EVEREST RE GROUP LTD
Form 10-K
March 03, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2013

Commission file number 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 – 2nd 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)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Shares, $.01 par value per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES X NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

YES NO X

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

YES X NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

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 NO X

The aggregate market value on June 30, 2013, the last business day of the registrant's most recently completed second quarter, of the voting shares held by non-affiliates of the registrant was $6,231,902 thousand.

At February 1, 2014, the number of shares outstanding of the registrant's common shares was 47,374,165.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required by Items 10, 11, 12, 13 and 14 of Form 10-K is incorporated by reference into Part III hereof from the registrant's proxy statement for the 2013 Annual General Meeting of Shareholders, which will be filed with the Securities and Exchange Commission within 120 days of the close of the registrant's fiscal year ended December 31, 2013.

EVEREST RE GROUP, LTD

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PART I

Unless otherwise indicated, all financial data in this document have been prepared using accounting principles generally accepted in the United States of America ("GAAP"). As used in this document, "Group" means Everest Re Group, Ltd.; "Holdings Ireland" means Everest Underwriting Group (Ireland) Limited; "Ireland Re" means Everest Reinsurance Company (Ireland), Limited; "Holdings" means Everest Reinsurance Holdings, Inc.; "Everest Re" means Everest Reinsurance Company and its subsidiaries (unless the context otherwise requires); and the "Company", "we", "us", and "our" means Everest Re Group, Ltd. and its subsidiaries.

ITEM 1. BUSINESS

The Company.
Group, a Bermuda company, was established in 1999 as a wholly-owned subsidiary of Holdings. On February 24, 2000, a corporate restructuring was completed and Group became the new parent holding company of Holdings. Holdings continues to be the holding company for the Company's U.S. based operations. Holders of shares of common stock of Holdings automatically became holders of the same number of common shares of Group. Prior to the restructuring, Group had no significant assets or capitalization and had not engaged in any business or prior activities other than in connection with the restructuring.

In connection with the February 24, 2000 restructuring, Group established a Bermuda-based reinsurance subsidiary, Everest Reinsurance (Bermuda), Ltd. ("Bermuda Re"), which commenced business in the second half of 2000. Group also formed Everest Global Services, Inc., a Delaware subsidiary, to perform administrative functions for Group and its U.S. based and non-U.S. based subsidiaries.

On December 30, 2008, Group contributed Holdings to its Irish holding company, Holdings Ireland. Holdings Ireland is a direct subsidiary of Group and was established to serve as a holding company for the U.S. and Irish reinsurance and insurance subsidiaries.

Holdings, a Delaware corporation, was established in 1993 to serve as the parent holding company of Everest Re, a Delaware property and casualty reinsurer formed in 1973. Until October 6, 1995, Holdings was an indirect wholly-owned subsidiary of The Prudential Insurance Company of America ("The Prudential"). On October 6, 1995, The Prudential sold its entire interest in Holdings in an initial public offering.

Effective February 27, 2013, the Company established a new subsidiary, Mt. Logan Re Ltd. ("Mt. Logan Re") and effective July 1, 2013, Mt. Logan Re established separate segregated accounts and issued non-voting redeemable preferred shares to capitalize the segregated accounts. Accordingly, the financial position and operating results for Mt. Logan Re are consolidated with the Company and the non-controlling interests in Mt. Logan Re's operating results and equity are presented as separate captions in the Company's financial statements.

The Company's principal business, conducted through its operating segments, is the underwriting of reinsurance and insurance in the U.S., Bermuda and international markets. The Company had gross written premiums, in 2013, of $5.2 billion with approximately 76% representing reinsurance and 24% representing insurance. Shareholders' equity at December 31, 2013 was $7.0 billion. The Company underwrites reinsurance both through brokers and directly with ceding companies, giving it the flexibility to pursue business based on the ceding company's preferred reinsurance purchasing method. The Company underwrites insurance principally through general agent relationships, brokers and surplus lines brokers. Group's active operating subsidiaries, excluding Mt. Logan Re and Mt. McKinley Insurance Company ("Mt. McKinley"), which is in run-off, are each rated A+ ("Superior") by A.M. Best Company ("A.M. Best"), a leading provider of insurer ratings that assigns financial strength ratings to insurance companies based on their ability to meet their obligations to policyholders.

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Following is a summary of the Company's principal operating subsidiaries:

- Bermuda Re, a Bermuda insurance company and a direct subsidiary of Group, is registered in Bermuda as a Class 4 insurer and long-term insurer and is authorized to write property and casualty and life and annuity business. Bermuda Re commenced business in the second half of 2000. Bermuda Re's UK branch writes property and casualty reinsurance to the United Kingdom and European markets. At December 31, 2013, Bermuda Re had shareholder's equity of $3.0 billion.

- Everest International Reinsurance, Ltd. ("Everest International"), a Bermuda insurance company and a direct subsidiary of Group, is registered in Bermuda as a Class 4 insurer and is authorized to write property and casualty business. Through 2013, all of Everest International's business has been inter-affiliate quota share reinsurance assumed from Everest Re, the UK branch of Bermuda Re and Ireland Re. At December 31, 2013, Everest International had shareholder's equity of $369.2 million.

- Mt. Logan Re, a Bermuda insurance company and a direct subsidiary of Group, is registered in Bermuda as a Class 3 insurer and is authorized to write property and casualty reinsurance. Through 2013, all of Mt. Logan Re's business has been inter-affiliate reinsurance assumed from Everest Re, the UK branch of Bermuda Re and Ireland Re, and all business has been written through segregated cells. At December 31, 2013, Mt. Logan Re had shareholders' equity of $129.0 million.

- Ireland Re, an Ireland reinsurance company and an indirect subsidiary of Group, is licensed to write non-life reinsurance, both directly and through brokers, for the London and European markets.

- Everest Re, a Delaware insurance company and a direct subsidiary of Holdings, is a licensed property and casualty insurer and/or reinsurer in all states, the District of Columbia and Puerto Rico and is authorized to conduct reinsurance business in Canada, Singapore and Brazil. Everest Re underwrites property and casualty reinsurance for insurance and reinsurance companies in the U.S. and international markets. At December 31, 2013, Everest Re had statutory surplus of $2.8 billion.

- Everest Insurance Company of Canada ("Everest Canada"), a Canadian insurance company and direct subsidiary of Holdings Ireland, is licensed to write property and casualty insurance in all Canadian provinces.

- Everest National Insurance Company ("Everest National"), a Delaware insurance company and a direct subsidiary of Everest Re, is licensed in 50 states and the District of Columbia and is authorized to write property and casualty insurance on an admitted basis in the jurisdictions in which it is licensed. The majority of Everest National's business is reinsured by its parent, Everest Re.

- Everest Indemnity Insurance Company ("Everest Indemnity"), a Delaware insurance company and a direct subsidiary of Everest Re, writes excess and surplus lines insurance business in the U.S. on a non-admitted basis. Excess and surplus lines insurance is specialty property and liability coverage that an insurer not licensed to write insurance in a particular jurisdiction is permitted to provide to insureds when the specific specialty coverage is unavailable from admitted insurers. Everest Indemnity is licensed in Delaware and is eligible to write business on a non-admitted basis in all other states, the District of Columbia and Puerto Rico. The majority of Everest Indemnity's business is reinsured by its parent, Everest Re.

- Everest Security Insurance Company ("Everest Security"), a Georgia insurance company and a direct subsidiary of Everest Re, writes property and casualty insurance on an admitted basis in Georgia and Alabama. The majority of Everest Security's business is reinsured by its parent, Everest Re.

Mt. McKinley, a Delaware insurance company and a direct subsidiary of Holdings, was acquired by Holdings in September 2000 from The Prudential. In 1985, Mt. McKinley ceased writing new and renewal insurance and commenced a run-off operation to service claims arising from its previously written business. Effective September 19, 2000, Mt. McKinley and Bermuda Re entered into a loss portfolio transfer reinsurance agreement, whereby Mt. McKinley transferred, for arm's-length consideration, all of its net insurance exposures and reserves to Bermuda Re.

- Heartland Crop Insurance, Inc. (“Heartland”), a Kansas based managing general agent and a direct subsidiary of Holdings, was acquired on January 2, 2011. Heartland specializes in crop insurance, which is written mainly through Everest National.

Reinsurance Industry Overview.
Reinsurance is an arrangement in which an insurance company, the reinsurer, agrees to indemnify another insurance or reinsurance company, the ceding company, against all or a portion of the insurance risks underwritten by the ceding company under one or more insurance contracts. Reinsurance can provide a ceding company with several benefits, including a reduction in its net liability on individual risks or classes of risks, catastrophe protection from large and/or multiple losses and/or a reduction in operating leverage as measured by the ratio of net premiums and reserves to capital. Reinsurance also provides a ceding company with additional underwriting capacity by permitting it to accept larger risks and write more business than would be acceptable relative to the ceding company’s financial resources. Reinsurance does not discharge the ceding company from its liability to policyholders; rather, it reimburses the ceding company for covered losses.

There are two basic types of reinsurance arrangements: treaty and facultative. Treaty reinsurance obligates the ceding company to cede and the reinsurer to assume a specified portion of a type or category of risks insured by the ceding company. Treaty reinsurers do not separately evaluate each of the individual risks assumed under their treaties, instead, the reinsurer relies upon the pricing and underwriting decisions made by the ceding company. In facultative reinsurance, the ceding company cedes and the reinsurer assumes all or part of the risk under a single insurance contract. Facultative reinsurance is negotiated separately for each insurance contract that is reinsured. Facultative reinsurance, when purchased by ceding companies, usually is intended to cover individual risks not covered by their reinsurance treaties because of the dollar limits involved or because the risk is unusual.

Both treaty and facultative reinsurance can be written on either a pro rata basis or an excess of loss basis. Under pro rata reinsurance, the ceding company and the reinsurer share the premiums as well as the losses and expenses in an agreed proportion. Under excess of loss reinsurance, the reinsurer indemnifies the ceding company against all or a specified portion of losses and expenses in excess of a specified dollar amount, known as the ceding company's retention or reinsurer's attachment point, generally subject to a negotiated reinsurance contract limit.

In pro rata reinsurance, the reinsurer generally pays the ceding company a ceding commission. The ceding commission generally is based on the ceding company’s cost of acquiring the business being reinsured (commissions, premium taxes, assessments and miscellaneous administrative expense and may contain profit sharing provisions, whereby the ceding commission is adjusted based on loss experience). Premiums paid by the ceding company to a reinsurer for excess of loss reinsurance are not directly proportional to the premiums that the ceding company receives because the reinsurer does not assume a proportionate risk. There is usually no ceding commission on excess of loss reinsurance.

Reinsurers may purchase reinsurance to cover their own risk exposure. Reinsurance of a reinsurer's business is called a retrocession. Reinsurance companies cede risks under retrocessional agreements to other reinsurers, known as retrocessionaires, for reasons similar to those that cause insurers to purchase reinsurance: to reduce net liability on individual or classes of risks, protect against catastrophic losses, stabilize financial ratios and obtain additional underwriting capacity.

Reinsurance can be written through intermediaries, generally professional reinsurance brokers, or directly with ceding companies. From a ceding company's perspective, the broker and the direct distribution channels have advantages and disadvantages. A ceding company's decision to select one distribution channel over the other will be influenced by its perception of such advantages and disadvantages relative to the reinsurance coverage being placed.

Business Strategy.
The Company's business strategy is to sustain its leadership position within targeted reinsurance and insurance markets, provide effective management throughout the property and casualty underwriting cycle and thereby achieve an attractive return for its shareholders. The Company's underwriting strategies seek to capitalize on its i) financial strength and capacity, ii) global franchise, iii) stable and experienced management team, iv) diversified product and distribution offerings, v) underwriting expertise and disciplined approach, vi) efficient and low-cost operating structure and vii) effective enterprise risk management practices.

The Company offers treaty and facultative reinsurance and admitted and non-admitted insurance. The Company's products include the full range of property and casualty reinsurance and insurance coverages, including marine, aviation, surety, errors and omissions liability ("E&O"), directors' and officers' liability ("D&O"), medical malpractice, other specialty lines, accident and health ("A&H") and workers' compensation.

The Company's underwriting strategies emphasizes underwriting profitability over premium volume. Key elements of this strategy include careful risk selection, appropriate pricing through strict underwriting discipline and adjustment of the Company's business mix in response to changing market conditions. The Company focuses on reinsuring companies that effectively manage the underwriting cycle through proper analysis and pricing of underlying risks and whose underwriting guidelines and performance are compatible with its objectives.

The Company's underwriting strategies emphasizes flexibility and responsiveness to changing market conditions, such as increased demand or favorable pricing trends. The Company believes that its existing strengths, including its broad underwriting expertise, global presence, strong financial ratings and substantial capital, facilitate adjustments to its mix of business geographically, by line of business and by type of coverage, allowing it to participate in those market opportunities that provide the greatest potential for underwriting profitability. The Company's insurance operations complement these strategies by accessing business that is not available on a reinsurance basis. The Company carefully monitors its mix of business across all operations to avoid unacceptable geographic or other risk concentrations.

Marketing.
The Company writes business on a worldwide basis for many different customers and lines of business, thereby obtaining a broad spread of risk. The Company is not substantially dependent on any single customer, small group of customers, line of business or geographic area. For the 2013 calendar year, no single customer (ceding company or insured) generated more than 4.9% of the Company's gross written premiums. The Company believes that a reduction of business from any one customer would not have a material adverse effect on its future financial condition or results of operations.

Approximately 65%, 24% and 11% of the Company's 2013 gross written premiums were written in the broker reinsurance, insurance markets and direct reinsurance, respectively.

The broker reinsurance market consists of several substantial national and international brokers and a number of smaller specialized brokers. Brokers do not have the authority to bind the Company with respect to reinsurance agreements, nor does the Company commit in advance to accept any portion of a broker's submitted business. Reinsurance business from any ceding company, whether new or renewal, is subject to acceptance by the Company. Brokerage fees are generally paid by reinsurers. The Company's ten largest brokers accounted for an aggregate of approximately 59% of gross written premiums in 2013. The largest broker, Marsh and McLennan, accounts for approximately 21% of gross written premiums. The second largest broker, Aon Benfield Re, accounted for approximately 19% of gross written premiums. The Company believes that a reduction of business assumed from any one broker would not have a material adverse effect on the Company.

The direct reinsurance market remains an important distribution channel for reinsurance business written by the Company. Direct placement of reinsurance enables the Company to access clients who prefer to place their reinsurance directly with reinsurers based upon the reinsurer's in-depth understanding of the ceding company's needs.

The Company's insurance business writes direct business targeting commercial, property and casualty. It also writes business through general agents, brokers and surplus lines brokers. In 2013, Arrowhead General Insurance Agency accounted for approximately 5% of the Company's gross written premium. No other single general agent generated more than 3% of the Company's gross written premiums.

The Company continually evaluates each business relationship, including the underwriting expertise and experience brought to bear through the involved distribution channel, performs analyses to evaluate financial security, monitors performance and adjusts underwriting decisions accordingly.

Segment Results.
The U.S. Reinsurance operation writes property and casualty reinsurance and specialty lines of business, including Marine, Aviation, Surety and A&H business, on both a treaty and facultative basis, through reinsurance brokers, as well as directly with ceding companies primarily within the U.S. The International operation writes foreign property and casualty reinsurance through Everest Re's branches in Canada and Singapore and through offices in Brazil, Miami and New Jersey. The Bermuda operation provides reinsurance and insurance to worldwide property and casualty markets through brokers and directly with ceding companies from its Bermuda office and reinsurance to the United Kingdom and European markets through its UK branch and Ireland Re. The Insurance operation writes property and casualty insurance, including medical stop loss insurance, directly and through general agents, brokers and surplus lines brokers within the U.S. and Canada. The Mt. Logan Re segment represents business written for the segregated accounts of Mt. Logan Re, which were formed on July 1, 2013. The Mt. Logan Re business represents a diversified set of catastrophe exposures, diversified by risk/peril and across different geographical regions globally.

These segments, with the exception of Mt. Logan Re, are managed independently, but conform with corporate guidelines with respect to pricing, risk management, control of aggregate catastrophe exposures, capital, investments and support operations. Management generally monitors and evaluates the financial performance of these operating segments based upon their underwriting results. The Mt. Logan Re segment is managed independently and seeks to write a diverse portfolio of catastrophe risks for each segregated account to achieve desired risk and return criteria.

Underwriting results include earned premium less losses and loss adjustment expenses ("LAE") incurred, commission and brokerage expenses and other underwriting expenses. We measure our underwriting results using ratios, in particular loss, commission and brokerage and other underwriting expense ratios, which, respectively, divide incurred losses, commissions and brokerage and other underwriting expenses by premiums earned.

Mt. Logan Re's business is sourced through operating subsidiaries of the Company; however, the activity is only reflected in the Mt. Logan Re segment. For other inter-affiliate reinsurance, business is generally reported within the segment in which the business was first produced, consistent with how the business is managed.

Except for Mt. Logan Re, the Company does not maintain separate balance sheet data for its operating segments. Accordingly, the Company does not review and evaluate the financial results of its operating segments based upon balance sheet data.

Underwriting results include earned premium less losses and loss adjustment expenses ("LAE") incurred, commission and brokerage expenses and other underwriting expenses. Underwriting results are measured using ratios, in particular loss, commission and brokerage and other underwriting expense ratios, which, respectively, divide incurred losses, commissions and brokerage and other underwriting expenses by premiums earned. The Company utilizes inter-affiliate reinsurance, although such reinsurance does not materially impact segment results, as business is generally reported within the segment in which the business was first produced. For selected financial information regarding these segments, see ITEM 8, "Financial Statements and Supplementary Data" - Note 20 of Notes to Consolidated Financial Statements and ITEM 7, "Management's Discussion and Analysis of Financial Condition and

Results of Operation - Segment Results”.

Underwriting Operations.
The following five year table presents the distribution of the Company's gross written premiums by its segments: U.S. Reinsurance, International, Bermuda and Insurance. The premiums for each segment are further split between property and casualty business and, for reinsurance business, between pro rata or excess of loss business:

	Gross Written Premiums by Segment Years Ended December 31,									
(Dollars in millions)	2013		2012		2011		2010		2009	
U.S. Reinsurance										
Property										
Pro Rata (1)	$631.2	12.1 %	$313.2	7.3 %	$594.9	13.9 %	$698.2	16.6 %	$648.2	15.7 %
Excess	631.7	12.1 %	534.8	12.4 %	380.6	8.9 %	315.9	7.5 %	330.5	8.0 %
Casualty										
Pro Rata (1)	342.5	6.6 %	273.6	6.3 %	215.5	5.0 %	200.0	4.8 %	194.3	4.7 %
Excess	204.4	3.9 %	189.1	4.4 %	155.8	3.6 %	181.3	4.3 %	234.0	5.7 %
Total (2)	1,809.7	34.7 %	1,310.7	30.4 %	1,346.8	31.4 %	1,395.4	33.2 %	1,407.1	34.1 %
International										
Property										
Pro Rata (1)	673.4	12.9 %	630.9	14.6 %	713.0	16.6 %	701.6	16.7 %	670.2	16.2 %
Excess	426.5	8.2 %	365.9	8.5 %	315.7	7.4 %	291.6	6.9 %	241.9	5.9 %
Casualty										
Pro Rata (1)	134.4	2.6 %	102.6	2.4 %	122.2	2.9 %	120.3	2.9 %	94.0	2.3 %
Excess	111.5	2.1 %	92.9	2.2 %	87.6	2.0 %	93.4	2.2 %	78.4	1.9 %
Total (2)	1,345.8	25.8 %	1,192.3	27.7 %	1,238.4	28.9 %	1,207.0	28.7 %	1,084.5	26.3 %
Bermuda										
Property										
Pro Rata (1)	244.6	4.7 %	208.3	4.8 %	213.2	5.0 %	226.1	5.4 %	291.1	7.1 %
Excess	161.5	3.1 %	145.1	3.4 %	162.6	3.8 %	173.5	4.1 %	180.4	4.4 %
Casualty										
Pro Rata (1)	213.9	4.1 %	228.9	5.3 %	204.9	4.8 %	205.0	4.9 %	185.6	4.5 %
Excess	154.2	3.0 %	152.1	3.5 %	144.5	3.4 %	128.4	3.1 %	137.8	3.3 %
Total (2)	774.3	14.9 %	734.4	17.1 %	725.3	17.0 %	733.0	17.5 %	794.8	19.3 %
Total Reinsurance										
Property										
Pro Rata (1)	1,549.2	29.7 %	1,152.4	26.7 %	1,521.1	35.5 %	1,625.9	38.7 %	1,609.5	39.0 %
Excess	1,219.7	23.4 %	1,045.8	24.3 %	858.9	20.0 %	781.0	18.6 %	752.8	18.2 %
Casualty										
Pro Rata (1)	690.7	13.2 %	605.1	14.0 %	542.6	12.7 %	525.3	12.5 %	473.9	11.5 %
Excess	470.1	9.0 %	434.1	10.1 %	387.9	9.0 %	403.1	9.6 %	450.2	10.9 %
Total (2)	3,929.7	75.3 %	3,237.4	75.1 %	3,310.6	77.2 %	3,335.3	79.4 %	3,286.4	79.6 %
Insurance										
Property										
Pro Rata (1)	545.6	10.5 %	459.2	10.7 %	341.9	8.0 %	130.1	3.1 %	112.6	2.7 %
Excess	-	0.0 %	-	0.0 %	-	0.0 %	-	0.0 %	-	0.0 %
Casualty										

Pro Rata (1)	723.2	13.9 %	613.9	14.2 %	633.8	14.8 %	735.4	17.5 %	729.9	17.7 %
Excess	-	0.0 %	-	0.0 %	-	0.0 %	-	0.0 %	-	0.0 %
Total (2)	1,268.7	24.3 %	1,073.1	24.9 %	975.6	22.8 %	865.4	20.6 %	842.6	20.4 %
Mt. Logan Re										
Property										
Pro Rata (1)	-	0.0 %	-	-	-	-	-	-	-	-
Excess	20.2	0.4 %	-	-	-	-	-	-	-	-
Casualty										
Pro Rata (1)	-	0.0 %	-	-	-	-	-	-	-	-
Excess	-	0.0 %	-	-	-	-	-	-	-	-
Total (2)	20.2	0.4 %	-	-	-	-	-	-	-	-
Total Company										
Property										
Pro Rata (1)	2,094.8	40.1 %	1,611.6	37.4 %	1,863.0	43.5 %	1,756.0	41.8 %	1,722.2	41.7 %
Excess	1,239.9	23.8 %	1,045.8	24.3 %	858.9	20.0 %	781.0	18.6 %	752.7	18.2 %
Casualty										
Pro Rata (1)	1,413.9	27.1 %	1,219.1	28.3 %	1,176.3	27.4 %	1,260.6	30.0 %	1,203.9	29.2 %
Excess	470.1	9.0 %	434.1	10.1 %	387.9	9.1 %	403.1	9.6 %	450.2	10.9 %
Total (2)	$5,218.6	100.0%	$4,310.5	100.0%	$4,286.2	100.0%	$4,200.7	100.0%	$4,129.0	100.0%

(1) For purposes of the presentation above, pro rata includes all insurance and reinsurance attaching to the first dollar of loss incurred by the ceding company.

(2) Certain totals and subtotals may not reconcile due to rounding.

U.S. Reinsurance Segment. The Company's U.S. Reinsurance segment writes property and casualty reinsurance and specialty lines of business, including Marine, Aviation, Surety and A&H business, on both a treaty and facultative basis, through reinsurance brokers, as well as directly with ceding companies within the U.S. The marine and aviation business is written primarily through brokers and contains a significant international component. Surety business consists mainly of reinsurance of contract surety bonds. The Company targets certain brokers and, through the broker market, specialty companies and small to medium sized standard lines companies. The Company also targets companies that place their business predominantly in the direct market, including small to medium sized regional ceding companies, and seeks to develop long-term relationships with those companies. In addition, the U.S. Reinsurance segment writes portions of reinsurance programs for large, national insurance companies.

In 2013, $1,047.1 million of gross written premiums were attributable to U.S. treaty property business, of which 51.0% was written on an excess of loss basis and 49.0% was written on a pro rata basis. The Company's property underwriters utilize sophisticated underwriting methods to analyze and price property business. The Company manages its exposures to catastrophe and other large losses by limiting exposures on individual contracts and limiting aggregate exposures to catastrophes in any particular zone and across contiguous zones.

U.S. treaty casualty business accounted for $460.3 million of gross written premiums in 2013, of which 66.6% was written on a pro rata basis and 33.4% was written on an excess of loss basis. The treaty casualty business consists of professional liability, D&O liability, workers' compensation, excess and surplus lines and other liability coverages. As a result of the complex technical nature of most of these risks, the Company's casualty underwriters tend to specialize by line of business and work closely with the Company's pricing actuaries.

The Company's facultative unit conducts business both through brokers and directly with ceding companies, and consists of three underwriting units representing property, casualty, and national brokerage lines of business. Business is written from a facultative headquarters office in New York and satellite offices in Chicago and Oakland. In 2013, $41.2 million, $47.8 million and $15.2 million of gross written premiums were attributable to the property, casualty and national brokerage lines of business, respectively.

The marine and aviation unit's 2013 gross written premiums totaled $117.1 million, substantially all of which was written on a treaty basis and sourced through reinsurance brokers. Of the marine and aviation gross written premiums in 2013, marine treaties represented 66.9% and consisted mainly of hull and cargo coverage. In 2013, the marine unit's premiums were written 48.1% on an excess of loss basis and 51.9% on a pro rata basis. Of the marine and aviation gross written premiums in 2013, aviation premiums accounted for 33.1% and included reinsurance of airline and general aviation risks. In 2013, the aviation unit's premiums were written 92.7% on a pro rata basis and 7.3% on an excess of loss basis.

In 2013, gross written premiums of the surety unit totaled $46.9 million, 93.2% of which was written on a pro rata basis. Most of the portfolio is reinsurance of contract surety bonds written directly with ceding companies, with the remainder being trade credit reinsurance, mostly in international markets.

In 2013, gross written premium of the A&H reinsurance unit totaled $34.1 million, primarily written through brokers.

In 2013, 94.5% and 5.5% of the U.S. Reinsurance segment's gross written premiums were written in the broker reinsurance and direct reinsurance markets, respectively.

International Segment. The Company's International segment focuses on opportunities in the international reinsurance markets. The Company targets several international markets, including: Canada, with a branch in Toronto; Asia, with a branch in Singapore; and Latin America, Brazil, Africa and the Middle East, which business is serviced from Everest Re's Miami and New Jersey offices. The Company also writes from New Jersey "home-foreign" business,

which provides reinsurance on the international portfolios of U.S. insurers. Of the Company's 2013 international gross written premiums, 81.7% represented property business, while 18.3% represented casualty business. As with its U.S. operations, the Company's International segment focuses on financially sound companies that have strong management and underwriting discipline and

expertise. Of the Company's international business, 70.1% was written through brokers, with 29.9% written directly with ceding companies.

Gross written premiums of the Company's Canadian branch totaled $169.1 million in 2013 and consisted of 33.6% of excess casualty business, 40.5% of excess property business, 18.2% of pro rata casualty business and 7.7% of pro rata property business. Of the Canadian gross written premiums, 86.1% consisted of treaty reinsurance, while 13.9% was facultative reinsurance.

The Company's Singapore branch covers the Asian markets and accounted for $278.1 million of gross written premiums in 2013 and consisted of 47.8% of pro rata property business, 49.0% of excess property business, 2.4% of pro rata casualty business and 0.8% of excess casualty business.

International business written out of Everest Re's Miami and New Jersey offices accounted for $898.5 million of gross written premiums in 2013 and consisted of 58.7% of pro rata treaty property business, 21.7% of excess treaty property business, 10.8% of pro rata treaty casualty business, 3.6% of excess treaty casualty business and 5.2% of facultative property and casualty business. Of this international business, 73.3% was sourced from Latin America, 11.6% was sourced from the Middle East, 7.0% was sourced from Africa and 8.1% was home-foreign business.

Bermuda Segment. The Company's Bermuda segment writes property and casualty reinsurance through Bermuda Re and property and casualty reinsurance through its UK branch as well as through Ireland Re. In 2013, Bermuda Re had gross written premiums of $425.1 million, virtually all of which was treaty reinsurance.

In 2013, the UK branch of Bermuda Re wrote $232.1 million of gross treaty reinsurance premium consisting of 47.7% of excess casualty business, 20.2% of pro rata property business, 22.0% of excess property business and 10.1% of pro rata casualty business.

In 2013, Ireland Re wrote $117.1 million of gross treaty reinsurance premium consisting of 45.1% of pro rata property business, 36.6% of excess property business, 9.2% of excess casualty business and 9.1% of pro rata casualty business.

Insurance Segment. The Insurance segment writes property and casualty insurance, including medical stop loss insurance, directly and through general agents, brokers and surplus lines brokers within the U.S. and Canada. In 2013, the Company's Insurance segment wrote $1,268.7 million of gross written premiums, of which 57.0% was casualty and 43.0% was property, principally targeting commercial property and casualty business. Business written through general agents with program administrators represented 40.9% of the premium with the remainder written directly through the Company's offices. Workers' compensation business accounted for $369.6 million, or 29.1% of the total business written, including $299.3 million, or 81.0%, of workers' compensation business written in California. In addition, crop insurance business written was $324.7 million; professional liability business written was $204.5 million; A&H insurance business written was $83.6 million; other short-tail/package business written was $119.6 million; other liability business written was $98.7 million; and non-standard auto insurance business written through retail agents was $68.0 million. With respect to insurance written through general agents and surplus lines brokers, the Company supplements the initial underwriting process with periodic claims, underwriting and operational reviews and ongoing monitoring.

Mt. Logan Re Segment. The Mt. Logan Re segment represents business written for the segregated accounts of Mt. Logan Re, which were formed on July 1, 2013. The Mt. Logan Re business represents a diversified set of catastrophe exposures, diversified by risk/peril and across different geographical regions globally. Mt. Logan Re's business is sourced through operating subsidiaries of the Company; however, the activity is only reflected in the Mt. Logan Re segment. For other inter-affiliate reinsurance, business is generally reported within the segment in which the business was first produced, consistent with how the business is managed. Gross written premium for 2013 was $20.2 million.

Geographic Areas. The Company conducts its business in Bermuda, the U.S. and a number of foreign countries. For select financial information about geographic areas, see ITEM 8, “Financial Statements and Supplementary Data” - Note 20 of Notes to the Consolidated Financial Statements. Risks attendant to the foreign operations of the Company parallel those attendant to the U.S. operations of the Company, with the primary exception of foreign exchange risks. For more information about the risks, see ITEM 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Safe Harbor Disclosure”.

Underwriting.
One of the Company’s strategies is to "lead" as many of the reinsurance treaties it underwrites as possible. The Company leads on approximately two-thirds of its treaty reinsurance business as measured by premium. The lead reinsurer on a treaty generally accepts one of the largest percentage shares of the treaty and is in the strongest position to negotiate price, terms and conditions. Management believes this strategy enables it to obtain more favorable terms and conditions on the treaties on which it participates. When the Company does not lead the treaty, it may still suggest changes to any aspect of the treaty. The Company may decline to participate on a treaty based upon its assessment of all relevant factors.

The Company’s treaty underwriting process involves a team approach among the Company’s underwriters, actuaries and claim staff. Treaties are reviewed for compliance with the Company’s general underwriting standards and most larger treaties are subjected to detailed actuarial analysis. The actuarial models used in such analyses are tailored in each case to the subject exposures and loss experience. The Company does not separately evaluate each of the individual risks assumed under its treaties. The Company does, however, evaluate the underwriting guidelines of its ceding companies to determine their adequacy prior to entering into a treaty. The Company may also conduct underwriting, operational and claim audits at the offices of ceding companies to monitor adherence to underwriting guidelines. Underwriting audits focus on the quality of the underwriting staff, pricing and risk selection and rate monitoring over time. Claim audits may be performed in order to evaluate the client’s claims handling abilities and practices.

The Company’s facultative underwriters operate within guidelines specifying acceptable types of risks, limits and maximum risk exposures. Specified classes of large premium U.S. risks are referred to Everest Re’s New York facultative headquarters for specific review before premium quotations are given to clients. In addition, the Company’s guidelines require certain types of risks to be submitted for review because of their aggregate limits, complexity or volatility, regardless of premium amount on the underlying contract. Non-U.S. risks exhibiting similar characteristics are reviewed by senior managers within the involved operations.

The Company’s insurance operations principally write casualty coverages for homogeneous risks through select program managers. These programs are evaluated based upon actuarial analysis and the program manager’s capabilities. The Company’s rates, forms and underwriting guidelines are tailored to specific risk types. The Company’s underwriting, actuarial, claim and financial functions work closely with its program managers to establish appropriate underwriting and processing guidelines as well as appropriate performance monitoring mechanisms.

Risk Management of Underwriting and Retrocession Arrangements

Underwriting Risk and Accumulation Controls. Each segment and business unit manages its underwriting risk in accordance with established guidelines. These guidelines place dollar limits on the amount of business that can be written based on a variety of factors, including ceding company profile, line of business, geographic location and risk hazards. In each case, the guidelines permit limited exceptions, which must be authorized by the Company’s senior management. Management regularly reviews and revises these guidelines in response to changes in business unit market conditions, risk versus reward analyses and the Company’s enterprise and underwriting risk management processes.

The operating results and financial condition of the Company can be adversely affected by catastrophe and other large losses. The Company manages its exposure to catastrophes and other large losses by:

- selective underwriting practices;
- diversifying its risk portfolio by geographic area and by types and classes of business;
- limiting its aggregate catastrophe loss exposure in any particular geographic zone and contiguous zones;
- purchasing reinsurance and/or retrocessional protection to the extent that such coverage can be secured cost-effectively. See “Reinsurance and Retrocession Arrangements”.

Like other insurance and reinsurance companies, the Company is exposed to multiple insured losses arising out of a single occurrence, whether a natural event, such as a hurricane or an earthquake, or other catastrophe, such as an explosion at a major factory. A large catastrophic event can be expected to generate insured losses to multiple reinsurance treaties, facultative certificates and across lines of business.

The Company focuses on potential losses that could result from any single event or series of events as part of its evaluation and monitoring of its aggregate exposures to catastrophic events. Accordingly, the Company employs various techniques to estimate the amount of loss it could sustain from any single catastrophic event or series of events in various geographic areas. These techniques range from deterministic approaches, such as tracking aggregate limits exposed in catastrophe-prone zones and applying reasonable damage factors, to modeled approaches that attempt to scientifically measure catastrophe loss exposure using sophisticated Monte Carlo simulation techniques that forecast frequency and severity of expected losses on a probabilistic basis.

No single computer model or group of models is currently capable of projecting the amount and probability of loss in all global geographic regions in which the Company conducts business. In addition, the form, quality and granularity of underwriting exposure data furnished by ceding companies is not uniformly compatible with the data requirements for the Company’s licensed models, which adds to the inherent imprecision in the potential loss projections. Further, the results from multiple models and analytical methods must be combined and interpolated to estimate potential losses by and across business units. Also, while most models have been updated to incorporate claims information from recent catastrophic events, catastrophe model projections are still inherently imprecise. In addition, uncertainties with respect to future climatic patterns and cycles add to the already significant uncertainty of loss projections from models using historic long term frequency and severity data.

Nevertheless, when combined with traditional risk management techniques and sound underwriting judgment, catastrophe models are a useful tool for underwriters to price catastrophe exposed risks and for providing management with quantitative analyses with which to monitor and manage catastrophic risk exposures by zone and across zones for individual and multiple events.

Projected catastrophe losses are generally summarized in terms of the probable maximum loss (“PML”). The Company defines PML as its anticipated loss, taking into account contract terms and limits, caused by a single catastrophe affecting a broad contiguous geographic area, such as that caused by a hurricane or earthquake. The PML will vary depending upon the modeled simulated losses and the make-up of the in force book of business. The projected severity levels are described in terms of “return periods”, such as “100-year events” and “250-year events”. For example, a 100-year PML is the estimated loss to the current in-force portfolio from a single event which has a 1% probability of being exceeded in a twelve month period. In other words, it corresponds to a 99% probability that the loss from a single event will fall below the indicated PML. It is important to note that PMLs are estimates. Modeled events are hypothetical events produced by a stochastic model. As a result, there can be no assurance that any actual event will

align with the modeled event or that actual losses from events similar to the modeled events will not vary materially from the modeled event PML.

From an enterprise risk management perspective, management sets limits on the levels of catastrophe loss exposure the Company may underwrite. The limits are revised periodically based on a variety of factors, including but not limited to the Company's financial resources and expected earnings and risk/reward analyses of the business being underwritten.

The Company may purchase reinsurance to cover specific business written or the potential accumulation or aggregation of exposures across some or all of its operations. Reinsurance purchasing decisions consider both the potential coverage and market conditions including the pricing, terms, conditions and availability of coverage, with the aim of securing cost effective protection. The amount of reinsurance purchased has varied over time, reflecting the Company's view of its exposures and the cost of reinsurance.

Management estimates that the projected net economic loss from its largest 100-year event in a given zone represents approximately 11% of its projected 2014 shareholders' equity. Economic loss is the PML exposure, net of third party reinsurance and the noncontrolling interests of Mt. Logan Re, reduced by estimated reinstatement premiums to renew coverage and estimated income taxes. The impact of income taxes on the PML depends on the distribution of the losses by corporate entity, which is also affected by inter-affiliate reinsurance. Management also monitors and controls its largest PMLs at multiple points along the loss distribution curve, such as loss amounts at the 20, 50, 100, 250, 500 and 1,000 year return periods. This process enables management to identify and control exposure accumulations and to integrate such exposures into enterprise risk, underwriting and capital management decisions.

The Company's catastrophe loss projections, segmented by risk zones, are updated quarterly and reviewed as part of a formal risk management review process. The table below reflects the Company's PML exposure, net of third party reinsurance and the noncontrolling interests of Mt. Logan Re, at various return times for its top three zones/perils (as ranked by the largest 1 in 100 year events) based on loss projection data as of January 1, 2014:

Return Periods (in years)	1 in 20	1 in 50	1 in 100	1 in 250	1 in 500	1 in 1,000
Exceeding Probability	5.0%	2.0%	1.0%	0.4%	0.2%	0.1%
(Dollars in millions)						
Zone/ Peril						
Southeast U.S., Wind	$600	$950	$1,231	$1,606	$1,867	$ 2,052
California, Earthquake	125	464	854	1,377	1,731	1,976
Europe, Wind	177	452	661	883	1,030	1,115

The projected net economic losses for the top three zones/perils scheduled above are as follows:

Return Periods (in years)	1 in 20	1 in 50	1 in 100	1 in 250	1 in 500	1 in 1,000
Exceeding Probability	5.0%	2.0%	1.0%	0.4%	0.2%	0.1%
(Dollars in millions)						
Zone/ Peril						
Southeast U.S., Wind	$ 397	$ 610	$ 796	$ 1,029	$1,200	$ 1,324
California, Earthquake	103	330	589	942	1,168	1,326
Europe, Wind	146	366	533	713	822	890

The Company believes that its methods of monitoring, analyzing and managing catastrophe exposures provide a credible risk management framework, which are integrated with its enterprise risk management, underwriting and capital management plans. However, there is much uncertainty and imprecision inherent in the catastrophe models and the catastrophe loss estimation process generally. As a result, there can be no assurance that the Company will not experience losses from individual events that exceed the PML or other return period projections, perhaps by a material amount. Nor can there be assurance that the Company will not experience events impacting multiple zones,

or multiple severe events that could, in the aggregate, exceed the Company's PML expectations by a significant amount.

Terrorism Risk. The Company has limited exposure to losses from terrorism risk. While the Company writes some reinsurance contracts covering terrorism, the Company's risk management philosophy is to limit the amount of exposure by geographic region, and to strictly manage coverage for properties in areas that may be considered a target for terrorists. Although providing terrorism coverage on reinsurance contracts is negotiable, most insurance policies mandate inclusion of terrorism coverage. As a result, the Company is exposed to losses from terrorism on its Insurance book of business, particularly its workers' compensation and property policies. However, the Insurance book generally does not insure large corporations or corporate locations that represent large concentrations of risk.

Because of the limited nature of terrorism exposure, the U.S. Terrorism Risk Insurance Act of 2002 and its amendments do not have a significant impact on company operations.

Reinsurance and Retrocession Arrangements. The Company does not typically purchase significant retrocessional coverage for specific reinsurance business written, but it will do so when management deems it to be prudent and/or cost-effective to reinsure a portion of the risks being assumed. The Company participates in "common account" retrocessional arrangements for certain reinsurance treaties whereby a ceding company purchases reinsurance for the benefit of itself and its reinsurers under one or more of its reinsurance treaties. Common account retrocessional arrangements reduce the effect of individual or aggregate losses to all participating companies, including the ceding company, with respect to the involved treaties.

The Company typically considers the purchase of reinsurance to cover insurance program exposures written by the Insurance segment. The type of reinsurance coverage considered is dependent upon individual risk exposures, individual program exposures, aggregate exposures by line of business, overall segment and corporate wide exposures and the cost effectiveness of available reinsurance. Facultative reinsurance will typically be considered for large individual exposures and quota share reinsurance will generally be considered for entire programs of business.

The Company also considers purchasing corporate level retrocessional protection covering the potential accumulation of exposures. Such consideration includes balancing the underlying exposures against the availability of cost-effective retrocessional protection.

All of the Company's reinsurance and retrocessional agreements transfer significant reinsurance risk and therefore, are accounted for as reinsurance in accordance with the Financial Accounting Standards Board ("FASB") guidance.

At December 31, 2013, the Company had $540.9 million in reinsurance receivables with respect to both paid and unpaid losses ceded. Of this amount, $145.4 million, or 26.9%, was receivable from C.V. Starr (Bermuda) ("C.V. Starr"); $95.3 million, or 17.6% was receivable from Federal Crop Insurance Company ("FCIC"); $43.9 million, or 8.1%, was receivable from Transatlantic Reinsurance Company ("Transatlantic"); $37.7 million, or 7.0% was receivable from Berkley Insurance Company ("Berkley"); and $27.4 million, or 5.1%, was receivable from Munich Reinsurance America Inc. ("Munich Re"). The receivable from C.V. Starr is fully collateralized by a trust agreement. No other retrocessionaire accounted for more than 5% of the Company's receivables. Although management carefully selects its reinsurers, the Company is subject to credit risk with respect to its reinsurance because the ceding of risk to reinsurers does not relieve the Company of its liability to insureds or ceding companies. See ITEM 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition".

Claims.

Reinsurance claims are managed by the Company's professional claims staff whose responsibilities include reviewing initial loss reports and coverage issues, monitoring claims handling activities of ceding companies, establishing and adjusting proper case reserves and approving payment of claims. In addition to claims assessment, processing and payment, the claims staff selectively conducts comprehensive claim audits of both specific claims and overall claim procedures at the offices of selected ceding companies. Insurance claims, except those relating to Mt. McKinley's business, are generally handled by third party claims service providers who have limited authority and are subject to oversight by the Company's professional claims staff.

The Company intensively manages its asbestos and environmental ("A&E") exposures through dedicated, centrally managed claim staffs for Mt. McKinley and Everest Re. Both are staffed with experienced claim and legal professionals who specialize in the handling of such exposures. These units actively manage each individual insured and reinsured account, responding to claim developments with evaluations of the involved exposures and adjustment of reserves as appropriate. Specific or general claim developments that may have material implications for the Company are regularly communicated to senior management, actuarial, legal and financial areas. Senior management and claim management personnel meet at least quarterly to review the Company's overall reserve positions and make changes, if appropriate. The Company continually reviews its internal processing, communications and analytics, seeking to enhance the management of its A&E exposures, in particular in regard to changes in asbestos claims and litigation.

Reserves for Unpaid Property and Casualty Losses and LAE.

Significant periods of time may elapse between the occurrence of an insured loss, the reporting of the loss to the insurer and the reinsurer and the payment of that loss by the insurer and subsequent payments to the insurer by the reinsurer. To recognize liabilities for unpaid losses and LAE, insurers and reinsurers establish reserves, which are balance sheet liabilities representing estimates of future amounts needed to pay reported and unreported claims and related expenses for losses that have already occurred. Actual losses and LAE paid may deviate, perhaps substantially, from such reserves. To the extent reserves prove to be insufficient to cover actual losses and LAE after taking into account available reinsurance coverage, the Company would have to recognize such reserve shortfalls and incur a charge to earnings, which could be material in the period such recognition takes place. See ITEM 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Loss and LAE Reserves".

As part of the reserving process, insurers and reinsurers evaluate historical data and trends and make judgments as to the impact of various factors such as legislative and judicial developments that may affect future claim amounts, changes in social and political attitudes that may increase loss exposures and inflationary and general economic trends. While the reserving process is difficult and subjective for insurance companies, the inherent uncertainties of estimating such reserves are even greater for the reinsurer, due primarily to the longer time between the date of an occurrence and the reporting of any attendant claims to the reinsurer, the diversity of development patterns among different types of reinsurance treaties or facultative contracts, the necessary reliance on the ceding companies for information regarding reported claims and differing reserving practices among ceding companies. In addition, trends that have affected development of liabilities in the past may not necessarily occur or affect liability development in the same manner or to the same degree in the future. As a result, actual losses and LAE may deviate, perhaps substantially, from estimates of reserves reflected in the Company's consolidated financial statements.

Like many other property and casualty insurance and reinsurance companies, the Company has experienced adverse loss development for prior accident years, which has led to increases in losses and LAE reserves and corresponding charges to income (loss) in the periods in which the adjustments were made. There can be no assurance that adverse development from prior years will not continue in the future or that such adverse development will not have a material adverse effect on net income (loss).

Changes in Historical Reserves.

The following table shows changes in historical loss reserves for the Company for 2003 and subsequent years. The table is presented on a GAAP basis except that the Company's loss reserves for its Canadian branch operations are presented in Canadian dollars, the impact of which is not material. The top line of the table shows the estimated reserves for unpaid losses and LAE recorded at each year end date. The upper (paid) portion of the table presents the related cumulative amounts paid through each subsequent year end. The lower (liability re-estimated) portion shows the re-estimated amount of the original reserves as of the end

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of each succeeding year. The reserve estimates have been revised as more information became known about the actual claims for which the reserves were carried. The cumulative (deficiency)/redundancy line represents the cumulative change in estimates since the initial reserve was established. It is equal to the initial reserve less the latest estimate of the ultimate liability.

Since the Company has international operations, some of its loss reserves are established in foreign currencies and converted to U.S. dollars for financial reporting. Changes in conversion rates from period to period impact the U.S. dollar value of carried reserves and correspondingly, the cumulative deficiency line of the table. However, unlike other reserve development that affects net income (loss), the impact of currency translation is a component of other comprehensive income (loss). To differentiate these two reserve development components, the translation impacts for each calendar year are reflected in the table of Effects on Pre-tax Income Resulting from Reserve Re-estimates.

Each amount other than the original reserves in the top half of the table below includes the effects of all changes in amounts for prior periods. For example, if a loss settled in 2006 for $100,000, was first reserved in 2003 at $60,000 and remained unchanged until settlement, the $40,000 deficiency (actual loss minus original estimate) would affect the cumulative deficiency for each of the years in 2003 through 2005. Conditions and trends that have affected development of the ultimate liability in the past are not indicative of future developments. Accordingly, it is not appropriate to extrapolate future redundancies or deficiencies based on this table.

Ten Year GAAP Loss Development Table Presented Net of Reinsurance with Supplemental Gross Data (1)

(Dollars in millions)	2003	2004	2005	2006	2007	2008	2009	2010	2011
Net Reserves for unpaid loss and LAE	$5,158.4	$6,766.9	$8,175.4	$8,078.9	$8,324.7	$8,214.7	$8,315.9	$8,650.7	$9,553.0
Paid (cumulative) as of:									
One year later	1,141.7	1,553.1	2,116.9	1,915.4	1,816.4	1,997.2	1,988.7	2,008.3	2,220.2
Two years later	1,932.6	2,412.3	3,447.8	3,192.8	3,182.2	3,405.8	3,231.2	3,238.9	3,852.4
Three years later	2,404.6	3,181.4	4,485.2	4,246.3	4,191.7	4,335.1	4,043.9	4,352.7	
Four years later	2,928.5	3,854.8	5,306.5	5,036.3	4,791.8	4,914.8	4,903.9		
Five years later	3,451.1	4,459.5	5,950.6	5,446.9	5,206.8	5,601.3			
Six years later	3,948.3	4,952.9	6,281.7	5,745.7	5,777.5				
Seven years later	4,340.8	5,190.5	6,523.7	6,211.7					
Eight years later	4,510.9	5,387.3	6,920.0						
Nine years later	4,673.5	5,726.3							
Ten years later	4,969.0								
Net Liability re-estimated as of:									
One year later	5,470.4	6,633.7	8,419.8	8,356.7	8,112.9	8,461.9	8,229.4	8,648.2	9,572.4
Two years later	5,407.1	6,740.5	8,609.2	8,186.3	8,307.6	8,382.7	8,273.9	8,657.3	9,558.7
Three years later	5,654.5	7,059.9	8,489.7	8,398.7	8,267.1	8,426.5	8,274.1	8,663.2	
Four years later	6,073.1	6,996.7	8,683.8	8,401.8	8,298.4	8,408.3	8,248.0		
Five years later	6,093.4	7,162.2	8,729.6	8,427.4	8,272.5	8,416.5			
Six years later	6,227.0	7,246.3	8,752.3	8,399.8	8,317.8				
Seven years later	6,329.0	7,256.8	8,750.3	8,467.3					
Eight years later	6,336.3	7,272.2	8,829.8						
Nine years later	6,339.4	7,323.8							
Ten years later	6,378.5								
	$(1,220.0)	$(556.9)	$(654.4)	$(388.4)	$7.0	$(201.9)	$67.9	$(12.5)	$(5.7)

Cumulative (deficiency)/redundancy									
Gross liability - end of year	$6,424.7	$7,886.6	$9,175.1	$8,888.0	$9,032.2	$8,905.9	$8,957.4	$9,340.1	$10,134.0
Reinsurance receivable	1,266.3	1,119.6	999.7	809.1	707.4	691.2	641.5	689.4	581.1
Net liability-end of year	$5,158.4	$6,766.9	$8,175.4	$8,078.9	$8,324.7	$8,214.7	$8,315.9	$8,650.7	$9,553.0
Gross re-estimated liability at December 31, 2013	$7,822.9	$8,552.4	$9,940.8	$9,329.0	$9,091.3	$9,257.0	$9,077.3	$9,533.3	$10,319.1
Re-estimated receivable at December 31, 2013	1,444.4	1,228.5	1,111.0	861.6	773.6	840.4	829.3	870.0	760.4
Net re-estimated liability at December 31, 2013	$6,378.5	$7,323.8	$8,829.8	$8,467.3	$8,317.8	$8,416.5	$8,248.0	$8,663.2	$9,558.7
Gross cumulative (deficiency)/redundancy	$(1,398.2)	$(665.8)	$(765.7)	$(441.0)	$(59.2)	$(351.1)	$(119.9)	$(193.1)	$(185.1)

(1) The Canadian Branch reserves are reflected in Canadian dollars.
(2) Some amounts may not reconcile due to rounding.

There has been minimal development in reserves since 2006. Three classes of business were the principal contributors to the deficiencies through 2006: 1) the run-off of asbestos claims for both direct and reinsurance business has significantly contributed to the cumulative deficiencies for all years presented through 2006; 2) professional liability reinsurance, general casualty reinsurance and workers' compensation insurance contributed to the deficiencies for year 2003; and 3) property catastrophe adverse development contributed to the deficiency for 2005.

In the professional liability reinsurance class, the early 2000s saw a proliferation of claims relating to bankruptcies and other corporate, financial and/or management improprieties. This resulted in an increase in the frequency and severity of claims under the professional liability policies reinsured by the Company. In the general casualty area, the Company has experienced claim frequency and severity greater than expected in the Company's pricing and initial reserving assumptions.

In the workers' compensation insurance class, the majority of which was written in California, the Company has experienced adverse development primarily for accident year 2002 due to higher than expected claim frequency and severity. As a result of significant growth in this book of business in a challenging business environment, the Company's writings in this class were subject to more relative variability than in some of its established and/or stable lines of business. Although cumulative results through 2013 continue to be profitable for this book of business, there was some deterioration in claim frequency and severity related to older accident years.

The adverse development on the 2008 outstanding reserves was primarily attributable to foreign exchange rate movements resulting in an increase in the U.S. dollar reserves. In addition, the Company experienced adverse development on liability exposures for sub-prime for accident years 2006-2008 and contractors' liability exposures for accident years 2003-2005. The contractor liability exposures are currently in run-off. The Company also experienced adverse development on property lines but was offset by favorable development on other casualty lines.

The Company's loss and LAE reserves represent management's best estimate of the ultimate liability. While there can be no assurance that these reserves will not need to be increased in the future, management believes that the Company's existing reserves and reserving methodologies reduce the likelihood that any such increases would have a material adverse effect on the Company's financial condition, results of operations or cash flows. These statements regarding the Company's loss reserves are forward looking statements within the meaning of the U.S. federal securities laws and are intended to be covered by the safe harbor provisions contained therein. See ITEM 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Safe Harbor Disclosure".

The following table is derived from the Ten Year GAAP Loss Development Table above and summarizes the effect of reserve re-estimates, net of reinsurance, on calendar year operations by accident year for the same ten year period ended December 31, 2013. Each column represents the amount of net reserve re-estimates made in the indicated calendar year and shows the accident years to which the re-estimates are applicable. The amounts in the total accident year column on the far right represent the cumulative reserve re-estimates for the indicated accident years.

Since the Company has operations in many countries, part of the Company's loss and LAE reserves are in foreign currencies and translated to U.S. dollars for each reporting period. Fluctuations in the exchange rates for the currencies, period over period, affect the U.S. dollar amount of outstanding reserves. The translation adjustment line at the bottom of the table eliminates the impact of the exchange fluctuations from the reserve re-estimates.

Effects on Pre-tax Income Resulting from Reserves Re-estimates

(Dollars in millions)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Cumulative Re-estimates for Each Accident Year
Accident Years											
2003 and prior	$(312.0)	$63.4	$(247.5)	$(418.6)	$(20.3)	$(133.5)	$(102.2)	$(7.4)	$(3.1)	$(39.1)	$(1,220.0)
2004		69.9	140.7	99.2	83.5	(32.1)	18.1	(3.2)	(12.3)	(12.5)	351.1
2005			(137.6)	130.1	56.3	(28.6)	38.2	(12.1)	17.4	(27.8)	35.8
2006				(88.4)	50.9	(18.3)	42.8	(3.0)	25.7	11.9	21.5
2007					41.5	17.6	43.6	(5.7)	(1.8)	22.3	117.6
2008						(52.5)	38.6	(12.4)	(7.7)	37.0	3.0
2009							7.4	(0.8)	(18.5)	34.4	22.6
2010								47.1	(8.9)	(32.1)	6.1
2011											