

EVEREST RE GROUP LTD  
Form 10-Q  
August 10, 2015  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED: Commission file number:  
June 30, 2015 1-15731

EVEREST RE GROUP, LTD.

(Exact name of registrant as specified in its charter)

Bermuda 98-0365432

(State or other jurisdiction of  
incorporation or organization) (I.R.S. Employer  
Identification No.)

Wessex House – 2<sup>nd</sup> Floor  
45 Reid Street  
PO Box HM 845  
Hamilton HM DX, Bermuda  
441-295-0006

(Address, including zip code, and telephone number, including area code,  
of registrant's principal executive office)

---

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.

YESX 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YESX 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  
(Do not check if smaller  
reporting company)

Edgar Filing: EVEREST RE GROUP LTD - Form 10-Q

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NOX

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<u>Class</u>	<u>Number of Shares Outstanding</u> <u>At August 1, 2015</u>
Common Shares, \$0.01 par value	44,188,487

---

EVEREST RE GROUP, LTD

Table of Contents  
Form 10-Q

Page  
PART I

FINANCIAL INFORMATION

Item 1.	Financial Statements	
	Consolidated Balance Sheets June 30, 2015 (unaudited) and December 31, 2014	1
	Consolidated Statements of Operations and Comprehensive Income (Loss) for the three and six months ended June 30, 2015 and 2014 (unaudited)	2
	Consolidated Statements of Changes in Shareholders' Equity for the three and six months ended June 30, 2015 and 2014 (unaudited)	3
	Consolidated Statements of Cash Flows for the six months ended June 30, 2015 and 2014 (unaudited)	4
	Notes to Consolidated Interim Financial Statements (unaudited)	5
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operation	30
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	56
Item 4.	Controls and Procedures	56

PART II

OTHER INFORMATION

Item 1. Legal Proceedings	57
Item 1A. Risk Factors	57
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	57
Item 3. Defaults Upon Senior Securities	57
Item 4. Mine Safety Disclosures	58
Item 5. Other Information	58
Item 6. Exhibits	58

---

EVEREST RE GROUP, LTD.  
CONSOLIDATED BALANCE SHEETS

(Dollars and share amounts in thousands, except par value per share)	June 30, 2015 (unaudited)	December 31, 2014
<b>ASSETS:</b>		
Fixed maturities - available for sale, at market value (amortized cost: 2015, \$13,213,596; 2014, \$12,831,159)	\$13,474,801	\$13,101,067
Fixed maturities - available for sale, at fair value	228	1,509
Equity securities - available for sale, at market value (cost: 2015, \$147,512; 2014, \$148,326)	137,516	140,210
Equity securities - available for sale, at fair value	1,483,803	1,447,820
Short-term investments	1,901,807	1,705,932
Other invested assets (cost: 2015, \$665,153; 2014, \$601,925)	665,153	601,925
Cash	338,901	437,474
Total investments and cash	18,002,209	17,435,937
Accrued investment income	108,829	111,075
Premiums receivable	1,445,180	1,397,983
Reinsurance receivables	682,878	670,854
Funds held by reinsureds	233,447	228,192
Deferred acquisition costs	350,551	398,408
Prepaid reinsurance premiums	179,448	154,177
Income taxes	206,400	184,762
Other assets	273,954	236,436
<b>TOTAL ASSETS</b>	<b>\$21,482,896</b>	<b>\$20,817,824</b>
<b>LIABILITIES:</b>		
Reserve for losses and loss adjustment expenses	\$9,783,570	\$9,720,813
Future policy benefit reserve	59,456	59,820
Unearned premium reserve	1,562,078	1,728,745
Funds held under reinsurance treaties	78,553	3,932
Commission reserves	88,008	87,990
Other net payable to reinsurers	160,248	139,841
Losses in course of payment	251,980	157,527
4.868% Senior notes due 6/1/2044	400,000	400,000
6.6% Long term notes due 5/1/2067	238,366	238,364
Accrued interest on debt and borrowings	3,537	3,537
Equity index put option liability	40,819	47,022
Unsettled securities payable	72,834	41,092
Other liabilities	257,056	316,469
Total liabilities	12,996,505	12,945,152
<b>NONCONTROLLING INTERESTS:</b>		
Redeemable noncontrolling interests - Mt. Logan Re	759,729	421,552

Commitments and contingencies (Note 9)

**SHAREHOLDERS' EQUITY:**

Edgar Filing: EVEREST RE GROUP LTD - Form 10-Q

Preferred shares, par value: \$0.01; 50,000 shares authorized; no shares issued and outstanding	-	-
Common shares, par value: \$0.01; 200,000 shares authorized; (2015) 68,555 and (2014) 68,336 outstanding before treasury shares	685	683
Additional paid-in capital	2,084,636	2,068,807
Accumulated other comprehensive income (loss), net of deferred income tax expense (benefit) of \$20,968 at 2015 and \$20,715 at 2014	(14,819 )	48,317
Treasury shares, at cost; 24,363 shares (2015) and 23,650 shares (2014)	(2,610,878 )	(2,485,897 )
Retained earnings	8,267,038	7,819,210
Total shareholders' equity attributable to Everest Re Group	7,726,662	7,451,120
<b>TOTAL LIABILITIES, NONCONTROLLING INTERESTS AND SHAREHOLDERS' EQUITY</b>	<b>\$21,482,896</b>	<b>\$ 20,817,824</b>

The accompanying notes are an integral part of the consolidated financial statements.

EVEREST RE GROUP, LTD.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
AND COMPREHENSIVE INCOME (LOSS)

(Dollars in thousands, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2015 (unaudited)	2014	2015 (unaudited)	2014
<b>REVENUES:</b>				
Premiums earned	\$1,332,398	\$1,272,317	\$2,639,475	\$2,416,807
Net investment income	125,046	131,224	247,629	254,381
Net realized capital gains (losses):				
Other-than-temporary impairments on fixed maturity securities	(16,238 )	(389 )	(42,256 )	(389 )
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	-	-	-	-
Other net realized capital gains (losses)	(7,940 )	59,405	7,573	80,531
Total net realized capital gains (losses)	(24,178 )	59,016	(34,683 )	80,142
Net derivative gain (loss)	6,445	3,774	6,203	2,113
Other income (expense)	(3,925 )	(13,871 )	42,148	(17,167 )
Total revenues	1,435,786	1,452,460	2,900,772	2,736,276
<b>CLAIMS AND EXPENSES:</b>				
Incurred losses and loss adjustment expenses	790,661	735,697	1,513,126	1,355,106
Commission, brokerage, taxes and fees	294,917	283,687	582,084	529,689
Other underwriting expenses	63,951	58,414	124,615	109,052
Corporate expenses	5,925	3,899	11,388	8,844
Interest, fees and bond issue cost amortization expense	9,026	8,978	18,016	16,546
Total claims and expenses	1,164,480	1,090,675	2,249,229	2,019,237
<b>INCOME (LOSS) BEFORE TAXES</b>	271,306	361,785	651,543	717,039
Income tax expense (benefit)	35,834	63,860	77,001	117,092
<b>NET INCOME (LOSS)</b>	\$235,472	\$297,925	\$574,542	\$599,947
Net (income) loss attributable to noncontrolling interests	(26,415 )	(7,741 )	(42,507 )	(15,830 )
<b>NET INCOME (LOSS) ATTRIBUTABLE TO EVEREST RE GROUP</b>	\$209,057	\$290,184	\$532,035	\$584,117
<b>Other comprehensive income (loss), net of tax:</b>				
Unrealized appreciation (depreciation) ("URA(D)") on securities arising during the period	(136,481 )	85,921	(53,276 )	139,392
Reclassification adjustment for realized losses (gains) included in net income (loss)	12,747	2,169	34,930	4,043
Total URA(D) on securities arising during the period	(123,734 )	88,090	(18,346 )	143,435
Foreign currency translation adjustments	54,337	(763 )	(48,003 )	(3,400 )
Benefit plan actuarial net gain (loss) for the period	-	-	-	-
Reclassification adjustment for amortization of net (gain) loss included in net income (loss)	1,609	770	3,213	1,541

Edgar Filing: EVEREST RE GROUP LTD - Form 10-Q

Total benefit plan net gain (loss) for the period	1,609	770	3,213	1,541
Total other comprehensive income (loss), net of tax	(67,788 )	88,097	(63,136 )	141,576
Other comprehensive (income) loss attributable to noncontrolling interests	-	-	-	-
Total other comprehensive income (loss), net of tax attributable to Everest Re Group	(67,788 )	88,097	(63,136 )	141,576
<b>COMPREHENSIVE INCOME (LOSS)</b>	<b>\$141,269</b>	<b>\$378,281</b>	<b>\$468,899</b>	<b>\$725,693</b>
<b>EARNINGS PER COMMON SHARE ATTRIBUTABLE TO EVEREST RE GROUP:</b>				
Basic	\$4.72	\$6.32	\$11.99	\$12.58
Diluted	4.68	6.26	11.88	12.46
Dividends declared	0.95	0.75	1.90	1.50

The accompanying notes are an integral part of the consolidated financial statements.



EVEREST RE GROUP, LTD.  
CONSOLIDATED STATEMENTS OF  
CHANGES IN SHAREHOLDERS' EQUITY

(Dollars in thousands, except share and dividends per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2015 (unaudited)	2014	2015 (unaudited)	2014
<b>COMMON SHARES (shares outstanding):</b>				
Balance, beginning of period	44,410,420	46,057,039	44,685,637	47,543,132
Issued during the period, net	59,606	109,068	219,267	315,139
Treasury shares acquired	(277,500 )	(475,092 )	(712,378 )	(2,167,256 )
Balance, end of period	44,192,526	45,691,015	44,192,526	45,691,015
<b>COMMON SHARES (par value):</b>				
Balance, beginning of period	\$685	\$682	\$683	\$680
Issued during the period, net	-	1	2	3
Balance, end of period	685	683	685	683
<b>ADDITIONAL PAID-IN CAPITAL:</b>				
Balance, beginning of period	2,073,977	2,036,320	2,068,807	2,029,774
Share-based compensation plans	10,659	16,362	15,829	22,908
Balance, end of period	2,084,636	2,052,682	2,084,636	2,052,682
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), NET OF DEFERRED INCOME TAXES:</b>				
Balance, beginning of period	52,969	211,207	48,317	157,728
Net increase (decrease) during the period	(67,788 )	88,097	(63,136 )	141,576
Balance, end of period	(14,819 )	299,304	(14,819 )	299,304
<b>RETAINED EARNINGS:</b>				
Balance, beginning of period	8,099,936	7,025,158	7,819,210	6,765,967
Net income (loss) attributable to Everest Re Group	209,057	290,184	532,035	584,117
Dividends declared (\$0.95 per share in second quarter 2015 and \$1.90 year-to-date per share in 2015 and \$0.75 per share in second quarter 2014 and \$1.50 year-to-date per share in 2014)	(41,955 )	(34,319 )	(84,207 )	(69,061 )
Balance, end of period	8,267,038	7,281,023	8,267,038	7,281,023
<b>TREASURY SHARES AT COST:</b>				
Balance, beginning of period	(2,560,937 )	(2,235,856 )	(2,485,897 )	(1,985,873 )
Purchase of treasury shares	(49,941 )	(74,968 )	(124,981 )	(324,951 )
Balance, end of period	(2,610,878 )	(2,310,824 )	(2,610,878 )	(2,310,824 )
<b>TOTAL SHAREHOLDERS' EQUITY, END OF PERIOD</b>	<b>\$7,726,662</b>	<b>\$7,322,868</b>	<b>\$7,726,662</b>	<b>\$7,322,868</b>

The accompanying notes are an integral part of the consolidated financial statements.

3

---

EVEREST RE GROUP, LTD.  
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Six Months Ended	
	June 30, 2015	2014 (unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$574,542	\$599,947
Adjustments to reconcile net income to net cash provided by operating activities:		
Decrease (increase) in premiums receivable	(51,422 )	(97,827 )
Decrease (increase) in funds held by reinsureds, net	68,245	2,148
Decrease (increase) in reinsurance receivables	(32,526 )	(137,077)
Decrease (increase) in income taxes	(20,898 )	15,257
Decrease (increase) in prepaid reinsurance premiums	(28,916 )	(68,346 )
Increase (decrease) in reserve for losses and loss adjustment expenses	113,567	8,055
Increase (decrease) in future policy benefit reserve	(364 )	(1,144 )
Increase (decrease) in unearned premiums	(160,849)	