

EVEREST RE GROUP LTD
Form 10-Q
November 09, 2016
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:
September 30, 2016 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.)

Seon Place – 4th Floor
141 Front Street
PO Box HM 845
Hamilton HM 19, 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)

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 November 1, 2016</u>
Common Shares, \$0.01 par value	40,873,802

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EVEREST RE GROUP, LTD.
CONSOLIDATED BALANCE SHEETS

(Dollars and share amounts in thousands, except par value per share)	September 30, 2016 (unaudited)	December 31, 2015
ASSETS:		
Fixed maturities - available for sale, at market value (amortized cost: 2016, \$13,853,790; 2015, \$13,276,206)	\$ 14,266,113	\$ 13,357,294
Fixed maturities - available for sale, at fair value	3,982	2,102
Equity securities - available for sale, at market value (cost: 2016, \$126,729; 2015, \$122,271)	123,296	108,940
Equity securities - available for sale, at fair value	1,090,734	1,337,733
Short-term investments	314,494	799,684
Other invested assets (cost: 2016, \$1,305,174; 2015, \$786,994)	1,305,174	786,994
Cash	435,795	283,658
Total investments and cash	17,539,588	16,676,405
Accrued investment income	101,011	100,942
Premiums receivable	1,667,002	1,483,090
Reinsurance receivables	965,427	894,037
Funds held by reinsureds	241,983	278,673
Deferred acquisition costs	349,317	372,351
Prepaid reinsurance premiums	232,919	164,971
Income taxes	169,867	258,541
Other assets	395,968	316,408
TOTAL ASSETS	\$21,663,082	\$ 20,545,418
LIABILITIES:		
Reserve for losses and loss adjustment expenses	\$ 10,375,470	\$ 9,951,798
Future policy benefit reserve	56,998	58,910
Unearned premium reserve	1,702,390	1,613,390
Funds held under reinsurance treaties	23,567	13,544
Commission reserves	93,733	60,098
Other net payable to reinsurers	262,662	173,087
Losses in course of payment	121,082	112,170
4.868% Senior notes due 6/1/2044	396,684	396,594
6.6% Long term notes due 5/1/2067	236,438	236,364
Accrued interest on debt and borrowings	12,341	3,537
Equity index put option liability	35,219	40,705
Unsettled securities payable	76,813	15,314
Other liabilities	228,593	261,322
Total liabilities	13,621,990	12,936,833
Commitments and contingencies (Note 7)		
SHAREHOLDERS' EQUITY:		
Preferred shares, par value: \$0.01; 50,000 shares authorized; no shares issued and outstanding	-	-

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Common shares, par value: \$0.01; 200,000 shares authorized; (2016) 68,822 and (2015) 68,606 outstanding before treasury shares	688	686
Additional paid-in capital	2,129,311	2,103,638
Accumulated other comprehensive income (loss), net of deferred income tax expense (benefit) of \$56,361 at 2016 and (\$15,863) at 2015	75,830	(231,755)
Treasury shares, at cost; 27,935 shares (2016) and 25,912 shares (2015)	(3,265,184)	(2,885,956)
Retained earnings	9,100,447	8,621,972
Total shareholders' equity	8,041,092	7,608,585
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$21,663,082	\$ 20,545,418

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

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

(Dollars in thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016 (unaudited)	2015	2016 (unaudited)	2015
REVENUES:				
Premiums earned	\$1,371,474	\$1,362,864	\$3,879,201	\$3,920,607
Net investment income	122,657	115,403	357,918	362,959
Net realized capital gains (losses):				
Other-than-temporary impairments on fixed maturity securities	(867)	(20,445)	(31,130)	(62,701)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	-	-	-	-
Other net realized capital gains (losses)	1,247	(139,526)	(10,091)	(131,953)
Total net realized capital gains (losses)	380	(159,971)	(41,221)	(194,654)
Net derivative gain (loss)	6,510	(11,428)	5,486	(5,225)
Other income (expense)	9,435	25,251	(20,998)	74,468
Total revenues	1,510,456	1,332,119	4,180,386	4,158,155
CLAIMS AND EXPENSES:				
Incurred losses and loss adjustment expenses	786,168	871,612	2,344,733	2,364,951
Commission, brokerage, taxes and fees	309,545	295,193	880,053	868,807
Other underwriting expenses	78,563	67,980	222,750	188,623
Corporate expenses	6,400	5,924	21,403	17,312
Interest, fees and bond issue cost amortization expense	8,893	8,990	27,194	27,006
Total claims and expenses	1,189,569	1,249,699	3,496,133	3,466,699
INCOME (LOSS) BEFORE TAXES	320,887	82,420	684,253	691,456
Income tax expense (benefit)	25,493	(6,133)	61,481	70,868
NET INCOME (LOSS)	\$295,394	\$88,553	\$622,772	\$620,588
Other comprehensive income (loss), net of tax:				
Unrealized appreciation (depreciation) ("URA(D)") on securities arising during the period	(9,032)	(91,059)	258,286	(144,335)
Reclassification adjustment for realized losses (gains) included in net income (loss)	(3,222)	24,596	27,711	59,526
Total URA(D) on securities arising during the period	(12,254)	(66,463)	285,997	(84,809)
Foreign currency translation adjustments	2,816	(32,505)	17,639	(80,508)
Benefit plan actuarial net gain (loss) for the period	-	-	-	-
Reclassification adjustment for amortization of net (gain) loss included in net income (loss)	1,268	1,556	3,949	4,769
Total benefit plan net gain (loss) for the period	1,268	1,556	3,949	4,769
Total other comprehensive income (loss), net of tax	(8,170)	(97,412)	307,585	(160,548)

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COMPREHENSIVE INCOME (LOSS)	\$287,224	\$(8,859) \$930,357	\$460,040
EARNINGS PER COMMON SHARE				
Basic	\$7.11	\$2.02	\$14.80	\$14.04
Diluted	7.06	2.00	14.70	13.92
Dividends declared	1.15	0.95	3.45	2.85

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

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

(Dollars in thousands, except share and dividends per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016 (unaudited)	2015	2016 (unaudited)	2015
COMMON SHARES (shares outstanding):				
Balance, beginning of period	41,883,430	44,192,526	42,694,252	44,685,637
Issued during the period, net	17,621	29,398	215,887	248,665
Treasury shares acquired	(1,013,857)	(1,137,473)	(2,022,945)	(1,849,851)
Balance, end of period	40,887,194	43,084,451	40,887,194	43,084,451
COMMON SHARES (par value):				
Balance, beginning of period	\$688			