

EVEREST RE GROUP LTD
Form 10-Q
November 09, 2018

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, 2018 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, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth 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)		Emerging growth company

Indicate by check mark if the registrant is an emerging growth company and has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange act.

YES NOX

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, 2018</u>
Common Shares, \$0.01 par value	40,647,998

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EVEREST RE GROUP, LTD.
CONSOLIDATED BALANCE SHEETS

	September 30, 2018 (unaudited)	December 31, 2017
(Dollars and share amounts in thousands, except par value per share)		
ASSETS:		
Fixed maturities - available for sale, at market value (amortized cost: 2018, \$14,870,380; 2017, \$14,689,598)	\$ 14,655,484	\$ 14,756,834
Fixed maturities - available for sale, at fair value	2,373	-
Equity securities, at market value (cost: 2018, \$0; 2017, \$130,287)	-	129,530
Equity securities, at fair value	1,166,540	963,572
Short-term investments (cost: 2018, \$693,117; 2017, \$509,682)	693,111	509,682
Other invested assets (cost: 2018, \$1,508,629; 2017, \$1,628,753)	1,508,629	1,631,850
Cash	639,761	635,067
Total investments and cash	18,665,898	18,626,535
Accrued investment income	102,778	97,704
Premiums receivable	2,097,259	1,844,881
Reinsurance receivables	1,738,706	1,348,226
Funds held by reinsureds	369,503	292,927
Deferred acquisition costs	460,216	411,587
Prepaid reinsurance premiums	374,102	288,211
Income taxes	266,464	299,438
Other assets	335,931	382,283
TOTAL ASSETS	\$ 24,410,857	\$ 23,591,792
LIABILITIES:		
Reserve for losses and loss adjustment expenses	\$ 12,390,153	\$ 11,884,321
Future policy benefit reserve	47,871	51,014
Unearned premium reserve	2,351,312	2,000,556
Funds held under reinsurance treaties	17,563	18,030
Other net payable to reinsurers	289,961	218,017
4.868% Senior notes due 6/1/2044	396,924	396,834
6.6% Long term notes due 5/1/2067	236,634	236,561
Accrued interest on debt and borrowings	7,869	2,727
Equity index put option liability	6,993	12,477
Unsettled securities payable	103,682	38,743
Other liabilities	232,882	363,280
Total liabilities	16,081,844	15,222,560
Commitments and contingencies (Note 8)		
SHAREHOLDERS' EQUITY:		
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; (2018) 69,198 and (2017) 69,044 outstanding before treasury shares	692	691
Additional paid-in capital	2,182,594	2,165,768

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Accumulated other comprehensive income (loss), net of deferred income tax expense (benefit) of (\$17,384) at 2018 and \$9,356 at 2017	(470,317)	(160,891)
Treasury shares, at cost; 28,551 shares (2018) and 28,208 shares (2017)	(3,397,548)	(3,322,244)
Retained earnings	10,013,592	9,685,908
Total shareholders' equity	8,329,013	8,369,232
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 24,410,857	\$ 23,591,792

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 September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(unaudited)		(unaudited)	
REVENUES:				
Premiums earned	\$1,731,479	\$1,598,875	\$5,080,724	\$4,280,653
Net investment income	161,363	136,973	440,979	393,770
Net realized capital gains (losses):				
Other-than-temporary impairments on fixed maturity securities	(3,825)	(1,485)	(4,783)	(5,188)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	-	-	-	-
Other net realized capital gains (losses)	58,629	43,020	50,462	124,719
Total net realized capital gains (losses)	54,804	41,535	45,679	119,531
Net derivative gain (loss)	2,225	2,656	5,485	6,052
Other income (expense)	(5,458)	(54,568)	9,642	(59,146)
Total revenues	1,944,413	1,725,471	5,582,509	4,740,860
CLAIMS AND EXPENSES:				
Incurred losses and loss adjustment expenses	1,251,858	2,210,082	3,650,349	3,842,145
Commission, brokerage, taxes and fees	381,401	333,113	1,122,442	915,338
Other underwriting expenses	97,942	73,145	287,325	227,901
Corporate expenses	7,890	5,932	23,519	21,308
Interest, fees and bond issue cost amortization expense	7,901	7,266	23,047	24,289
Total claims and expenses	1,746,992	2,629,538	5,106,682	5,030,981
INCOME (LOSS) BEFORE TAXES	197,421	(904,067)	475,827	(290,121)
Income tax expense (benefit)	(8,192)	(264,693)	(9,999)	(188,064)
NET INCOME (LOSS)	\$205,613	\$(639,374)	\$485,826	\$(102,057)
Other comprehensive income (loss), net of tax:				
Unrealized appreciation (depreciation) ("URA(D)") on securities arising during the period	(22,282)	(5,671)	(254,682)	18,745
Reclassification adjustment for realized losses (gains) included in net income (loss)	1,417	(5,537)	(7,106)	(16,729)
Total URA(D) on securities arising during the period	(20,865)	(11,208)	(261,788)	2,016
Foreign currency translation adjustments	(5,930)	77,564	(51,883)	125,124
Reclassification adjustment for amortization of net (gain) loss included in net income (loss)	1,816	1,369	5,446	5,377
Total benefit plan net gain (loss) for the period	1,816	1,369	5,446	5,377
Total other comprehensive income (loss), net of tax	(24,979)	67,725	(308,225)	132,517
COMPREHENSIVE INCOME (LOSS)	\$180,634	\$(571,649)	\$177,601	\$30,460

EARNINGS PER COMMON SHARE:

Basic	\$5.04	\$(15.73) \$11.89	\$(2.51)
Diluted	5.02	(15.73) 11.83	(2.51)

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands, except share and dividends per share amounts)	2018 (unaudited)	2017	2018 (unaudited)	2017
COMMON SHARES (shares outstanding):				
Balance, beginning of period	40,860,169	41,065,212	40,835,272	40,898,864
Issued during the period, net	16,388	2,896	154,032	169,244
Treasury shares acquired	(229,432)	-	(342,179)	-
Balance, end of period	40,647,125	41,068,108	40,647,125	41,068,108
COMMON SHARES (par value):				
Balance, beginning of period	\$692	\$691	\$691	\$689
Issued during the period, net	-	-	1	2
Balance, end of period	692	691	692	691
ADDITIONAL PAID-IN CAPITAL:				
Balance, beginning of period	2,172,701	2,150,659	2,165,768	2,140,783
Share-based compensation plans	9,893	7,484	16,826	17,360
Balance, end of period	2,182,594	2,158,143	2,182,594	2,158,143