segment	Life Segment	Corporate and Other	Total
Gross premiums written	$ 840	$ 544	$ 875	$ 376	$ 2,635	$ 438	$ 7	$ 3,080
Net premiums written	$ 841	$ 541	$ 846	$ 376	$ 2,604	$ 433	$ 7	$ 3,044
Increase in unearned premiums	(29)	(63)	(72)	(86)	(250)	(10)	(1)	(261)
Net premiums earned	$ 812	$ 478	$ 774	$ 290	$ 2,354	$ 423	$ 6	$ 2,783
Losses and loss expenses and life policy benefits	(498)	(241)	(504)	2	(1,241)	(313)	2	(1,552)
Acquisition costs	(206)	(119)	(183)	(23)	(531)	(83)		(614)
Technical result	**$ 108**	**$ 118**	**$ 87**	**$ 269**	**$ 582**	**$ 27**	**$ 8**	**$ 617**
Other income					9	2	5	16
Other operating expenses					(170)	(34)	(80)	(284)
Underwriting result					**$ 421**	**$ (5)**	**n/a**	**$ 349**
Net investment income						46	368	414
Allocated underwriting result (1)						**$ 41**	**n/a**	**n/a**
Net realized and unrealized investment gains							567	567
Net realized gain on purchase of capital efficient notes							89	89
Interest expense							(22)	(22)
Net foreign exchange losses							(6)	(6)
Income tax expense							(210)	(210)
Interest in earnings of equity investments							1	1
Net income							**n/a**	**$ 1,182**
Loss ratio (2)	61.3%	50.5%	65.1%	(0.8)%	52.7%			
Acquisition ratio (3)	25.4	24.8	23.7	8.1	22.6			
Technical ratio (4)	86.7%	75.3%	88.8%	7.3%	75.3%			
Other operating expense ratio (5)					7.2			
Combined ratio (6)					82.5%			

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Segment Information

For the nine months ended September 30, 2008

	U.S.	Global (Non-U.S.) P&C	Global (Non-U.S.) Specialty	Catastrophe	Total Non-life Segment	Life Segment	Corporate and Other	Total
Gross premiums written	$ 849	$ 645	$ 921	$ 391	$ 2,806	$ 453	$ 17	$ 3,276
Net premiums written	$ 841	$ 642	$ 898	$ 391	$ 2,772	$ 448	$ 17	$ 3,237
Increase in unearned premiums	(14)	(60)	(118)	(90)	(282)	(8)	(3)	(293)
Net premiums earned	$ 827	$ 582	$ 780	$ 301	$ 2,490	$ 440	$ 14	$ 2,944
Losses and loss expenses and life policy benefits	(610)	(332)	(476)	(111)	(1,529)	(347)	(15)	(1,891)
Acquisition costs	(198)	(147)	(201)	(27)	(573)	(91)	(1)	(665)
Technical result	**$ 19**	**$ 103**	**$ 103**	**$ 163**	**$ 388**	**$ 2**	**$ (2)**	**$ 388**
Other (loss) income					(2)		4	2
Other operating expenses					(175)	(32)	(69)	(276)
Underwriting result					**$ 211**	**$ (30)**	**n/a**	**$ 114**
Net investment income						51	378	429
Allocated underwriting result (1)						**$ 21**	**n/a**	**n/a**
Net realized and unrealized investment losses							(595)	(595)
Interest expense							(39)	(39)
Net foreign exchange losses							(8)	(8)
Income tax benefit							50	50
Interest in losses of equity investments								
Net loss							**n/a**	**$ (49)**
Loss ratio (2)	73.7%	57.1%	61.1%	36.6%	61.4%			
Acquisition ratio (3)	23.9	25.2	25.7	9.1	23.0			
Technical ratio (4)	97.6%	82.3%	86.8%	45.7%	84.4%			
Other operating expense ratio (5)					7.0			
Combined ratio (6)					91.4%			

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10. Acquisition of Paris Re

On July 4, 2009, the Company entered into definitive agreements to effect a multi-step acquisition of all of the outstanding common shares and warrants of Paris Re.

As a first step in the acquisition, the Company will cause a wholly-owned subsidiary (the Merger Subsidiary) to purchase (the Block Purchase) all of the Paris Re common shares and Paris Re warrants held by six private equity firms and their related investment vehicles. In the Block Purchase, the Company will acquire approximately 57.4% of the outstanding Paris Re common shares. These shares, when added together with the approximately 6.1% of the outstanding Paris Re common shares that the Company purchased from certain other Paris Re shareholders in July 2009 (see below) and the additional approximately 19.5% of the outstanding Paris Re common shares that the Company has subsequently committed to acquire simultaneously with the closing of the Block Purchase from certain other Paris Re shareholders, will give the Company an aggregate ownership of approximately 83% of the outstanding Paris Re common shares following the closing of the Block Purchase.

Pursuant to the terms of the transaction agreement dated as of July 4, 2009 (as amended, the Transaction Agreement), the Company has agreed to acquire the remaining outstanding Paris Re common shares through a compulsory merger of Paris Re with and into the Merger Subsidiary in accordance with Swiss law (the Merger). The Merger is subject to certain customary conditions, including the affirmative approval of holders of at least 90% of the outstanding Paris Re voting rights in accordance with Swiss law. Pursuant to the terms of the Transaction Agreement, the Company has agreed, as soon as reasonably practicable after the closing of the Block Purchase, to cause Paris Re to call and hold a meeting of the Paris Re shareholders for the purpose of approving the Merger. Previously, the Company had agreed to commence a voluntary exchange offer for all remaining outstanding Paris Re common shares prior to the Merger. However, as a result of certain structural amendments entered into on September 28, 2009 among the Company, Paris Re and the Merger Subsidiary, the Merger will no longer be preceded by a voluntary exchange offer. However, if (1) the affirmative vote of the holders of at least 90% of all outstanding Paris Re voting rights in favor of the Merger is not obtained at the Paris Re shareholders meeting called for that purpose or at any adjournment or postponement thereof, or (2) the Merger is not effective on or prior to January 31, 2010, the original transaction structure will be reinstated.

In each step of the acquisition, the Company has exchanged or will exchange 0.300 Company common shares for each Paris Re common share and 0.167 Company common shares for each Paris Re warrant. If the Company declares a cash dividend or other cash distribution on the Company s common shares with a record date on or after the closing of the Block Purchase and prior to the effective time of the Merger, the per share consideration payable in the Merger will be appropriately adjusted upwards.

In conjunction with the purchase of approximately 6.1% of the outstanding Paris Re common shares, in July 2009, the Company issued approximately 1.5 million of its common shares (approximately 1.3 million of which were treasury shares) for consideration of $95.5 million. At September 30, 2009, the Paris Re common shares were recorded as equity investments in the Company s Condensed Consolidated Balance Sheet at $113.8 million, with the change in fair value since the date of acquisition of $18.3 million recorded in net realized and unrealized gains in the Condensed Consolidated Statement of Operations.

11. Subsequent Events

The Company has evaluated subsequent events through November 4, 2009, the date the financial statements were issued. The following events occurred subsequent to September 30, 2009 through November 4, 2009.

On October 2, 2009, the Company closed the Block Purchase and the associated purchases of 62.1 million Paris Re common shares and 8.4 million warrants to purchase common shares of Paris Re by issuing 20.0 million of its common shares. The Company s shareholders approved the issuance of these shares at a Special General Meeting on September 24, 2009. The Paris Re common shares acquired in these purchases represent in the aggregate approximately 76.9% of the outstanding Paris Re common shares. Following the closing of the Block Purchase, in late October 2009, the Company entered into a number of separate securities purchase agreements pursuant to which the Company acquired in the aggregate approximately 4.6 million Paris Re common shares held by certain Paris Re shareholders (collectively, the Subsequent Purchases), representing approximately 5.7% of the outstanding Paris Re common shares. In the Subsequent Purchases, the Company issued approximately 1.4 million of its common shares to the holders of Paris Re common shares. As a result of the Block Purchase and associated purchases that closed on October 2, 2009 and the Subsequent Purchases, the Company s ownership of Paris Re has increased from approximately 6.1% as of September 30, 2009, to approximately 88.7% of Paris Re s outstanding common shares.

On October 21, 2009, all the members of the Paris Re management board other than Hans-Peter Gerhardt, the chief executive officer of Paris Re, entered into voting agreements with the Company, pursuant to which they agreed to vote certain of their Paris Re common shares in favor of, among other things, the Merger. By virtue of these voting agreements and the similar voting commitment previously made by Mr. Gerhardt to the Company on September 28, 2009, a total of 1.7 million Paris Re common shares, representing approximately 2.2% of the outstanding Paris

Re common shares, are committed to be voted in favor of the Merger. Accordingly, the Company has secured, through its ownership of Paris Re common shares and the binding voting commitments, more than 90% of the currently outstanding Paris Re voting rights in favor of the Merger.

On October 26, 2009, the Company declared a cash dividend of $0.47 per common share payable to common shareholders of record on November 20, 2009. Since the record date for this dividend is after the closing of the Block Purchase and will be prior to the effective time of the Merger, the per share consideration payable in the Merger will be appropriately adjusted upwards.

On November 2, 2009, Paris Re, having met all of the conditions precedent to the payment of its previously announced extraordinary cash distribution by way of a capital reduction to all Paris Re shareholders in the amount of CHF 4.17 per Paris Re common share (the Swiss franc equivalent of $3.85 as of July 7, 2009, the date on which Paris Re fixed the U.S. dollar/Swiss franc currency exchange rate

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to be used for the extraordinary cash distribution) (the Share Capital Repayment), effected the Share Capital Repayment. The Paris Re shareholders that previously sold their Paris Re common shares to the Company in July 2009, received a payment of $3.85 at the closing of the Block Purchase for each Paris Re common share sold (net of dividends paid on the Company s common shares with respect to the period after such sale and prior to the closing of the Block Purchase). All other Paris Re shareholders who sold their common shares to the Company prior to the Share Capital Repayment received a payment of CHF 4.17 for each Paris Re common share sold either in cash or in the form of a promissory note issued by the Company at the time of the acquisition of their Paris Re common shares. On November 3, 2009, the Company paid in full all promissory notes issued to sellers of Paris Re common shares.

As of November 4, 2009, the financial information of Paris Re as of September 30, 2009 was not available. Accordingly, it is not practicable to prepare pro-forma financial information.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Executive Overview

The Company is a leading global reinsurer, with a broadly diversified and balanced portfolio of traditional reinsurance risks and capital markets risks. Successful risk management is the foundation of the Company s value proposition, with diversification of risks at the core of its risk management strategy.

The Company s ability to succeed in the risk assumption and management business is dependent on its ability to accurately analyze and quantify risk, to understand volatility and how risks aggregate or correlate, and to establish the appropriate capital requirements and absolute limits for the risks assumed. All risks are managed by the Company within an integrated framework of policies and processes that seek to ensure the intelligent and consistent evaluation and valuation of risk, and ultimately to provide an appropriate return to shareholders.

The Company s economic objective is to manage a portfolio of risks that will generate compound annual diluted book value per share growth of 10 percent and an average operating return on beginning shareholders equity of 13 percent over a reinsurance cycle.

See Executive Overview, Key Financial Measures and Other Key Issues of Management in Item 7 of Part II of the Company s 2008 Annual Report on Form 10-K.

Acquisition of Paris Re

On July 4, 2009, the Company entered into definitive agreements to effect a multi-step acquisition of all the outstanding common shares and warrants of PARIS RE Holdings Limited (Paris Re), a French-listed, Swiss-based diversified reinsurer and its operating subsidiaries. In July 2009, the Company purchased approximately 6.1% of the outstanding Paris Re common shares.

On October 2, 2009, the Company closed the Block Purchase and the associated purchases of 62.1 million Paris Re common shares and 8.4 million warrants to purchase common shares of Paris Re by issuing 20.0 million of its common shares. The Company s shareholders approved the issuance of these shares at a Special General Meeting on September 24, 2009. The Paris Re common shares acquired in these purchases represent in the aggregate approximately 76.9% of the outstanding Paris Re common shares. Following the closing of the Block Purchase, in late October 2009, the Company entered into a number of separate securities purchase agreements pursuant to which the Company acquired in the aggregate approximately 4.6 million Paris Re common shares held by certain Paris Re shareholders (collectively, the Subsequent Purchases), representing approximately 5.7% of the outstanding Paris Re common shares. In the Subsequent Purchases, the Company issued approximately 1.4 million of its common shares to the holders of Paris Re common shares. As a result of the Block Purchase and associated purchases that closed on October 2, 2009 and the Subsequent Purchases, the Company s ownership of Paris Re has increased from approximately 6.1% as of September 30, 2009, to approximately 88.7% of Paris Re s outstanding common shares.

On October 21, 2009, all the members of the Paris Re management board other than Hans-Peter Gerhardt, the chief executive officer of Paris Re, entered into voting agreements with the Company, pursuant to which they agreed to vote certain of their Paris Re common shares in favor of, among other things, the Merger. By virtue of these voting agreements and the similar voting commitment previously made by Mr. Gerhardt to the Company on September 28, 2009, a total of 1.7 million Paris Re common shares, representing approximately 2.2% of the outstanding Paris Re common shares, are committed to be voted in favor of the Merger. Accordingly, the Company has secured, through its ownership of Paris Re common shares and the binding voting commitments, more than 90% of the currently outstanding Paris Re voting rights in favor of the Merger.

On November 2, 2009, Paris Re, having met all of the conditions precedent to the payment of its previously announced extraordinary cash distribution by way of a capital reduction to all Paris Re shareholders in the amount of CHF 4.17 per Paris Re common share (the Swiss franc equivalent of $3.85 as of July 7, 2009, the date on which Paris Re fixed the U.S. dollar/Swiss franc currency exchange rate to be used for the extraordinary cash distribution) (the Share Capital Repayment), effected the Share Capital Repayment. The Paris Re shareholders that previously sold their Paris Re common shares to the Company in July 2009, received a payment of $3.85 at the closing of the Block Purchase for each Paris Re common share sold (net of dividends paid on the Company s common shares with respect to the period after such sale and prior to the closing of the Block Purchase). All other Paris Re shareholders who sold their common shares to the Company prior to the Share Capital Repayment received a payment of CHF 4.17 for each Paris Re common share sold either in cash or in the form of a promissory note issued by the Company at the time of the acquisition of their Paris Re common shares. On November 3, 2009, the Company paid in full all promissory notes issued to sellers of Paris Re common shares.

Following the closing of the Block Purchase, and in accordance with the Transaction Agreement, the Paris Re board of directors was reconstituted to give designees of the Company majority representation on the Paris Re board of directors. In addition, pursuant to the terms of the Transaction Agreement, following the closing of the Block Purchase, Roberto Mendoza, an existing director on the Paris Re board of

directors, was appointed to the Company s board of directors.

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In connection with each of the purchases of Paris Re shares, the Company provided registration rights to the Paris Re shareholders who exchanged their Paris Re shares for common shares of the Company.

Risk Management

A key challenge in the reinsurance industry is to create economic value through the intelligent assumption of reinsurance and capital markets and investment risk, but also to limit or mitigate those risks that can destroy tangible as well as intangible value. Management believes that every organization faces numerous risks that could threaten the successful achievement of a company s goals and objectives. These include choice of strategy and markets, economic and business cycles, competition, changes in regulation, data quality and security, fraud, business interruption and management continuity; all factors which can be viewed as either strategic or operational risks that are common to any industry. In addition to these risks, the Company assumes risks and its results are primarily determined by how well the Company understands, prices and manages assumed risk. While many industries and companies start with a return goal and then attempt to eliminate risks that may derail that goal, the Company starts with a capital-based risk appetite and then looks for risks that meet its return targets within that framework. Management believes that this construct allows the Company to balance the cedants need for absolute certainty of claims payment with the shareholders need for an adequate return on their capital. See Executive Overview Other Key Issues of Management Risk Management in Item 7 of Part II of the Company s 2008 Annual Report on Form 10-K for a complete description of the Company s risks, risk management framework and the related risk management strategies and controls.

The Company seeks to maintain a risk appetite moderately above the average of the reinsurance market because Management believes that this position offers the best potential for creating shareholder value at an acceptable risk level. The most profitable products generally present the most volatility and potential downside risk. Management believes that the Company s actual risk profile is equal to or less than the average of the reinsurance market because of the level of diversification achieved in the portfolio, the strict adherence to risk appetite and limits, and the risk mitigation strategies employed.

The Company manages assumed risk at a strategic level through diversification, risk appetite, and absolute limits. For each key risk, the Board approves a risk appetite that the Company defines as the percentage of economic capital the Company is willing to expose to economic loss with a modeled probability of occurring once every 15 years and once every 75 years. The Company manages its exposure to key risks such that the modeled economic loss at a 1 in 15 year and a 1 in 75 year return period are less than the economic capital the Company is willing to expose to the key risks at those return periods.

The major risks to the Company s balance sheet are typically due to events that Management refers to as shock losses. The Company defines a shock loss as an event that has the potential to materially damage economic value. The Company defines its economic value as the difference between the net present value of tangible assets and the net present value of liabilities, using appropriate discount rates. For traded assets, the calculated net present values are equivalent to market values.

There are three areas of risk that the Company has currently identified as having the greatest potential for shock losses: catastrophe, reserving for casualty and other long-tail lines, and equity and equity-like investment risk. The Company manages the risk of shock losses by setting risk appetite and limits as described above for each type of shock loss. The Company establishes limits to manage the absolute maximum foreseeable loss from any one event and considers the possibility that several shock losses could occur at one time, for example a major catastrophe event accompanied by a collapse in the equity markets. Management believes that the limits that it has placed on shock losses will allow the Company to continue writing business should such an event occur.

Other risks such as interest rate risk and credit risk have the ability to impact results substantially and may result in volatility of results from quarter to quarter, but Management believes that by themselves, they are unlikely to represent a material downside threat of destruction of the Company s long-term economic value. See Quantitative and Qualitative Disclosures about Market Risk in Item 3 of Part I of this report for additional disclosure on interest rate risk, credit spread risk, foreign currency risk, counterparty credit risk and equity price risk.

The limits at September 30, 2009 and actual exposures at September 30, 2009 and December 31, 2008 of the Company for its three major risks were as follows:

Risk	**Limit at September 30, 2009**	**Utilized at September 30, 2009**	**Utilized at December 31, 2008**
Catastrophe risk largest zonal limit	$ 1.6 billion	$ 1.5 billion	$ 1.4 billion
	3.8 billion	2.7 billion	2.8 billion

Casualty reserving risk	total earned premiums for casualty and other long-tail lines for the four most recent underwriting periods			
Equity investment risk	value of equity and equity-like securities	2.4 billion	1.3 billion	920 million

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The risk appetite at September 30, 2009 and modeled economic loss at September 30, 2009 and December 31, 2008 for the Company s three major risks were as follows:

Risk	Risk Appetite at September 30, 2009	Modeled Economic Loss at September 30, 2009	Modeled Economic Loss at December 31, 2008
Catastrophe risk 1 in 75 year annual aggregate loss	$ 960 million	$ 900 million	$ 810 million
Casualty reserving risk casualty and other long-tail lines 1 in 15 year prior years reserve development	480 million	340 million	350 million
Equity investment risk 1 in 75 year decline in value	720 million	380 million	280 million

Critical Accounting Policies and Estimates

Critical Accounting Policies and Estimates of the Company at September 30, 2009 have not changed materially compared to December 31, 2008. See Critical Accounting Policies and Estimates in Management s Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of Part II of the Company s 2008 Annual Report on Form 10-K. The following discussion updates specific information related to the Company s estimates for losses and loss expenses and life policy benefits and fair value measurements.

Losses and Loss Expenses and Life Policy Benefits

Losses and Loss Expenses

Because a significant amount of time can elapse between the assumption of risk, occurrence of a loss event, the reporting of the event to an insurance company (the primary company or the cedant), the subsequent reporting to the reinsurance company (the reinsurer) and the ultimate payment of the claim on the loss event by the reinsurer, the Company s liability for unpaid losses and loss expenses (loss reserves) is based largely upon estimates. The Company categorizes loss reserves into three types of reserves: reported outstanding loss reserves (case reserves), additional case reserves (ACRs) and incurred but not reported (IBNR) reserves. The Company updates its estimates for each of the aforementioned categories on a quarterly basis using information received from its cedants. The Company also estimates the future unallocated loss adjustment expenses (ULAE) associated with the loss reserves and these form part of the Company s loss adjustment expense reserves. The Company s Non-life loss reserves for each category and sub-segment are reported in the table included later in this section.

The amount of time that elapses before a claim is reported to the cedant and then subsequently reported to the reinsurer is commonly referred to in the industry as the reporting tail. For all lines, the Company s objective is to estimate ultimate losses and loss expenses. Total loss reserves are then calculated by subtracting losses paid. Similarly, IBNR reserves are calculated by subtraction of case reserves and ACRs from total loss reserves.

The Company analyzes its ultimate losses and loss expenses after consideration of the loss experience of various reserving cells. The Company assigns treaties to reserving cells and allocates losses from the treaty to the reserving cell. The reserving cells are selected in order to ensure that the underlying treaties have homogeneous loss development characteristics (e.g., reporting tail) but are large enough to make estimation of trends credible. The selection of reserving cells is reviewed annually and changes over time as the business of the Company evolves. For each reserving cell, the Company s estimates of loss reserves are reached after a review of the results of several commonly accepted actuarial projection methodologies. In selecting its best estimate, the Company considers the appropriateness of each methodology to the individual circumstances of the reserving cell and underwriting year for which the projection is made.

See Critical Accounting Policies and Estimates Losses and Loss Expenses and Life Policy Benefits in Item 7 of Part II of the Company s 2008 Annual Report on Form 10-K for additional information on the reserving methodologies employed by the Company, the principal reserving methods used for the reserving lines, the principal parameter assumptions underlying the methods and the main underlying factors upon which the estimates of reserving parameters are predicated. The Company s best estimate of total loss reserves is typically in excess of the midpoint of the actuarial reserve estimates. The Company believes that there is potentially significant risk in estimating loss reserves for long-tail lines of business and for immature underwriting years that may not be adequately captured through traditional actuarial projection methodologies. In selecting its best estimate of future liabilities, the Company considers both the results of actuarial point estimates of loss reserves as well as the potential variability of these estimates as captured by a reasonable range of actuarial reserve estimates. Selected reserves are always within the indicated reasonable range of estimates indicated by the Company s actuaries.

During the three months and nine months ended September 30, 2009 and 2008, the Company reviewed its estimate for prior year losses for each sub-segment of the Non-life segment and, in light of developing data, determined to adjust its ultimate loss ratios for

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prior accident years. The following table summarizes the prior year net favorable reserve development for the Company s Non-life segment for the three months and nine months ended September 30, 2009 and 2008 (in millions of U.S. dollars):

	For the three months ended September 30, 2009	For the three months ended September 30, 2008	For the nine months ended September 30, 2009	For the nine months ended September 30, 2008
Prior year favorable loss development:				
Non-life segment				
U.S.	**$ 43**	$ 16	**$ 120**	$ 54
Global (Non-U.S.) P&C	**46**	41	**133**	150
Global (Non-U.S.) Specialty	**18**	21	**74**	86
Catastrophe	**15**	25	**38**	60
Total Non-life prior year net favorable reserve development	**$ 122**	$ 103	**$ 365**	$ 350

The net favorable reserve development on prior accident years for the three and nine months ended September 30, 2009 and 2008 was driven by the following factors (in millions of U.S. dollars):

	For the three months ended September 30, 2009	For the three months ended September 30, 2008	For the nine months ended September 30, 2009	For the nine months ended September 30, 2008
Prior year favorable (adverse) loss development:				
Non-life segment				
Net prior year reserve development due to changes in premiums	**$ (12)**	$ (7)	**$ 15**	$ 16
Net prior year reserve development due to all other factors[(1)]	**134**	110	**350**	334
Total Non-life prior year net favorable reserve development	**$ 122**	$ 103	**$ 365**	$ 350

(1) Net prior year reserve development due to all other factors includes but is not limited to loss experience, changes in assumptions and changes in methodology.

For a discussion of prior year net favorable reserve development by Non-life sub-segment, see Results by Segment below. See Critical Accounting Policies and Estimates Losses and Loss Expenses and Life Policy Benefits in Item 7 of Part II of the Company s 2008 Annual Report on Form 10-K for additional information by reserving lines.

Case reserves are reported to the Company by its cedants, while ACRs and IBNR reserves are estimated by the Company. The following table shows the gross reserves reported by cedants (case reserves), those estimated by the Company (ACRs and IBNR reserves) and the total gross and net loss reserves recorded as of September 30, 2009 for each Non-life sub-segment (in millions of U.S. dollars):

	Case reserves	ACRs	IBNR reserves	Total gross loss reserves recorded	Ceded loss reserves	Total net loss reserves recorded
U.S.	$ 737	$ 140	$ 1,878	$ 2,755	$ (28)	$ 2,727
Global (Non-U.S.) P&C	1,270	8	1,013	2,291	(36)	2,255
Global (Non-U.S.) Specialty	1,163	26	1,072	2,261	(60)	2,201
Catastrophe	123	96	32	251		251

Total Non-life	$ 3,293	$ 270	$ 3,995	$ 7,558	$ (124)	$ 7,434

The net loss reserves represent the Company s best estimate of future losses and loss expense amounts based on information available as of September 30, 2009. Loss reserves are estimates involving actuarial and statistical projections at a given time that reflect the Company s expectations of the costs of the ultimate settlement and administration of claims. The estimates are continually reviewed and the ultimate liability may be in excess of, or less than, the amounts provided, and any adjustments will be reflected in the period in which the need for an adjustment is determined.

The Company estimates its net loss reserves using single actuarial point estimates. Ranges around these actuarial point estimates are developed using stochastic simulations and techniques and provide an indication as to the degree of variability of the loss reserves. The Company interprets the ranges produced by these techniques as confidence intervals around the Company s best estimates for each Non-life sub-segment. However, due to the inherent volatility in the business written by the Company, there can be no guarantee that the final settlement of the loss reserves will fall within these ranges.

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The actuarial point estimates recorded by the Company, and the range of estimates around these point estimates at September 30, 2009, were as follows for each Non-life sub-segment (in millions of U.S. dollars):

	Recorded Point Estimate	High	Low
Net Non-life sub-segment loss reserves:			
U.S.	$ 2,727	$ 2,978	$ 2,122
Global (Non-U.S.) P&C	2,255	2,399	1,973
Global (Non-U.S.) Specialty	2,201	2,318	1,926
Catastrophe	251	269	227

It is not appropriate to add together the ranges of each sub-segment in an effort to determine a high and low range around the Company s total net Non-life recorded loss reserves.

Based on information currently available and the range of potential estimated ultimate liabilities, the Company believes that the unpaid loss and loss expense reserves for U.S. and Global (Non-U.S.) specialty casualty, Global (Non-U.S.) credit/surety, U.S. surety and other potentially exposed classes of business contemplate a reasonable provision for exposures related to the effect of increased financial stress in the world economies. The Company is unaware of any specific issues that would materially affect its unpaid loss and loss expenses estimates related to this exposure.

Life Policy Benefits

Policy benefits for life and annuity contracts relate to the business in the Company s Life operations, which predominantly includes reinsurance of longevity, subdivided into standard and non-standard annuities, and mortality business, which includes traditional death and disability covers (with various riders), term assurance and critical illness written in the UK and Ireland, and guaranteed minimum death benefit (GMDB) written in Continental Europe.

The Company categorizes life reserves into three types: reported outstanding loss reserves (case reserves), incurred but not reported (IBNR) reserves and reserves for future policy benefits. Such liabilities are established based on methods and underlying assumptions in accordance with U.S. GAAP and applicable actuarial standards. Principal assumptions used in the establishment of reserves for future policy benefits have been determined based upon information reported by ceding companies, supplemented by the Company s actuarial estimates of mortality, critical illness, persistency and future investment income, with appropriate provision to reflect uncertainty.

For the traditional life portfolio, case reserves, IBNR reserves and reserves for future policy benefits are mainly calculated at the treaty level. The Company updates its estimates for each of the aforementioned categories on a quarterly basis using information received from its cedants.

For long duration products, a reserve adequacy test is performed at least once a year based on the latest best estimate assumptions by line of business, including an experience analysis and a review of likely future experience. If such review produces reserves in excess of those currently held, then the locked-in assumptions will be revised and a loss recognized.

See Critical Accounting Policies and Estimates Losses and Loss Expenses and Life Policy Benefits Life Policy Benefits in Item 7 of Part II of the Company s 2008 Annual Report on Form 10-K for additional information on the reserving methodologies employed by the Company for its longevity and mortality lines.

The Life segment reported net favorable development on prior accident years of $14 million during the three months ended September 30, 2009 and net favorable development of $11 million during the nine months ended September 30, 2009, primarily due to certain GMDB treaties where the payout is linked to the performance of the underlying capital markets. For the three months and nine months ended September 30, 2008, the Life segment reported net adverse development on prior accident years of $5 million and $10 million, respectively, primarily due to certain GMDB treaties. See Results by Segment below.

The Company may be exposed to claims in its life portfolio that may be significantly higher than expected as a result of large increases in mortality due to causes such as the H1N1 flu pandemic. However, the composition of the Company s mortality and longevity business, as well as retrocessional protection, serve to partially mitigate the impact of such exposures to the Company.

Fair Value Measurements

The Company defines fair value as the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company measures the fair value of its financial instruments according to a fair value hierarchy that prioritizes the information used to measure fair value into three broad levels based on the reliability of inputs.

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Management uses certain assumptions and judgments to derive the fair value of its investments, particularly for those assets with significant unobservable inputs, commonly referred to as Level 3 assets. The Company s Level 3 assets totaled $151.2 million and $95.7 million at September 30, 2009 and December 31, 2008, respectively. For additional information, see Note 4 to Condensed Consolidated Financial Statements included in Item 1 of Part I of this report.

For additional information on the valuation techniques, methods and assumptions that were used by the Company to estimate the fair value of its fixed maturities, short-term investments, equities and other invested assets, see Note 3 to Consolidated Financial Statements included in Item 8 of Part II of the Company s 2008 Annual Report on Form 10-K. For additional information on the Company s use of derivative financial instruments, see Note 7 to Condensed Consolidated Financial Statements included in Item 1 of Part I of this report.

Results of Operations for the Three Months and Nine Months Ended September 30, 2009 and 2008

The following discussion of Results of Operations contains forward-looking statements based upon assumptions and expectations concerning the potential effect of future events that are subject to uncertainties. See Item 1A of Part 1 of the Company s 2008 Annual Report on Form 10-K and Item 1A of Part II of this report for a review of important risk factors. Any of these risk factors could cause actual results to differ materially from those reflected in such forward-looking statements.

The Company s reporting currency is the U.S. dollar. The Company s subsidiaries and branches have one of the following functional currencies: U.S. dollar, euro or Canadian dollar. As a significant portion of the Company s operations is transacted in foreign currencies, fluctuations in foreign exchange rates may affect period-to-period comparisons. To the extent that fluctuations in foreign exchange rates affect comparisons, their impact has been quantified, when possible, and discussed in each of the relevant sections. See Note 2(j) to Consolidated Financial Statements in the Company s 2008 Annual Report on Form 10-K for a discussion of translation of foreign currencies.

The foreign exchange fluctuations for the principal currencies in which the Company transacts business were as follows:

- the U.S. dollar average exchange rate was stronger against most currencies, except the Japanese yen, in the three months and nine months ended September 30, 2009 compared to the same periods in 2008; and

- the U.S. dollar ending exchange rate weakened against most currencies at September 30, 2009 compared to December 31, 2008.

Overview

The Company measures its performance in several ways. Among the performance measures accepted under U.S. GAAP is diluted net income (loss) per share, a measure that focuses on the return provided to the Company s common shareholders. Diluted net income (loss) per share is obtained by dividing net income (loss) available to common shareholders by the weighted average number of common and common share equivalents outstanding. Net income (loss) available to common shareholders is defined as net income (loss) less preferred dividends. As the effect of dilutive securities would have been anti-dilutive due to the Company s reported net loss for the three months and nine months ended September 30, 2008, the fully diluted per share figure was calculated using the basic weighted average number of common shares outstanding for those periods.

As the Company s reinsurance operations are exposed to low-frequency, high-severity risk events, some of which are seasonal, results for certain interim periods may include unusually low loss experience, while results for other interim periods may include significant catastrophic losses. Consequently, the Company s results for interim periods are not necessarily indicative of results for the full year.

The improvement in the financial markets which began in the second quarter of 2009 continued into the third quarter primarily with increases in worldwide equity and credit markets. The U.S. dollar weakened against most currencies compared to its position at December 31, 2008. Credit spreads narrowed during the nine months ended September 30, 2009 and risk-free rates, which increased during the first and second quarters of 2009, declined slightly in the third quarter of 2009. The Company s financial position and third quarter results of operations include an increase in the fair value of its investment portfolio, and the related increase in the level of unrealized gains on investments, which the Company records in net income.

The impacts of the global financial and economic crisis are wide-ranging and have also affected the Company s reinsurance operations. Accordingly, the Company has continued to review its loss estimates and has modestly increased its reserves during the three months and nine

months ended September 30, 2009 in affected lines of business for certain underwriting years, where increased claims are anticipated, based on information provided by its cedants. The Company s loss reserves related to the impacted lines of business represent Management s best estimate of the cost to settle the ultimate liabilities related to these events based on information available at September 30, 2009.

These events and continuing uncertainty or volatility in the capital or credit markets are discussed below in Review of Net Income (Loss) and Financial Condition, Liquidity and Capital Resources, and may continue to affect our results of operations and financial condition in the future.

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Net income (loss), preferred dividends, net income (loss) available to common shareholders and diluted net income (loss) per share for the three months and nine months ended September 30, 2009 and 2008 were as follows (in millions of U.S. dollars, except per share data):

	For the three months ended September 30, 2009	% Change 2009 over 2008	For the three months ended September 30, 2008	For the nine months ended September 30, 2009	% Change 2009 over 2008	For the nine months ended September 30, 2008
Net income (loss)	**$ 567**	**NM**	$ (152)	**$ 1,182**	**NM**	$ (49)
Less: preferred dividends	**9**		9	**26**		26
Net income (loss) available to common shareholders	**$ 558**	**NM**	$ (161)	**$ 1,156**	**NM**	$ (75)
Diluted net income (loss) per share	**$ 9.44**	**NM**	$ (3.01)	**$ 19.95**	**NM**	$ (1.38)

NM: not meaningful

Three-month result

The increase in net income (loss), net income (loss) available to common shareholders and diluted net income (loss) per share for the three months ended September 30, 2009 compared to 2008 resulted primarily from net realized and unrealized investment gains and an increase in Non-life underwriting result and was partially offset by an increase in related income tax expense. These items are discussed in the Review of Net Income (Loss) below.

Nine-month result

The increase in net income (loss), net income (loss) available to common shareholders and diluted net income (loss) per share for the nine months ended September 30, 2009 compared to 2008 resulted primarily from net realized and unrealized investment gains, an increase in Non-life and Life underwriting results and net realized gain on purchase of capital efficient notes (CENts) and was partially offset by an increase in related income tax expense. These items are discussed in the Review of Net Income (Loss) below.

Review of Net Income (Loss)

Management analyzes the Company s net income (loss) in three parts: underwriting result, investment result and other components of net income (loss). Underwriting result consists of net premiums earned and other income less losses and loss expenses and life policy benefits, acquisition costs and other operating expenses. Net investment income includes interest and dividends, net of investment expenses, generated by the Company s investment activities, as well as interest income generated on funds held. Net realized and unrealized investment gains and losses include sales of the Company s fixed income, equity and other invested assets and changes in net unrealized gains and losses. Interest in earnings or losses of equity investments includes the Company s strategic investments. Other components of net income (loss) consist of net realized gain on the purchase of the Company s capital efficient notes, technical result and other income, other operating expenses, interest expense, net foreign exchange gains and losses and income tax expense or benefit.

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The components of net income (loss) for the three months and nine months ended September 30, 2009 and 2008 were as follows (in millions of U.S. dollars):

	For the three months ended September 30, 2009	% Change 2009 over 2008	For the three months ended September 30, 2008	For the nine months ended September 30, 2009	% Change 2009 over 2008	For the nine months ended September 30, 2008
Underwriting result:						
Non-life	**$ 207**	**472%**	$ 37	**$ 421**	**99%**	$ 211
Life	**4**	**NM**	(8)	**(5)**	**(82)**	(30)
Investment result:						
Net investment income	**145**	**(1)**	146	**414**	**(3)**	429
Net realized and unrealized investment gains (losses)	**330**	**NM**	(324)	**567**	**NM**	(595)
Interest in earnings (losses) of equity investments	**2**	**NM**		**1**	**NM**	
Corporate and Other:						
Net realized gain on purchase of capital efficient notes				**89**	**NM**	
Technical result	**4**	**NM**	(6)	**8**	**NM**	(2)
Other income	**3**	**95**	1	**5**	**37**	4
Other operating expenses	**(28)**	**32**	(21)	**(80)**	**16**	(69)
Interest expense	**(6)**	**(48)**	(12)	**(22)**	**(44)**	(39)
Net foreign exchange losses	**(1)**	**(79)**	(5)	**(6)**	**(30)**	(8)
Income tax (expense) benefit	**(93)**	**NM**	40	**(210)**	**NM**	50
Net income (loss)	**$ 567**	**NM**	$ (152)	**$ 1,182**	**NM**	$ (49)

NM: not meaningful

Underwriting result is a key measurement that the Company uses to manage and evaluate its Non-life and Life segments, as it is a primary measure of underlying profitability for the Company s core reinsurance operations, separate from the investment results. The Company believes that in order to enhance the understanding of its profitability, it is useful for investors to evaluate the components of net income (loss) separately and in the aggregate. Underwriting result should not be considered a substitute for net income (loss) and does not reflect the overall profitability of the business, which is also impacted by investment results and other items.

Three-month result

The underwriting result for the Non-life segment increased by $170 million, from $37 million in the three months ended September 30, 2008 to $207 million in 2009. The increase was principally attributable to:

- an increase of $183 million, net of reinstatement premiums, related to the lack of catastrophic losses during the three months ended September 30, 2009 compared to the same period in 2008; and

- an increase of $19 million in net favorable development on prior accident years, from $103 million in the three months ended September 30, 2008 to $122 million in 2009. The components of the net favorable loss development are described in more detail in the discussion of individual sub-segments in Results by Segment below; partially offset by

- a decrease of $21 million in net favorable prior quarters development; and

- a decrease of approximately $11 million resulting primarily from a higher frequency of mid-sized losses and higher loss estimates in the credit/surety line of business in 2009 compared to 2008, and normal fluctuations in profitability between periods and between lines of business as the Company s premium distribution changed based on changing market conditions.

Underwriting result for the Life segment increased by $12 million from a loss of $8 million in the three months ended September 30, 2008 to a profit of $4 million in the same period of 2009. This increase was driven by an increase in profitability of the mortality line, primarily as a result of favorable development in the GMDB line due to improved capital market conditions. See Results by Segment below.

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The Company reported net investment income of $145 million in the three months ended September 30, 2009 compared to $146 million in 2008. The 1% decrease in net investment income is primarily attributable to foreign exchange fluctuations, which contributed 4% of the decrease as a result of stronger average U.S. dollar foreign exchange rates in the three months ended September 30, 2009 compared to the same period in 2008. The decrease was also impacted by a) cash outflows from the investment portfolio related to the repayment of the Company s debt and purchase of the Company s CENts during the first quarter of 2009; and b) an increase in investment expenses. Partially offsetting these declines were increases in net investment income from fixed maturities due to the reinvestment of cash flows from operations and the purchase of higher yielding investments.

Net realized and unrealized investment gains increased by $654 million, from a loss of $324 million in the three months ended September 30, 2008 to a gain of $330 million in the same period of 2009. This increase in net realized and unrealized investment gains in 2009 was mainly due to the narrowing of credit spreads, decreases in risk-free interest rates and increases in worldwide equity markets. Net realized and unrealized investment gains of $330 million in the three months ended September 30, 2009 were primarily due to the change in net unrealized gains on fixed maturities of $243 million, change in net unrealized gains on equities of $74 million, net realized gains on fixed maturities and short-term investments of $35 million and net realized gains on equities of $11 million, which were partially offset by change in net unrealized losses on other invested assets of $27 million and net realized losses on other invested assets of $10 million. See Corporate and Other Net Realized and Unrealized Investment Gains (Losses) below for more details on the net realized and unrealized investment activity.

Technical result in Corporate and Other relates to insurance-linked securities and principal finance transactions. The increase in the technical result from a loss of $6 million in 2008 to a profit of $4 million in 2009 is mainly due to a decrease of $13 million, net of reinstatement premiums, in large catastrophic losses related to insurance-linked securities in 2008, partially offset by lower net premiums earned in 2009 compared to 2008.

Other operating expenses included in Corporate and Other increased by $7 million from $21 million in the three months ended September 30, 2008 to $28 million in the same period of 2009. The increase was primarily due to consulting and professional fees incurred related to the acquisition of Paris Re.

Interest expense decreased by $6 million in the three months ended September 30, 2009 compared to the same period in 2008 mainly due to the repayment of $200 million of the Company s $400 million floating-rate long-term debt and the purchase of approximately 75% of the Company s CENts during the first quarter of 2009.

Net foreign exchange gains and losses decreased from a loss of $5 million in the three months ended September 30, 2008 to a loss of $1 million in the same period of 2009. The decrease in net foreign exchange losses during the three months ended September 30, 2009 resulted from the impact of currency movements on unhedged securities. The Company hedges a significant portion of its currency risk exposure as discussed in Quantitative and Qualitative Disclosures about Market Risk in Item 3 of Part I of this report.

Income tax expense was $93 million for the three months ended September 30, 2009 compared to an income tax benefit of $40 million for the prior year period. The increase in the income tax expense was primarily due to higher pre-tax income and the geographic (or tax jurisdiction) distribution of the net realized and unrealized gains on investments.

Nine-month result

The underwriting result for the Non-life segment increased by $210 million, from $211 million in the nine months ended September 30, 2008 to $421 million in 2009. The increase was principally attributable to:

- an increase of $183 million, net of reinstatement premiums, related to the lack of catastrophic losses during the nine months ended September 30, 2009 compared to the same period in 2008;
- an increase of $15 million in net favorable development on prior accident years, from $350 million in the nine months ended September 30, 2008 to $365 million in 2009. The components of the net favorable loss development are described in more detail in the discussion of individual sub-segments in Results by Segment below; and

an increase of approximately $12 million resulting primarily from a lower frequency of mid-sized losses in 2009, partially offset by higher loss estimates in the credit/surety line of business in 2009 compared to 2008, and normal fluctuations in profitability between periods and between lines of business.

Underwriting result for the Life segment increased by $25 million from a loss of $30 million in the nine months ended September 30, 2008 to a loss of $5 million in the same period of 2009. This increase was due to favorable development in the GMDB line due to improved capital market conditions, which have an impact on results in this line of business. See Results by Segment below.

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The Company reported net investment income of $414 million in the nine months ended September 30, 2009 compared to $429 million in 2008. The 3% decrease in net investment income is primarily attributable to foreign exchange fluctuations, which contributed 5% of the decrease as a result of stronger average U.S. dollar foreign exchange rates in the nine months ended September 30, 2009 compared to the same period in 2008. The decrease was also impacted by the same factors as described in the three-month result above.

Net realized and unrealized investment gains increased by $1,162 million, from a loss of a $595 million in the nine months ended September 30, 2008 to a gain of $567 million in the same period of 2009. The increase in net realized and unrealized investment gains in 2009 was mainly due to the narrowing of credit spreads and increases in worldwide equity markets, partially offset by increases in risk-free rates. Net realized and unrealized investment gains of $567 million in the nine months ended September 30, 2009 were primarily due to the change in net unrealized gains on fixed maturities and short-term investments of $380 million, change in net unrealized gains on equities of $199 million, net realized gains on fixed maturities and short-term investments of $64 million and net realized gains on other invested assets of $22 million, which were partially offset by net realized losses on equities of $92 million and change in net unrealized losses on other invested assets of $9 million. See Corporate and Other Net Realized and Unrealized Investment Gains (Losses) below for more details on the net realized and unrealized investment activity.

Net realized gain on purchase of capital efficient notes was $89 million in the nine months ended September 30, 2009, as the Company purchased $187 million of the CENts for $93 million, which after deferred issuance costs and fees produced a gain of $89 million.

The increase of $10 million in the Corporate and Other technical result for the first nine months of 2009 compared to 2008 resulted primarily from the insurance-linked securities line, which had a technical profit of $8 million in the nine months ended September 30, 2009 compared to a technical loss of $2 million in the same period of 2008, for the reasons discussed in the three-month result above.

Other operating expenses included in Corporate and Other increased by $11 million from $69 million in the nine months ended September 30, 2008 to $80 million in the same period of 2009. The increase was primarily due to consulting and professional fees incurred related to the acquisition of Paris Re, which were partially offset by lower stock based compensation expense.

Interest expense decreased by $17 million in the nine months ended September 30, 2009 compared to the same period in 2008 mainly due to the repayment of $200 million of the Company s $400 million floating-rate long-term debt and the purchase of approximately 75% of the Company s CENts in 2009.

Net foreign exchange losses decreased from a loss of $8 million in the nine months ended September 30, 2008 to a loss of $6 million in the nine months ended September 30, 2009. The decrease during the nine months ended September 30, 2009 was primarily due to lower foreign exchange losses resulting from the impact of currency movements on unhedged securities, which was partially offset by higher foreign exchange losses related to foreign currency exchange hedges on the investment portfolio.

Income tax expense was $210 million for the nine months ended September 30, 2009, compared to income tax benefit of $50 million for the same period in 2008. The increase in the income tax expense was primarily due to higher pre-tax income, including tax on the net realized gain on purchase of CENts of $31 million. The increase in the income tax expense was also due to the geographic (or tax jurisdiction) distribution of the net realized and unrealized gains on investments. In 2008, the Company incurred a $46 million tax charge related to its European reorganization.

Results by Segment

The Company monitors the performance of its operations in three segments: Non-life, Life and Corporate & Other. The Non-life segment is further divided into four sub-segments, U.S., Global (Non-U.S.) Property and Casualty (Global (Non-U.S.) P&C), Global (Non-U.S.) Specialty, and Catastrophe. See Note 19 to the Consolidated Financial Statements included in the Company s 2008 Annual Report on Form 10-K for additional information concerning the Company s segments and sub-segments.

Segment results are shown net of intercompany transactions. Business reported in the Global (Non-U.S.) P&C and Global (Non-U.S.) Specialty sub-segments and the Life segment is, to a significant extent, denominated in foreign currencies and is reported in U.S. dollars at the average foreign exchange rates for each period. The U.S. dollar has fluctuated against the euro and other currencies in the three months and nine months ended September 30, 2009 compared to the same periods in 2008, and this should be considered when making period-to-period comparisons.

Non-life Segment

U.S.

The U.S. sub-segment includes the U.S. casualty line, which represented approximately 35% and 40% of net premiums written in this sub-segment in the third quarter and first nine months of 2009, respectively. This line typically tends to have a higher loss ratio and a lower technical result due to the long-tail nature of the risks involved. Casualty treaties typically provide for investment income on premiums invested over a longer period as losses are typically paid later than for other lines. Investment income, however, is not considered in the calculation of the technical result.

The following table provides the components of the technical result and the corresponding ratios for this sub-segment for the three months and nine months ended September 30, 2009 and 2008 (in millions of U.S. dollars):

	For the three months ended September 30, 2009	% Change 2009 over 2008	For the three months ended September 30, 2008	For the nine months ended September 30, 2009	% Change 2009 over 2008	For the nine months ended September 30, 2008
Gross premiums written	**$ 279**	**6%**	$ 263	**$ 840**	**(1)%**	$ 849
Net premiums written	**279**	**6**	264	**841**		841
Net premiums earned	**$ 312**	**13**	$ 276	**$ 812**	**(2)**	$ 827
Losses and loss expenses	**(171)**	**(19)**	(212)	**(498)**	**(18)**	(610)
Acquisition costs	**(80)**	**20**	(67)	**(206)**	**4**	(198)
Technical result[(1)]	**$ 61**	**NM**	$ (3)	**$ 108**	**452**	$ 19
Loss ratio[(2)]	**54.9%**		76.9%	**61.3%**		73.7%
Acquisition ratio[(3)]	**25.7**		24.2	**25.4**		23.9
Technical ratio[(4)]	**80.6%**		101.1%	**86.7%**		97.6%

NM: not meaningful

(1) *Technical result is defined as net premiums earned less losses and loss expenses and acquisition costs.*

(2) *Loss ratio is obtained by dividing losses and loss expenses by net premiums earned.*

(3) *Acquisition ratio is obtained by dividing acquisition costs by net premiums earned.*

(4) *Technical ratio is defined as the sum of the loss ratio and the acquisition ratio.*

Premiums

The U.S. sub-segment represented 32% and 28% of total net premiums written in the three months and nine months ended September 30, 2009, respectively.

Three-month result

Gross and net premiums written increased by 6% while net premiums earned increased by 13% in the three months ended September 30, 2009 compared to the same period in 2008. The increase in gross premiums written was primarily attributable to increases in the property, motor and agriculture lines of business. The largest increase in gross premiums written was in the property line, which benefited from a treaty written on December 31, 2008 and subsequently renewed in 2009. The increase in the motor line was driven by new business written and the agriculture line benefited from lower downward premium adjustments compared to the same period in 2008. The increases in gross premiums written were partially offset by decreases in the casualty line, primarily as a result of declining casualty pricing and overall market conditions. The increase in net premiums earned of 13% was higher than the increase in net premiums written of 6% and was primarily driven by a decrease in net premiums written in the casualty line of business relating to proportional business, which due to its earned premium pattern, will lag in earned premium impact.

Nine-month result

Gross premiums written and net premiums earned decreased 1% and 2%, respectively, in the nine months ended September 30, 2009 compared to the same period in 2008, while net premiums written remained flat. These decreases in gross premiums written and net premiums earned were primarily attributable to the casualty and agriculture lines of business, reflecting declining casualty pricing and market conditions and lower agricultural commodity price levels. These decreases were partially offset by increases in the property line, as described in the three-month result above, as well as the motor line. Notwithstanding the overall declining market conditions and the competition prevailing in certain lines of business and markets of this sub-segment, the Company was able to write business that met its portfolio objectives.

Losses and loss expenses and loss ratio

Three-month result

The losses and loss expenses and loss ratio reported in the three months ended September 30, 2009 reflected a) no large catastrophic losses; b) net favorable loss development on prior accident years of $43 million, or 13.7 points on the loss ratio of this sub-segment; c) a lower level of mid-sized losses; d) increasing loss trends, predominantly in the casualty line of business; and e) an increase in the

book of business and exposure as evidenced by the increase in the net premiums earned. The net favorable loss development of $43 million resulted primarily from net favorable development for prior accident years in the casualty line of business and was partially offset by all other lines of business within this sub-segment, which experienced combined adverse loss development for prior accident years of $9 million. Loss information provided by cedants in the three months ended September 30, 2009 for prior accident years included no individually significant losses or reductions of losses but a series of attritional losses or reductions. Based on the Company s assessment of this loss information, the Company decreased its expected ultimate loss ratios for the casualty line of business (increased for all other lines of business), which had the net effect of decreasing (increasing for all other lines of business) prior year loss estimates.

The losses and loss expenses and loss ratio reported in the three months ended September 30, 2008 reflected a) large catastrophic losses related to Hurricanes Ike and Gustav of $24 million, or 8.6 points on the loss ratio of this sub-segment; b) a higher level of mid-sized losses mainly in the agriculture and property lines of business; and c) net favorable loss development on prior accident years of $16 million, or 5.9 points on the loss ratio of this sub-segment. The net favorable loss development of $16 million included net favorable development for prior accident years in all lines of business, with the exception of motor and multiline, which experienced combined adverse loss development for prior accident years of $11 million.

The decrease of $41 million in losses and loss expenses for the three months ended September 30, 2009 compared to the same period of 2008 included:

- an increase of $27 million in net favorable prior year development; and
- a decrease of $24 million, related to the lack of catastrophic losses in 2009; partially offset by
- an increase in losses and loss expenses of approximately $10 million resulting from increasing loss trends, predominantly in the casualty line of business, an increase in the book of business and exposure and normal fluctuations in profitability between periods, partially offset by a lower level of mid-sized losses.

Nine-month result

The losses and loss expenses and loss ratio reported in the nine months ended September 30, 2009 reflected a) no large catastrophic losses; b) net favorable loss development on prior accident years of $120 million, or 14.8 points on the loss ratio of this sub-segment; c) a lower level of mid-sized losses; d) increasing loss trends, predominantly in the casualty line of business; and e) a decrease in the book of business and exposure. The net favorable loss development of $120 million included net favorable development for prior accident years in all lines of business, with the exception of the multiline, motor and credit/surety lines of business, which experienced combined adverse loss development for prior accident years of $17 million. Loss information provided by cedants in the nine months ended September 30, 2009 for prior accident years included no individually significant losses or reductions of losses but a series of attritional losses or reductions. Based on the Company s assessment of this loss information, the Company decreased its expected ultimate loss ratios for all lines of business (increased for multiline, motor and credit/surety), which had the net effect of decreasing (increasing for multiline, motor and credit/surety) prior year loss estimates.

The losses and loss expenses and loss ratio reported in the nine months ended September 30, 2008 reflected a) large catastrophic losses related to Hurricanes Ike and Gustav of $24 million, or 2.9 points on the loss ratio of this sub-segment; b) a higher level of mid-sized losses mainly in the agriculture, property and structured risk lines of business; c) net favorable loss development on prior accident years of $54 million, or 6.6 points on the loss ratio of this sub-segment; and d) an increase in the book of business and exposure. The net favorable development of $54 million included net favorable development for prior accident years in all lines of business, with the exception of the motor line, which experienced net adverse loss development for prior accident years of $6 million.

The decrease of $112 million in losses and loss expenses for the nine months ended September 30, 2009 compared to the same period of 2008 included:

- an increase of $66 million in net favorable prior year development;

- a decrease of $24 million, related to the lack of catastrophic losses in 2009; and

- a decrease in losses and loss expenses of approximately $22 million resulting from a combination of a lower level of mid-sized losses, a decrease in the book of business and exposure and normal fluctuations in profitability between periods, partially offset by increasing loss trends, mainly in the casualty line of business.

Acquisition costs and acquisition ratio

Three-month result

Acquisition costs for the three months ended September 30, 2009 increased compared to the same period in 2008 as a result of higher net premiums earned. The acquisition ratio for the three months ended September 30, 2009 increased compared to the same period in 2008 mainly as a result of an increase in proportional property business, which carries a higher acquisition cost ratio, and higher profit commission adjustments reported by cedants.

Nine-month result

Acquisition costs and the acquisition ratio for the nine months ended September 30, 2009 increased compared to the same period in 2008 mainly as a result of an increase in proportional property business and higher profit commission adjustments reported by cedants for most lines of business, except for the agriculture line.

Technical result and technical ratio

Three-month result

The increase of $64 million in the technical result and the corresponding decrease in technical ratio in the three months ended September 30, 2009 compared to the same period of 2008 was primarily attributable to an increase in net favorable prior year development of $27 million, an increase of $24 million related to the lack of catastrophic losses in 2009, a lower level of mid-sized losses and higher net premiums earned, and was partially offset by increasing loss trends, mainly in the casualty line of business, and normal fluctuations in profitability between periods.

Nine-month result

The increase of $89 million in the technical result and the corresponding decrease in technical ratio in the nine months ended September 30, 2009 compared to the same period of 2008 was primarily attributable to an increase in net favorable prior year development of $66 million, an increase of $24 million related to the lack of catastrophic losses in 2009 and a lower level of mid-sized losses, and was partially offset by lower net premiums earned, increasing loss trends, mainly in the casualty line of business, and normal fluctuations in profitability between periods.

Global (Non-U.S.) P&C

The Global (Non-U.S.) P&C sub-segment is composed of short-tail business, in the form of property and proportional motor business, that represented approximately 91% and 84% of net premiums written for this sub-segment in the three months and nine months ended September 30, 2009, respectively, and long-tail business, in the form of casualty and non-proportional motor business, that represented the balance of this sub-segment.

The following table provides the components of the technical result and the corresponding ratios for this sub-segment for the three months and nine months ended September 30, 2009 and 2008 (in millions of U.S. dollars):

	For the three months ended September 30, 2009	% Change 2009 over 2008	For the three months ended September 30, 2008	For the nine months ended September 30, 2009	% Change 2009 over 2008	For the nine months ended September 30, 2008
Gross premiums written	**$ 125**	**(9)%**	$ 137	**$ 544**	**(16)%**	$ 645
Net premiums written	**124**	**(9)**	137	**541**	**(16)**	642
Net premiums earned	**$ 160**	**(18)**	$ 195	**$ 478**	**(18)**	$ 582
Losses and loss expenses	**(84)**	**(15)**	(98)	**(241)**	**(27)**	(332)
Acquisition costs	**(39)**	**(17)**	(47)	**(119)**	**(19)**	(147)
Technical result	**$ 37**	**(25)**	$ 50	**$ 118**	**15**	$ 103
Loss ratio	**52.2%**		50.3%	**50.5%**		57.1%
Acquisition ratio	**24.5**		24.2	**24.8**		25.2
Technical ratio	**76.7%**		74.5%	**75.3%**		82.3%

Premiums

The Global (Non-U.S.) P&C sub-segment represented 14% and 18% of total net premiums written in the three months and nine months ended September 30, 2009, respectively.

Three-month result

The decrease of 9% in gross and net premiums written and 18% in net premiums earned was primarily due to the stronger U.S. dollar in the three months ended September 30, 2009 compared to the same period in 2008, as premiums denominated in currencies that have depreciated against the U.S. dollar were converted into U.S. dollars at lower average exchange rates. Foreign exchange fluctuations decreased gross and net premiums written and net premiums earned by 10%. The decrease in gross and net premiums written in the three months ended September 30, 2009 compared to the same period of 2008 resulted from the motor and casualty lines of business and was partially offset by an increase in renewals in the property line. The decrease in net premiums earned of 18% in the three months ended September 30, 2009 compared to the same period in 2008 resulted from all lines of business in this sub-segment and was greater than the decrease in net premiums written primarily due to new and renewal business written during the third quarter of 2009, which was fully reflected in net premiums written but only partially earned during the three months ended September 30, 2009.

Nine-month result

The decrease in gross and net premiums written of 16% and net premiums earned of 18% was primarily due to the stronger U.S. dollar in the nine months ended September 30, 2009 compared to the same period in 2008. Foreign exchange fluctuations decreased gross and net premiums written and net premiums earned by 13%. The decreases resulted from all lines of business in this sub-segment and were attributable to treaty cancellations during renewal, declines in pricing, increased competition and increased risk retention by cedants. Notwithstanding the declines in pricing, increased competition and increased risk retentions by cedants prevailing in certain lines of business and markets of this sub-segment, the Company was able to write business that met its portfolio objectives.

Losses and loss expenses and loss ratio

Three-month result

The losses and loss expenses and loss ratio reported in the three months ended September 30, 2009 reflected a) no large catastrophic losses; b) net favorable loss development on prior accident years of $46 million, or 29.1 points on the loss ratio; c) net favorable loss development on prior 2009 quarters of $4 million or 2.3 points on the loss ratio; d) a higher level of mid-sized losses; and e) a decrease in the book of business and exposure. The net favorable loss development of $46 million included net favorable development in all lines of business, particularly casualty and motor, and was primarily due to favorable loss emergence, as losses reported by cedants during the three months ended September 30, 2009 for prior accident years were lower than the Company expected. Loss information provided by cedants in the three months ended September 30, 2009 for prior accident years included no individually significant losses or reductions of losses but a series of attritional losses or reductions. Based on the Company s assessment of this loss information, the Company decreased its expected ultimate loss ratios for all lines, which had the net effect of decreasing prior year loss estimates.

The losses and loss expenses and loss ratio reported in the three months ended September 30, 2008 reflected a) net favorable loss development on prior accident years of $41 million, or 20.8 points on the loss ratio; and b) net favorable loss development on the prior 2008 quarters of $7 million, or 3.4 points on the loss ratio. The net favorable loss development of $41 million included net favorable development in all lines of business, except for the motor line.

The decrease of $14 million in losses and loss expenses for the three months ended September 30, 2009 compared to the same period in 2008 included:

- a decrease in losses and loss expenses of approximately $12 million resulting from a decrease in the book of business (including the impact of foreign exchange) and normal fluctuations in profitability between periods partially offset by a higher level of mid-sized losses; and
- an increase of $5 million in net favorable prior year development; partially offset by
- a decrease of $3 million in net favorable prior quarters development.

Nine-month result

The losses and loss expenses and loss ratio reported in the nine months ended September 30, 2009 reflected a) no large catastrophic losses; b) net favorable loss development on prior accident years of $133 million, or 28.0 points on the loss ratio; c) a lower level of mid-sized losses; and d) a decrease in the book of business and exposure. The net favorable loss development of $133 million included net favorable development in all lines of business, and was primarily due to favorable loss emergence, as losses reported by cedants during the nine months ended September 30, 2009 for prior accident years were lower than the Company expected. Loss information provided by cedants in the nine months ended September 30, 2009 for prior accident years included no individually significant losses or reductions of losses but a series of attritional losses or reductions. Based on the Company s assessment of this loss information, the Company decreased its expected ultimate loss ratios for all lines, which had the net effect of decreasing prior year loss estimates.

The losses and loss expenses and loss ratio reported in the nine months ended September 30, 2008 reflected a) net favorable loss development on prior accident years of $150 million, or 25.8 points on the loss ratio; b) a higher level of mid-sized losses mainly in the property line of business;

and c) an increase in the book of business and exposure. The net favorable loss development of $150 million included net favorable development in all lines of business, but was most pronounced in the property line.

The decrease of $91 million in losses and loss expenses for the nine months ended September 30, 2009 compared to the same period in 2008 included:

- a decrease in losses and loss expenses of approximately $108 million resulting mainly from a decrease in the book of business (including the impact of foreign exchange), as well as a lower level of mid-sized losses, and normal fluctuations in profitability between periods; partially offset by

- a decrease of $17 million in net favorable prior year development.

Acquisition costs and acquisition ratio

Three-month and nine-month result

Acquisition costs decreased in the three months and nine months ended September 30, 2009 compared to 2008 as a result of lower net premiums earned. The acquisition ratio in the three months ended September 30, 2009 was comparable to the same period in 2008, while the acquisition ratio in the nine months ended September 30, 2009 decreased compared to the same period in 2008 due to lower profit commission adjustments reported by cedants in 2009 compared to 2008.

Technical result and technical ratio

Three-month result

The decrease of $13 million in technical result and corresponding increase in technical ratio for the three months ended September 30, 2009 compared to the same period in 2008 was primarily explained by a decrease of $15 million resulting from a higher level of mid-sized losses, normal fluctuations in profitability between periods and a decrease of $3 million in net favorable prior quarters development, partially offset by an increase of $5 million in net favorable prior year development.

Nine-month result

The increase of $15 million in technical result and corresponding decrease in technical ratio for the nine months ended September 30, 2009 compared to the same period in 2008 was primarily explained by an increase of $32 million resulting from a lower level of mid-sized losses and normal fluctuations in profitability between periods, partially offset by a decrease of $17 million in net favorable prior year development.

Global (Non-U.S.) Specialty

The Global (Non-U.S.) Specialty sub-segment is primarily comprised of lines of business that are considered to be either short or medium-tail. The short-tail lines consist of agriculture, energy and specialty property and accounted for 22% and 25% of the net premiums written in this sub-segment in the three months and nine months ended September 30, 2009, respectively. Aviation/space, credit/surety, engineering and marine are considered by the Company to have a medium-tail and represented 69% and 62% of the net premiums written, while specialty casualty is considered to be long-tail and represented 9% and 13% of the net premiums written in this sub-segment in the three months and nine months ended September 30, 2009, respectively.

The following table provides the components of the technical result and the corresponding ratios for this sub-segment for the three months and nine months ended September 30, 2009 and 2008 (in millions of U.S. dollars):

	For the three months ended September 30, 2009	% Change 2009 over 2008	For the three months ended September 30, 2008	For the nine months ended September 30, 2009	% Change 2009 over 2008	For the nine months ended September 30, 2008
Gross premiums written	**$ 284**	**3%**	$ 276	**$ 875**	**(5)%**	$ 921
Net premiums written	**283**	**3**	274	**846**	**(6)**	898
Net premiums earned	**$ 295**	**2**	$ 290	**$ 774**	**(1)**	$ 780
Losses and loss expenses	**(195)**	**6**	(185)	**(504)**	**6**	(476)
Acquisition costs	**(73)**	**2**	(72)	**(183)**	**(9)**	(201)
Technical result	**$ 27**	**(18)**	$ 33	**$ 87**	**(16)**	$ 103
Loss ratio	**66.1%**		63.8%	**65.1%**		61.1%
Acquisition ratio	**24.8**		24.8	**23.7**		25.7
Technical ratio	**90.9%**		88.6%	**88.8%**		86.8%

Premiums

The Global (Non-U.S.) Specialty sub-segment represented 32% and 28% of total net premiums written in the three months and nine months ended September 30, 2009, respectively.

Three-month result

Gross and net premiums written increased by 3% and net premiums earned increased by 2% during the three months ended September 30, 2009 compared to the same period in 2008. The increases were primarily driven by new business written in the engineering, agriculture and energy lines of business. The credit/surety, specialty casualty and marine lines of business decreased, driven by a continuing reduction in exposure given the deterioration in credit and economic conditions, declines in pricing and a reduction in demand. Foreign exchange fluctuations contributed 5%, 5% and 6% to the decrease in gross and net premiums written and net premiums earned, respectively, due to the stronger U.S. dollar in the three months ended September 30, 2009 compared to the same period in 2008.

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Nine-month result

Gross and net premiums written decreased by 5% and 6%, respectively, and net premiums earned decreased by 1% during the nine months ended September 30, 2009 compared to the same period in 2008. The decrease in gross and net premiums written and net premiums earned was primarily due to the stronger U.S. dollar in the nine months ended September 30, 2009 compared to the same period in 2008. Foreign exchange fluctuations contributed 8% to the decrease in gross and net premiums written and net premiums earned. The decrease in gross and net premiums written was primarily driven by decreases in the credit/surety and specialty casualty lines of business due to a reduction in exposure and declines in pricing. The decreases in the gross and net premiums written were partially offset by increases in the energy, marine and agriculture lines of business as a result of new treaties and improved pricing. The decrease in net premiums earned of 1% in the nine months ended September 30, 2009 compared to the same period in 2008 was lower than the decrease in net premiums written of 6% due to an increase in business written in 2008, which was earned in 2009. Notwithstanding the increased competition, declines in pricing and increased risk retentions by cedants prevailing in certain lines of business and markets of this sub-segment, the Company was able to write business that met its portfolio objectives.

Losses and loss expenses and loss ratio

Three-month result

The losses and loss expenses and loss ratio reported in the three months ended September 30, 2009 reflected a) no large catastrophic losses; b) a lower level of mid-sized losses; c) net favorable loss development on prior accident years of $18 million, or 6.2 points on the loss ratio and net favorable loss development on prior 2009 quarters of $2 million, or 0.5 points on the loss ratio; d) increasing loss trends and higher loss estimates in the credit/surety line of business reflecting the deterioration in economic and credit conditions; and e) an increase in the book of business and exposure. The net favorable development of $18 million reported in the three months ended September 30, 2009 included net favorable loss development for prior accident years in all lines of business, except credit/surety and agriculture, which experienced combined adverse loss development for prior accident years of $8 million. Loss information provided by cedants in the three months ended September 30, 2009 for prior accident years was lower than the Company expected (higher for credit/surety and agriculture) and included no individually significant losses or reductions but a series of attritional losses or reductions. Based on the Company s assessment of this loss information, the Company decreased (increased for credit/surety and agriculture) its expected ultimate loss ratios for all lines of business, which had the net effect of decreasing (increasing for credit/surety and agriculture) prior year loss estimates.

The losses and loss expenses and loss ratio reported in the three months ended September 30, 2008 reflected a) large catastrophic losses related to Hurricanes Ike and Gustav of $28 million, or 9.3 points on the loss ratio of this sub-segment; b) net favorable loss development on prior accident years of $21 million, or 7.3 points on the loss ratio; c) net favorable loss development on prior 2008 quarters of $19 million, or 6.7 points on the loss ratio; d) a higher than usual level of mid-sized losses; and e) an increase in the book of business and exposure. The net favorable development of $21 million reported in the three months ended September 30, 2008 included net favorable loss development for prior accident years in all lines of business with the exception of the specialty casualty and credit/surety lines of business, which experienced combined net adverse loss development for prior accident years of $11 million.

The increase of $10 million in losses and loss expenses for the three months ended September 30, 2009 compared to the same period in 2008 included:

- a decrease of $17 million and $3 million in net favorable prior quarters and prior year development, respectively; and
- an increase in losses and loss expenses of approximately $18 million resulting from increasing loss trends and higher loss estimates in the credit/surety line of business, modestly lower profitability on business written in 2009, partially offset by a lower level of mid-sized losses and normal fluctuations in profitability between periods; partially offset by
- a decrease of $28 million, related to the lack of catastrophic losses.

Nine-month result

The losses and loss expenses and loss ratio reported in the nine months ended September 30, 2009 reflected a) no large catastrophic losses; b) a lower level of mid-sized losses; c) net favorable loss development on prior accident years of $74 million, or 9.6 points on the loss ratio; and d)

increasing loss trends and higher loss estimates in the credit/surety line of business. The net favorable development of $74 million reported in the nine months ended September 30, 2009 included net favorable loss development for prior accident years in all lines of business with the exception of credit/surety, marine and agriculture, which experienced combined adverse loss development for prior accident years of $8 million. Loss information provided by cedants in the nine months ended September 30, 2009 for prior accident years was lower than the Company expected (higher for credit/surety, marine and agriculture) and included no individually significant losses or reductions but a series of attritional losses or reductions. Based on the Company s assessment of this loss information, the Company decreased its expected ultimate loss ratios for all lines of business (increased for the credit/surety, marine and agriculture lines), which had the net effect of decreasing (increasing for the credit/surety, marine and agriculture lines) prior year loss estimates.

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The losses and loss expenses and loss ratio reported in the nine months ended September 30, 2008 reflected a) large catastrophic losses related to Hurricanes Ike and Gustav of $28 million, or 3.6 points on the loss ratio of this sub-segment; b) a higher than usual level of mid-sized losses; and c) net favorable loss development on prior accident years of $86 million, or 11.0 points on the loss ratio. The net favorable development of $86 million reported in the nine months ended September 30, 2008 included net favorable loss development for prior accident years in all lines of business with the exception of the energy line, which included net adverse loss development for prior accident years of $10 million.

The increase of $28 million in losses and loss expenses for the nine months ended September 30, 2009 compared to the same period in 2008 included:

- a decrease of $12 million in net favorable prior year development; and
- an increase in losses and loss expenses of approximately $44 million resulting from increasing loss trends and higher loss estimates in the credit/surety line of business and modestly lower profitability on business written in 2009, partially offset by a lower level of mid-sized losses and normal fluctuations in profitability between periods; partially offset by
- a decrease of $28 million related to the lack of catastrophic losses in 2009.

Acquisition costs and acquisition ratio

Three-month result

Acquisition costs increased in the three months ended September 30, 2009 compared to the same period in 2008 as a result of higher net premiums earned. The acquisition ratio in the three months ended September 30, 2009 remained flat reflecting the impact of a shift in the distribution of net premiums earned to lines of business and to treaty types that carry higher cost ratios, offset by lower profit commission adjustments reported by cedants in 2009 and reduced acquisition costs following the premium deficiency recorded in the fourth quarter of 2008 in the credit/surety line of business.

Nine-month result

Acquisition costs decreased in the three months ended September 30, 2009 compared to the same period in 2008 mainly as a result of a premium deficiency recorded in the credit/surety line of business in the fourth quarter of 2008 which reduced acquisition costs, and lower net premiums earned. The acquisition ratio in the nine months ended September 30, 2009 decreased compared to the same period in 2008 due to the impact of the premium deficiency and lower profit commission adjustments reported by the cedants in the nine months ended September 30, 2009 compared to 2008.

Technical result and technical ratio

Three-month result

The decrease of $6 million in the technical result and corresponding increase in the technical ratio for the three months ended September 30, 2009 compared to the same period in 2008 was explained by a decrease of $20 million in net favorable prior quarter and prior year development, increasing loss trends and higher loss estimates in the credit/surety line of business and modestly lower profitability of business written in 2009, partially offset by an increase of $28 million related to the lack of catastrophic losses in 2009, a lower level of mid-sized losses and normal fluctuations in profitability between periods.

Nine-month result

The decrease of $16 million in the technical result and corresponding increase in the technical ratio for the nine months ended September 30, 2009 compared to the same period in 2008 was explained by a decrease of $12 million in net favorable prior year development, increasing loss trends and higher loss estimates in the credit/surety line of business and modestly lower profitability of business written in 2009, partially offset by an increase of $28 million related to the lack of catastrophic losses in 2009, a lower level of mid-sized losses, lower acquisition costs and normal fluctuations in profitability between periods.

Catastrophe

The Catastrophe sub-segment writes business predominantly on a non-proportional basis and is exposed to volatility resulting from catastrophic losses. Thus, profitability in any one quarter or year is not necessarily predictive of future profitability. The following table provides the components of the technical result and the corresponding ratios for this sub-segment for the three months and nine months ended September 30, 2009 and 2008 (in millions of U.S. dollars):

	For the three months ended September 30, 2009	% Change 2009 over 2008	For the three months ended September 30, 2008	For the nine months ended September 30, 2009	% Change 2009 over 2008	For the nine months ended September 30, 2008
Gross premiums written	**$ 47**	**(3)%**	$ 48	**$ 376**	**(4)%**	$ 391
Net premiums written	**47**	**(3)**	48	**376**	**(4)**	391
Net premiums earned	**$ 159**		$ 159	**$ 290**	**(4)**	$ 301
Losses and loss expenses	**(9)**	**(93)**	(128)	**2**	**NM**	(111)
Acquisition costs	**(12)**	**(15)**	(14)	**(23)**	**(15)**	(27)
Technical result	**$ 138**	**732**	$ 17	**$ 269**	**65**	$ 163
Loss ratio	**5.6%**		80.8%	**(0.8)%**		36.6%
Acquisition ratio	**7.4**		8.7	**8.1**		9.1
Technical ratio	**13.0%**		89.5%	**7.3%**		45.7%

NM: not meaningful

Premiums

The Catastrophe sub-segment represented 5% and 12% of total net premiums written in the three months and nine months ended September 30, 2009, respectively.

Three-month result

Gross and net premiums written decreased by 3% and net premiums earned were flat in the three months ended September 30, 2009 compared to the same period of 2008 as a result of a decrease in reinstatement premiums of $17 million, related to Hurricanes Ike and Gustav, recorded in the three months ended September 30, 2008, which was offset by timing differences between periods related to recording of the premiums compared to the same period in 2008. Net premiums earned are normally significantly higher compared to gross and net premiums written during the third quarter due to seasonality in the earnings pattern for U.S. wind business, which results in higher earned premiums in quarters with more wind exposure. Foreign exchange fluctuations decreased gross and net premiums written and net premiums earned by 2%.

Nine-month result

Gross and net premiums written and net premiums earned decreased by 4% in the nine months ended September 30, 2009 compared to the same period of 2008. The decreases in gross and net premiums written and net premiums earned were primarily due to the stronger U.S. dollar in the nine months ended September 30, 2009 compared to the same period in 2008. Foreign exchange fluctuations decreased gross and net premiums written and net premiums earned by 4%. The decrease in reinstatement premiums of $17 million, as discussed in the three-month result, was offset by an increase in renewals.

Losses and loss expenses and loss ratio

Three-month result

The losses and loss expenses and loss ratio reported in the three months ended September 30, 2009 reflected a) no large catastrophic losses; b) net favorable loss development on prior accident years of $15 million, or 9.6 points on the loss ratio; and c) a higher level of mid-sized losses. The net favorable development of $15 million was primarily due to favorable loss emergence, as losses reported by cedants in the three months ended September 30, 2009 for prior accident years were lower than the Company expected. Based on the Company s assessment of this loss information, the Company decreased its expected ultimate loss ratio, which had the effect of decreasing the prior year loss estimates.

The losses and loss expenses and loss ratio reported in the three months ended September 30, 2008 reflected a) large catastrophic losses related to Hurricanes Ike and Gustav of $148 million, or 94.9 points on the loss ratio of this sub-segment; and b) net favorable loss development on prior accident years of $25 million, or 15.5 points on the loss ratio.

The decrease of $119 million in losses and loss expenses for the three months ended September 30, 2009 compared to the same period in 2008 included:

- a decrease of $148 million related to the lack of catastrophic losses in 2009; partially offset by
- a decrease of $10 million in net favorable prior year development; and
- an increase of $19 million resulting from a higher level of mid-sized losses.

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Nine-month result

The losses and loss expenses and loss ratio reported in the nine months ended September 30, 2009 reflected a) no large catastrophic losses; b) net favorable loss development on prior accident years of $38 million, or 13.0 points on the loss ratio; and c) a higher level of mid-sized losses. The net favorable development of $38 million was primarily due to favorable loss emergence, as losses reported by cedants in the nine months ended September 30, 2009 for prior accident years were lower than the Company expected. Based on the Company s assessment of this loss information, the Company decreased its expected ultimate loss ratio, which had the effect of decreasing the prior year loss estimates.

The losses and loss expenses and loss ratio reported in the nine months ended September 30, 2008 reflected a) large catastrophic losses related to Hurricanes Ike and Gustav of $148 million, or 50.0 points on the loss ratio of this sub-segment; b) net favorable loss development on prior accident years of $60 million, or 19.8 points on the loss ratio; and c) a lower level of mid-sized loss activity.

The decrease of $113 million in losses and loss expenses for the nine months ended September 30, 2009 compared to the same period in 2008 included:

- a decrease of $148 million related to the lack of catastrophic losses in 2009; partially offset by
- a decrease of $22 million in net favorable prior year development; and
- an increase of $13 million resulting from a higher level of mid-sized losses.

Acquisition costs and acquisition ratio

Three-month and nine-month result

Acquisition costs and the acquisition ratio decreased in the three months and nine months ended September 30, 2009 compared to 2008 primarily due to profit commissions received from certain cedants in 2009.

Technical result and technical ratio

Three-month result

The increase of $121 million in the technical result and corresponding decrease in the technical ratio in the three months ended September 30, 2009 compared to the same period in 2008 was primarily explained by an increase of $131 million, net of reinstatement premiums, related to the lack of catastrophic losses in 2009 and normal fluctuations in profitability between periods, partially offset by a decrease of $10 million in net favorable prior year development and a higher level of mid-sized losses.

Nine-month result

The increase of $106 million in the technical result and corresponding decrease in the technical ratio in the nine months ended September 30, 2009 compared to the same period in 2008 was primarily explained by an increase of $131 million, net of reinstatement premiums, related to the lack of catastrophic losses in 2009 and normal fluctuations in profitability between periods, partially offset by a decrease of $22 million in net favorable prior year development and a higher level of mid-sized losses.

Life Segment

The following table provides the components of the allocated underwriting result for this segment for the three months and nine months ended September 30, 2009 and 2008 (in millions of U.S. dollars):

	For the three months ended September 30, 2009	% Change 2009 over 2008	For the three months ended September 30, 2008	For the nine months ended September 30, 2009	% Change 2009 over 2008	For the nine months ended September 30, 2008
Gross premiums written	**$ 157**	**12%**	$ 140	**$ 438**	**(3)%**	$ 453
Net premiums written	**157**	**11**	141	**433**	**(3)**	448
Net premiums earned	**$ 160**	**8**	$ 149	**$ 423**	**(4)**	$ 440
Life policy benefits	**(115)**	**2**	(114)	**(313)**	**(10)**	(347)
Acquisition costs	**(28)**	**(13)**	(32)	**(83)**	**(10)**	(91)
Technical result	**$ 17**	**434**	$ 3	**$ 27**	**NM**	$ 2
Other income				**2**	**NM**	
Other operating expenses	**(13)**	**21**	(11)	**(34)**	**6**	(32)
Net investment income	**16**	**(6)**	17	**46**	**(9)**	51
Allocated underwriting result[(1)]	**$ 20**	**115**	$ 9	**$ 41**	**96**	$ 21

NM: not meaningful

(1) *Allocated underwriting result is defined as net premiums earned, other income or loss and allocated net investment income less life policy benefits, acquisition costs and other operating expenses.*

Premiums

The Life segment represented 17% and 14% of total net premiums written in the three months and nine months ended September 30, 2009, respectively.

Three-month result

Gross and net premiums written and net premiums earned increased by 12%, 11% and 8%, respectively, in the three months ended September 30, 2009 compared to the same period in 2008. The increase in gross and net premiums written and premiums earned resulted from all lines of business and was primarily driven by growth in the longevity line of business and new business in the mortality line. These increases were partially offset by the stronger U.S. dollar in the three months ended September 30, 2009 compared to the same period in 2008, as foreign exchange fluctuations decreased gross and net premiums written and net premiums earned by 11%.

Nine-month result

Gross and net premiums written decreased by 3% and net premiums earned decreased by 4% in the nine months ended September 30, 2009 compared to the same period in 2008. The decrease in gross and net premiums written and net premiums earned was primarily driven by the impact of foreign exchange. Foreign exchange fluctuations decreased gross and net premiums written and net premiums earned by 14% as a result of the stronger U.S. dollar in the nine months ended September 30, 2009 compared to the same period in 2008. The decreases in gross and net premiums written and net premiums earned were partially offset by new business in the mortality line and growth in longevity line of business.

Life policy benefits

Three-month result

Life policy benefits increased by $1 million in the three months ended September 30, 2009 compared to the same period in 2008. The increase was primarily driven by the growth in the longevity and mortality lines of business, partially offset by net favorable development of $14 million in the three months ended September 30, 2009 compared to net adverse development of $5 million the same period in 2008. The net favorable development of $14 million in the three months ended September 30, 2009 was mainly driven by the GMDB business, where the payout is linked to the performance of underlying capital market assets in France. The net adverse development of $5 million in the three months ended September 30, 2008 also resulted primarily from the GMDB business.

Nine-month result

Life policy benefits decreased by $34 million in the nine months ended September 30, 2009 compared to the same period in 2008. The decrease was primarily attributable to net favorable development of $11 million in 2009 compared to net adverse development of $10 million in the same period in 2008. The net favorable development in 2009 and the net adverse development in 2008 were primarily due to the GMBD business, as discussed in the three-month result above. Additionally, life policy benefits decreased as a result of a decrease in net premiums earned, mainly driven by changes in foreign exchange.

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Acquisition costs

Three-month and nine-month result

The decrease in acquisition costs in the three months ended September 30, 2009 compared to the same period in 2008 was primarily attributable to the impact of foreign exchange fluctuations, downward profit commission adjustments reported by cedants and new business with lower cost ratios, partially offset by acquisition costs on higher premiums earned. The decrease in acquisition costs in the nine months ended September 30, 2009 compared to the same period in 2008 was primarily due to the impact of foreign exchange fluctuations, partially offset by acquisition costs related to new business in the mortality line and growth in the longevity line.

Net investment income

Three-month and nine-month result

Net investment income decreased by $1 million and $5 million for the three months and nine months ended September 30, 2009, respectively, compared to the same periods in 2008 primarily as a result of the impact of foreign exchange fluctuations and a decrease in interest rates, partially offset by higher invested assets.

Allocated underwriting result

Three-month and nine-month result

The increase of $11 million and $20 million, respectively, in allocated underwriting result in the three months and nine months ended September 30, 2009 compared to the same periods in 2008 was primarily explained by the increase in the technical result. The increase in technical result was driven by favorable development of $14 million and $12 million, respectively, from the GMDB business in the three months and nine months ended September 30, 2009 compared to adverse development of $5 million and $16 million, respectively, for the same periods in 2008, and normal fluctuations in profitability between periods.

Premium Distribution by Line of Business

The distribution of net premiums written by line of business for the three months and nine months ended September 30, 2009 and 2008 was as follows:

	For the three months ended September 30, 2009	For the three months ended September 30, 2008	For the nine months ended September 30, 2009	For the nine months ended September 30, 2008
Non-life				
Property and casualty				
Casualty	**12%**	16%	**13%**	15%
Property	**18**	14	**18**	16
Motor	**6**	6	**6**	6
Multiline and other	**2**	3	**3**	3
Specialty				
Agriculture	**9**	7	**7**	7
Aviation/Space	**5**	6	**4**	4
Catastrophe	**5**	6	**12**	12
Credit/Surety	**6**	8	**5**	7
Engineering	**8**	5	**5**	