EVEREST RE GROUP LTD
Form 10-K
March 01, 2013
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, 2012

Commission file number 1-15731
EVEREST RE GROUP, LTD.
(Exact name of registrant as specified in its charter)

Bermuda (State or other jurisdiction of incorporation or organization)	98-0365432 (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, 2012, 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 $5,366,686 thousand.

At February 1, 2013, the number of shares outstanding of the registrant's common shares was 51,097,630.

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 2012 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, 2012.

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.

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 2012, of \$4.3 billion with approximately 75% representing reinsurance and 25% representing insurance. Shareholders' equity at December 31, 2012 was \$6.7 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. 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.

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, 2012, Bermuda Re had shareholder's equity of $3.0 billion.

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- 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 2012, 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, 2012, Everest International had shareholder's equity of $428.6 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, 2012, Everest Re had statutory surplus of $2.6 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.

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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.

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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 2012 calendar year, no single customer (ceding company or insured) generated more than 5.7% 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 63%, 25% and 12% of the Company's 2012 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 62% of gross written premiums in 2012. The largest broker, Aon Benfield Re, accounts for approximately 21% of gross written premiums. The second largest broker, Marsh and McLennan, accounted for approximately 20% 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 2012, Arrowhead General Insurance Agency accounted for approximately 3% of the Company's gross written premium. No other single general agent generated more than 2% 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.

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Segment Results.

During the quarter ended September 30, 2011, the Company realigned its reporting segments to reflect recent changes in the type and volume of business written. The Company previously reported the results of Marine & Aviation, Surety, Accident and Health ("A&H") Reinsurance and A&H Primary operations as a separate segment—Specialty Underwriting. The A&H primary business, which is a relatively new line of business for the Company, has increased significantly, representing approximately 2% of premiums earned and is projected to continue to grow. The A&H primary business is better aligned with the Insurance reporting segment based on the similarities of this business with those businesses already reflected in the Insurance segment. The other operating units included in the Specialty Underwriting segment would have encompassed less than 5% of the Company's premiums earned and their volume is projected to remain less than 5%. As a result of the size of these remaining operating units and their similarity to the business reported within U.S. Reinsurance, they have been reclassified to the U.S. Reinsurance segment. There has been no change to the International and Bermuda reporting segments. The Company has restated all segment information for prior years to conform to the new reporting segment structure.

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 non-U.S. 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.

These segments 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.

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 19 of Notes to Consolidated Financial Statements and ITEM 7, "Management's Discussion and Analysis of Financial Condition and Results of Operation - Segment Results".

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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)	2012			2011			2010			2009			2008		
U.S. Reinsurance															
Property															
Pro Rata (1)	$ 313.2	7.3	%	$ 594.9	13.9	%	$ 698.2	16.6	%	$ 648.2	15.7	%	$ 551.8	15.1	%
Excess	534.8	12.4	%	380.6	8.9	%	315.9	7.5	%	330.5	8.0	%	350.6	9.5	%
Casualty															
Pro Rata (1)	273.6	6.3	%	215.5	5.0	%	200.0	4.8	%	194.3	4.7	%	75.5	2.0	%
Excess	189.1	4.4	%	155.8	3.6	%	181.3	4.3	%	234.0	5.7	%	240.3	6.5	%
Total (2)	1,310.7	30.4	%	1,346.8	31.4	%	1,395.4	33.2	%	1,407.1	34.1	%	1,218.3	33.1	%
International															
Property															
Pro Rata (1)	630.9	14.6	%	713.0	16.6	%	701.6	16.7	%	670.2	16.2	%	535.3	14.6	%
Excess	365.9	8.5	%	315.7	7.4	%	291.6	6.9	%	241.9	5.9	%	228.3	6.2	%
Casualty															
Pro Rata (1)	102.6	2.4	%	122.2	2.9	%	120.3	2.9	%	94.0	2.3	%	71.6	1.9	%
Excess	92.9	2.2	%	87.6	2.0	%	93.4	2.2	%	78.4	1.9	%	69.4	1.9	%
Total (2)	1,192.3	27.7	%	1,238.4	28.9	%	1,207.0	28.7	%	1,084.5	26.3	%	904.7	24.6	%
Bermuda															
Property															
Pro Rata (1)	208.3	4.8	%	213.2	5.0	%	226.1	5.4	%	291.1	7.1	%	305.7	8.3	%
Excess	145.1	3.4	%	162.6	3.8	%	173.5	4.1	%	180.4	4.4	%	164.2	4.5	%
Casualty															
Pro Rata (1)	228.9	5.3	%	204.9	4.8	%	205.0	4.9	%	185.6	4.5	%	178.8	4.9	%
Excess	152.1	3.5	%	144.5	3.4	%	128.4	3.1	%	137.8	3.3	%	134.7	3.7	%
Total (2)	734.4	17.1	%	725.3	17.0	%	733.0	17.5	%	794.8	19.3	%	783.4	21.4	%
Total Reinsurance															
Property															
Pro Rata (1)	1,152.4	26.7	%	1,521.1	35.5	%	1,625.9	38.7	%	1,609.5	39.0	%	1,392.8	37.9	%
Excess	1,045.8	24.3	%	858.9	20.0	%	781.0	18.6	%	752.8	18.2	%	743.1	20.2	%
Casualty															
Pro Rata (1)	605.1	14.0	%	542.6	12.7	%	525.3	12.5	%	473.9	11.5	%	325.9	8.9	%
Excess	434.1	10.1	%	387.9	9.0	%	403.1	9.6	%	450.2	10.9	%	444.4	12.1	%
Total (2)	3,237.4	75.1	%	3,310.6	77.2	%	3,335.3	79.4	%	3,286.4	79.6	%	2,906.2	79.0	%
Insurance															
Property															

Pro Rata (1)	459.2	10.7	%	341.9	8.0	%	130.1	3.1	%	112.6	2.7	%	29.8	0.8	%
Excess	-	0.0	%	-	0.0	%	-	0.0	%	-	0.0	%	-	0.0	%
Casualty															
Pro Rata (1)	613.9	14.2	%	633.8	14.8	%	735.4	17.5	%	729.9	17.7	%	742.0	20.2	%
Excess	-	0.0	%	-	0.0	%	-	0.0	%	-	0.0	%	-	0.0	%
Total (2)	1,073.1	24.9	%	975.6	22.8	%	865.4	20.6	%	842.6	20.4	%	771.8	21.0	%
Total Company															
Property															
Pro Rata (1)	1,611.6	37.4	%	1,863.0	43.5	%	1,756.0	41.8	%	1,722.2	41.7	%	1,422.6	38.7	%
Excess	1,045.8	24.3	%	858.9	20.0	%	781.0	18.6	%	752.7	18.2	%	743.2	20.2	%
Casualty															
Pro Rata (1)	1,219.1	28.3	%	1,176.3	27.4	%	1,260.6	30.0	%	1,203.9	29.2	%	1,067.9	29.0	%
Excess	434.1	10.1	%	387.9	9.1	%	403.1	9.6	%	450.2	10.9	%	444.4	12.1	%
Total (2)	$ 4,310.5	100.0	%	$ 4,286.2	100.0	%	$ 4,200.7	100.0	%	$ 4,129.0	100.0	%	$ 3,678.1	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.

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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 2012, $630.8 million of gross written premiums were attributable to U.S. treaty property business, of which 67.9% was written on an excess of loss basis and 32.1% was written on a pro rata basis. Included in gross written premiums for U.S. treaty property business was $3.1 million related to the crop hail line of business. 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 $391.6 million of gross written premiums in 2012, of which 61.9% was written on a pro rata basis and 38.1% 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 four underwriting units representing property, casualty, specialty 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 2012, $42.2 million, $35.9 million and $13.2 million of gross written premiums were attributable to the property, casualty and national brokerage lines of business, respectively.

The marine and aviation unit’s 2012 gross written premiums totaled $102.5 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 2012, marine treaties represented 65.6% and consisted mainly of hull and cargo coverage. In 2012, the marine unit’s premiums were written 70.5% on an excess of loss basis and 29.5% on a pro rata basis. Of the marine and aviation gross written premiums in 2012, aviation premiums accounted for 34.4% and included reinsurance of airline and general aviation risks. In 2012, the aviation unit's premiums were written 88.5% on a pro rata basis and 11.5% on an excess of loss basis.

In 2012, gross written premiums of the surety unit totaled $54.5 million, 95.8% 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 2012, gross written premium of the A&H reinsurance unit totaled $40.1 million, primarily written through brokers.

In 2012, 92.5% and 7.5% 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 2012 international gross written premiums, 83.6% represented property business, while 16.4% 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

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expertise. Of the Company's international business, 69.0% was written through brokers, with 31.0% written directly with ceding companies.

Gross written premiums of the Company's Canadian branch totaled $148.5 million in 2012 and consisted of 39.8% of excess casualty business, 35.5% of excess property business, 17.8% of pro rata casualty business and 6.9% of pro rata property business. Of the Canadian gross written premiums, 83.9% consisted of treaty reinsurance, while 16.1% was facultative reinsurance.

The Company's Singapore branch covers the Asian markets and accounted for $268.1 million of gross written premiums in 2012 and consisted of 59.0% of pro rata property business, 37.9% of excess property business, 2.5% of pro rata casualty business and 0.6% of excess casualty business.

International business written out of Everest Re's Miami and New Jersey offices accounted for $775.7 million of gross written premiums in 2012 and consisted of 59.6% of pro rata treaty property business, 25.9% of excess treaty property business, 9.0% of pro rata treaty casualty business, 4.0% of excess treaty casualty business and 1.5% of facultative property and casualty business. Of this international business, 69.7% was sourced from Latin America, 12.9% was sourced from the Middle East, 9.6% was sourced from Africa and 7.8% 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 2012, Bermuda Re had gross written premiums of $363.8 million, virtually all of which was treaty reinsurance.

In 2012, the UK branch of Bermuda Re wrote $274.4 million of gross treaty reinsurance premium consisting of 39.4% of excess casualty business, 21.5% of pro rata property business, 19.8% of excess property business and 19.3% of pro rata casualty business.

In 2012, Ireland Re wrote $96.2 million of gross treaty reinsurance premium consisting of 49.7% of pro rata property business, 31.7% of excess property business, 9.7% of excess casualty business and 8.9% 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 2012, the Company's Insurance segment wrote $1,073.1 million of gross written premiums, of which 57.2% was casualty and 42.8% was property, principally targeting commercial property and casualty business. Business written through general agents with program administrators represented 41.8% of the premium with the remainder written directly through the Company's offices. Workers' compensation business accounted for $312.3 million, or 29.1%, of the total business written, including $257.3 million, or 82.4%, of workers' compensation business written in California. In addition, crop insurance business written was $276.0 million; professional liability business written was $201.9 million; A&H insurance business written was $91.3 million; other short-tail/package business written was $86.9 million; other liability business written was $78.7 million; and non-standard auto insurance business written through retail agents was $26.1 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.

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 19 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".

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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”.

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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.

Management estimates that the projected net economic loss from its largest 100-year event in a given zone represents approximately 10% of its projected 2013 shareholders' equity. Economic loss is the gross PML 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.

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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 gross PMLs 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, 2013:

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/Area, Peril						
Southeast U.S., Wind	$ 472	$ 840	$ 1,084	$ 1,358	$ 1,545	$ 1,685
California, Earthquake	127	416	767	1,028	1,309	1,572
Northeast U.S., Wind	76	305	663	1,014	1,298	1,521

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/Area, Peril						
Southeast U.S., Wind	$ 297	$ 521	$ 671	$ 835	$ 958	$ 1,045
California, Earthquake	98	289	511	670	854	1,024
Northeast U.S., Wind	57	220	433	643	822	966

The Company considers purchasing retrocessional protection by evaluating the underlying exposures in comparison to the availability of cost-effective protection. For the period from August 1, 2012 to July 31, 2013, the Company has catastrophe loss reinsurance protection in place for losses arising from earthquakes of 61% of $100 million in excess of $190 million, excluding the territories of the U.S., Japan and Europe. The Company continues to evaluate the availability and cost of various retrocessional products and loss mitigation approaches in the marketplace.

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.

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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, 2012, the Company had $659.1 million in reinsurance receivables with respect to both paid and unpaid losses ceded. Of this amount, $181.5 million, or 27.5%, was receivable from C.V. Starr (Bermuda) ("C.V. Starr"); $79.9 million, or 12.1% was receivable from Federal Crop Insurance Company ("FCIC"); $65.2 million, or 9.9%, was receivable from XL Reinsurance America ("XL"); $58.0 million, or 8.8% was receivable from Berkley Insurance Company ("Berkley"); and $54.1 million, or 8.2%, was receivable from Transatlantic Reinsurance Company ("Transatlantic"). 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.

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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 2002 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 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.

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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) (2)

(Dollars in millions)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net Reserves for unpaid loss and LAE	$3,895.8	$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	$9,464.6
Paid (cumulative) as of:											
One year later	902.6	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	1,641.7	1,932.6	2,412.3	3,447.8	3,192.8	3,182.2	3,405.8	3,231.2	3,238.9		
Three years later	2,176.8	2,404.6	3,181.4	4,485.2	4,246.3	4,191.7	4,335.1	4,043.9			
Four years later	2,485.2	2,928.5	3,854.8	5,306.5	5,036.3	4,791.8	4,914.8				
Five years later	2,836.6	3,451.1	4,459.5	5,950.6	5,446.9	5,206.8					
Six years later	3,241.5	3,948.3	4,952.9	6,281.7	5,745.7						
Seven years later	3,670.5	4,340.8	5,190.5	6,523.7							
Eight years later	3,986.9	4,510.9	5,387.3								
Nine years	4,106.5	4,673.5									

later											
Ten years later	4,226.6										
Net Liability re-estimated as of:											
One year later	4,152.7	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	4,635.0	5,407.1	6,740.5	8,609.2	8,186.3	8,307.6	8,382.7	8,273.9	8,657.3		
Three years later	4,705.3	5,654.5	7,059.9	8,489.7	8,398.7	8,267.1	8,426.5	8,274.1			
Four years later	5,062.5	6,073.1	6,996.7	8,683.8	8,401.8	8,298.4	8,408.3				
Five years later	5,507.1	6,093.4	7,162.2	8,729.6	8,427.4	8,272.5					
Six years later	5,544.9	6,227.0	7,246.3	8,752.3	8,399.8						
Seven years later	5,623.8	6,329.0	7,256.8	8,750.3							
Eight years later	5,698.9	6,336.3	7,272.2								
Nine years later	5,704.3	6,339.4									
Ten years later	5,699.8										
Cumulative (deficiency)/redundancy	$(1,804.1)	$(1,181.0)	$(505.3)	$(574.9)	$(320.9)	$52.2	$(193.6)	$41.8	$(6.6)	$(19.4)	
Gross liability - end of year	$4,985.8	$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	$10,067.5
Reinsurance receivable	1,090.0	1,266.3	1,119.6	999.7	809.1	707.4	691.2	641.5	689.4	581.1	602.8

Net liability-end of year	$3,895.8	$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	$9,464.6
Gross re-estimated liability at December 31, 2017	$7,163.4	$7,795.0	$8,502.8	$9,855.6	$9,237.6	$8,987.9	$9,144.4	$8,998.2	$9,403.2	$10,210.6	
Re-estimated receivable at December 31, 2017	1,463.6	1,455.6	1,230.6	1,105.3	837.8	715.4	736.2	724.0	745.9	638.2	
Net re-estimated liability at December 31, 2017	$5,699.8	$6,339.4	$7,272.2	$8,750.3	$8,399.8	$8,272.5	$8,408.3	$8,274.1	$8,657.3	$9,572.4	
Gross cumulative (deficiency)/redundancy	$(2,177.7)	$(1,370.3)	$(616.2)	$(680.5)	$(349.6)	$44.2	$(238.6)	$(40.8)	$(63.1)	$(76.5)	

(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 years 2002 and 2003; and 3) property catastrophe adverse development contributed to the deficiency for 2005.

In 2007, the Company completed a detailed study of its asbestos experience and its cedants' asbestos exposures and also considered industry trends. As a result of the study, the Company increased its gross reinsurance asbestos reserves by $250.0 million and increased its gross direct asbestos reserves by $75.0 million. These reserve increases, as well as adverse development on asbestos in prior years, have a significant impact on the cumulative deficiencies. Subsequent to the study, the Company's loss activity has been in line with expectations per the reserves established at December 31, 2007. The Company's A&E reserves represent management's best estimate of the ultimate liability, however, there can be no assurance that ultimate loss payments will not exceed such reserves, perhaps by a significant amount. No additional gross A&E reserve strengthening was made during 2008 through 2010 and only an insignificant amount of development occurred in 2011 and 2012.

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 2012 continue to be profitable for this book of business, there was some deterioration in claim frequency and severity related to accident year 2002.

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 2002-2005. 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".

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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, 2012. 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)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Cumulative Re-estimates for Each Accident Year
Accident Years											
2002 and prior	$(256.9)	$(482.3)	$(70.3)	$(357.2)	$(444.6)	$(37.8)	$(79.0)	$(75.1)	$(5.4)	$4.4	$(1,804.1)
2003		170.3	133.7	109.7	26.0	17.5	(54.5)	(27.1)	(2.0)	(7.5)	366.2
2004			69.9	140.7	99.2	83.5	(32.1)	18.1	(3.2)	(12.3)	363.7
2005				(137.6)	130.1	56.3	(28.6)	38.2	(12.1)	17.4	63.6
2006					(88.4)	50.9	(18.3)	42.8	(3.0)	25.7	9.6
2007						41.5	17.6	43.6	(5.7)	(1.8)	95.3
2008							(52.5)	38.6	(12.4)	(7.7)	(34.0)
2009								7.4	(0.8)	(18.5)	(11.8)
2010									47.1	(8.9)	38.1
2011										(10.2)	(10.2)
Total calendar year effect	$(256.9)	$(312.0)	$133.3	$(244.4)	$(277.8)	$211.8	$(247.2)	$86.5	$2.5	$(19.4)	
Canada (1)	(26.6)	(16.3)	(6.6)	(0.5)	(49.6)	63.7	(39.4)	(21.2)	9.7	(9.9)	
Translation adjustment	86.7	78.9	(100.3)	109.3	120.9	(310.4)	157.8	(34.5)	(15.9)	32.9	
Re-estimate of net reserve after translation adjustment	$(196.8)	$(249.4)	$26.4	$(135.6)	$(206.5)	$(34.9)	$(128.8)	$30.9	$(3.7)	$3.7	

(1) This adjustment converts Canadian dollars to U.S. dollars.

(Some amounts may not reconcile due to rounding.)

The reserve development by accident year reflected in the above table was generally the result of the same factors described above that caused the deficiencies shown in the Ten Year GAAP Loss Development Table. The unfavorable development experienced in the 2002 and prior accident years relate principally to the previously discussed asbestos development. Other business areas contributing to adverse development were casualty reinsurance, including professional liability classes, and workers' compensation insurance, where, in retrospect, the Company's initial estimates of losses were underestimated principally as the result of unanticipated variability in the underlying exposures. The favorable development for accident years 2003 through 2004 relates primarily to favorable experience with respect to property reinsurance business. In addition, casualty reinsurance has reflected favorable development for accident years 2003 to 2006.

The Company's loss reserving methodologies continuously monitor the emergence of loss and loss development trends, seeking, on a timely basis, to both adjust reserves for the impact of trend shifts and to factor the impact of such shifts into the Company's underwriting and pricing on a prospective basis.

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The following table presents a reconciliation of beginning and ending reserve balances for the periods indicated on a GAAP basis:

	Years Ended December 31,		
(Dollars in millions)	2012	2011	2010
Gross reserves at beginning of period	$ 10,123.2	$ 9,340.2	$ 8,937.9
Incurred related to:			
Current year	2,748.9	3,722.5	2,976.6
Prior years	(3.7)	3.7	(30.9)
Total incurred losses	2,745.3	3,726.2	2,945.7
Paid related to:			
Current year	633.9	810.5	568.3
Prior years	2,220.2	2,008.3	1,988.7
Total paid losses	2,854.1	2,818.8	2,557.1
Foreign exchange/translation adjustment	32.9	(15.9)	(34.5)
Change in reinsurance receivables on unpaid losses and LAE	21.8	(108.4)	48.2
Gross reserves at end of period	$ 10,069.1	$ 10,123.2	$ 9,340.2

(Some amounts may not reconcile due to rounding.)

Incurred prior years' reserves decreased by $3.7 million, increased by $3.7 million and decreased by $30.9 million for the years ended December 31, 2012, 2011 and 2010, respectively. The decrease for 2012 was attributable to a $57.2 million decrease in reinsurance business, primarily related to favorable development on treaty casualty reserves, partially offset by a $53.5 million increase in insurance business primarily related to development on contractors' liability and workers compensation reserves.

The increase for 2011 was attributable to a $113.8 million increase in the insurance and US reinsurance business primarily related to development on contractors' liability, excess casualty and California workers compensation reserves, partially offset by a $110.1 million decrease in non-US reinsurance business, primarily related to favorable development on non-catastrophe property reserves.

The decrease for 2010 was attributable to a $140.8 million decrease in non-US reinsurance business (Bermuda and International), partially offset by the $109.9 million increase in the insurance and US reinsurance business. The decrease in the non-US reinsurance business was due to reserve studies that indicated net favorable reserve development, as well as reductions in loss estimates for prior year catastrophes. The increase in the US reinsurance business is primarily due to reserve strengthening in casualty lines for construction liability claims and the increase in the insurance business is due to reserve strengthening on several terminated programs.

Reserves for Asbestos and Environmental Losses and LAE.
At December 31, 2012, the Company's gross reserves for A&E claims represented 4.4% of its total reserves. The Company's A&E liabilities stem from Mt. McKinley's direct insurance business and Everest Re's assumed reinsurance business. There are significant uncertainties in estimating the amount of the Company's potential losses from A&E claims and ultimate values cannot be estimated using traditional reserving techniques. See ITEM 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Asbestos and Environmental Exposures" and Item 8, "Financial Statements and Supplementary Data" - Note 3 of Notes to Consolidated Financial Statements.

Mt. McKinley's book of direct A&E exposed insurance policies is relatively small and homogenous. It arises from a limited period, from 1975 to 1984. The book was principally excess liability, thereby limiting exposure analysis to a limited number of policies and forms. As a result of this focused structure, the Company believes that it is able to comprehensively analyze its exposures, allowing it to identify, analyze and actively monitor those claims which have unusual exposure, including policies on which it may be exposed to pay expenses in addition to policy limits or on which non-products coverage may be contended.

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The Company endeavors to actively engage with every insured account posing significant potential asbestos exposure to Mt. McKinley. Such engagement can take the form of pursuing a final settlement, negotiation, litigation, or the monitoring of claim activity under Settlement in Place ("SIP") agreements. SIP agreements generally condition an insurer's payment upon the actual claim experience of the insured and may have annual payment caps or other measures to control the insurer's payments. The Company's Mt. McKinley operation is currently managing four SIP agreements, one of which was executed prior to the acquisition of Mt. McKinley in 2000. The Company's preference with respect to coverage settlements is to execute settlements that call for a fixed schedule of payments, because such settlements eliminate future uncertainty.

The Company has significantly enhanced its classification of insureds by exposure characteristics over time, as well as its analysis by insured for those it considers to be more exposed or active. Those insureds identified as relatively less exposed or active are subject to less rigorous, but still active management, with an emphasis on monitoring those characteristics, which may indicate an increasing exposure or levels of activity. The Company continually focuses on further enhancement of the detailed estimation processes used to evaluate potential exposure of policyholders.

Everest Re's book of assumed A&E reinsurance is relatively concentrated within a limited number of contracts and for a limited period, from 1974 to 1984. Because the book of business is relatively concentrated and the Company has been managing the A&E exposures for many years, its claim staff is familiar with the ceding companies that have generated most of these liabilities in the past and which are therefore most likely to generate future liabilities. The Company's claim staff has developed familiarity both with the nature of the business written by its ceding companies and the claims handling and reserving practices of those companies. This level of familiarity enhances the quality of the Company's analysis of its exposure through those companies. As a result, the Company believes that it can identify those claims on which it has unusual exposure, such as non-products asbestos claims, for concentrated attention. However, in setting reserves for its reinsurance liabilities, the Company relies on claims data supplied, both formally and informally by its ceding companies and brokers. This furnished information is not always timely or accurate and can impact the accuracy and timeliness of the Company's ultimate loss projections.

The following table summarizes the composition of the Company's total reserves for A&E losses, gross and net of reinsurance, for the periods indicated:

	Years Ended December 31,		
(Dollars in millions)	2012	2011	2010
Case reserves reported by ceding companies	$ 138.4	$ 145.6	$ 135.4
Additional case reserves established by the Company (assumed reinsurance)(1)	90.6	102.9	116.1
Case reserves established by the Company (direct insurance)	36.7	40.6	38.9
Incurred but not reported reserves	177.1	210.9	264.4
Gross reserves	442.8	499.9	554.8
Reinsurance receivable	(17.1)	(19.8)	(21.9)
Net reserves	$ 425.7	$ 480.2	$ 532.9

(1) Additional reserves are case specific reserves established by the Company in excess of those reported by the ceding company, based on the Company's assessment of the covered loss.

(Some amounts may not reconcile due to rounding.)

Additional losses, including those relating to latent injuries and other exposures, which are as yet unrecognized, the type or magnitude of which cannot be foreseen by either the Company or the industry, may emerge in the future. Such future emergence could have material adverse effects on the Company's future financial condition, results of operations and cash flows.

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Future Policy Benefit Reserves.
The Company wrote a limited amount of life and annuity reinsurance in its Bermuda segment. Future policy benefit liabilities for annuities are reported at the accumulated fund balance of these contracts. Reserves for those liabilities include mortality provisions with respect to life and annuity claims, both reported and unreported. Actual experience in a particular period may be worse than assumed experience and, consequently, may adversely affect the Company's operating results for that period. See ITEM 8, "Financial Statements and Supplementary Data" - Note 1F of Notes to Consolidated Financial Statements.

Activity in the reserve for future policy benefits is summarized for the periods indicated:

	At December 31,		
(Dollars in millions)	2012	2011	2010
Balance at beginning of year	$ 67.2	$ 63.0	$ 64.5
Liabilities assumed	0.1	0.2	0.2
Adjustments to reserves	2.4	8.4	2.9
Benefits paid in the current year	(3.6)	(4.4)	(4.7)
Balance at end of year	$ 66.1	$ 67.2	$ 63.0

(Some amounts may not reconcile due to rounding.)

Investments.
The board of directors of each of the Company's operating subsidiaries is responsible for establishing investment policy and guidelines and, together with senior management, for overseeing their execution.

The Company's principal investment objectives are to ensure funds are available to meet its insurance and reinsurance obligations and to maximize after-tax investment income while maintaining a high quality diversified investment portfolio. Considering these objectives, the Company views its investment portfolio as having two components: 1) the investments needed to satisfy outstanding liabilities (its core fixed maturities portfolio) and 2) investments funded by the Company's shareholders' equity.

For the portion needed to satisfy global outstanding liabilities, the Company generally invests in taxable and tax-preferenced fixed income securities with an average credit quality of Aa3. For the U.S. portion of this portfolio, our mix of taxable and tax-preferenced investments is adjusted periodically, consistent with the Company's current and projected U.S. operating results, market conditions and our tax position. This global fixed maturity securities portfolio is externally managed by an independent, professional investment manager using portfolio guidelines approved by the Company.

Over the past several years, the Company has expanded the allocation of its investments funded by shareholders' equity to include: 1) a greater percentage of publicly traded equity securities, 2) emerging market fixed maturities through mutual fund structures, as well as individual holdings, 3) high yield fixed maturities, 4) bank loan securities and 5) private equity limited partnership investments. The objective of this portfolio diversification is to enhance the risk-adjusted total return of the investment portfolio by allocating a prudent portion of the portfolio to higher return asset classes, which are also less subject to changes in value with movements in interest rates. The Company limits its allocation to these asset classes because of 1) the potential for volatility in their values and 2) the impact of these investments on regulatory and rating agency capital adequacy models. The Company uses investment managers experienced in these markets and adjusts its allocation to these investments based upon market conditions. At December 31, 2012, the market value of investments in these investment market sectors, carried at both market and fair value, approximated 63% of shareholders' equity.

The duration of an investment is based on the maturity of the security but also reflects the payment of interest and the possibility of early prepayments. The Company's fixed income investment guidelines include a general duration guideline. This investment duration guideline is established and periodically revised by management, which considers economic and business factors, as well as the Company's average duration of potential liabilities, which, at December 31, 2012, is estimated at approximately 3.5 years, based on the estimated payouts of underwriting liabilities using standard duration calculations.

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The duration of the fixed income portfolio at December 31, 2012 and 2011 was 3.0 years. The Company has shortened the duration of its portfolio in recent years in response to very low available yields, particularly on securities with longer maturities. As a result, the Company has focused on purchasing high quality, shorter duration investments and investments with floating rate yields. These investments will be less subject to decline in market value if interest rates rise in the future, as forecasted by most investment analysts.

For each currency in which the Company has established substantial loss and LAE reserves, the Company seeks to maintain invested assets denominated in such currency in an amount approximately equal to the estimated liabilities. Approximately 31% of the Company's consolidated reserves for losses and LAE and unearned premiums represent amounts payable in foreign currencies.

The Company's net investment income was $600.2 million, $620.0 million and $653.5 million for the years ended December 31, 2012, 2011 and 2010, respectively. The decrease from 2011 to 2012 was primarily due to the decline in reported income from fixed maturity securities, primarily due to the effects of lower reinvestment rates over the past several years, partially offset by an increase in income from limited partnership investments.

The Company had net realized capital gains for 2012 of $164.4 million. In 2012, the Company recorded $118.1 million of gains due to fair value re-measurements on fixed maturity and equity securities and $56.3 million of net realized capital gains from sales of fixed maturity and equity securities, partially offset by $10.0 million of other-than-temporary impairments on fixed maturity securities. In 2011 net realized capital gains were $6.9 million due to $27.5 million of net realized capital gains from sales of fixed maturity and equity securities, partially offset by $16.2 million of other-than-temporary impairments on fixed maturity securities and $4.4 million of losses due to fair value re-measurements on fixed maturity and equity securities. The gains on the sales of fixed maturity securities in 2011 were primarily the result of selling securities in foreign currencies, which reduced exposure to future currency fluctuations. In 2010, net realized capital gains were $101.9 million, due to $70.4 million of gains due to fair value re-measurements on fixed maturity and equity securities and $34.5 million of net realized capital gains from sales of fixed maturity and equity securities, partially offset by $3.0 million of other-than-temporary impairments on fixed maturity securities. The gains on the sales of fixed maturity securities were primarily the result of selling securities in foreign currencies, which reduced exposure to future currency fluctuations.

The Company's cash and invested assets totaled $16.6 billion at December 31, 2012, which consisted of 88.0% fixed maturities and cash, of which 90.1% were investment grade; 8.4% equity securities and 3.6% other invested assets. The average maturity of fixed maturity securities was 4.7 years at December 31, 2012, and their overall duration was 3.0 years.

As of December 31, 2012, the Company did not have any direct investments in commercial real estate or direct commercial mortgages or any material holdings of derivative investments (other than equity index put option contracts as discussed in ITEM 8, "Financial Statements and Supplementary Data" - Note 4 of Notes to Consolidated Financial Statements) or securities of issuers that are experiencing cash flow difficulty to an extent that the Company's management believes could threaten the issuer's ability to meet debt service payments, except where other-than-temporary impairments have been recognized.

The Company's investment portfolio includes structured commercial mortgage-backed securities ("CMBS") with a book value of $294.6 million and a market value of $320.1 million. CMBS securities comprising more than 59% of the December 31, 2012 market value are rated AAA by Standard & Poor's Financial Services LLC ("Standard & Poor's"). Furthermore, securities comprising more than 91% of the market value are rated investment grade by Standard & Poor's.

At December 31, 2012, the Company's fixed maturity portfolio included $1.6 million in book value of asset-backed securities with sub-prime mortgage loan exposure and the market value of these investments was $2.0 million. Sub-prime mortgage loans generally represent loans made to borrowers with limited or blemished credit records.

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The following table reflects investment results for the Company for the periods indicated:

	December 31,				
(Dollars in millions)	Average Investments (1)	Pre-tax Investment Income (2)	Pre-tax Effective Yield	Pre-tax Realized Net Capital (Losses) Gains (3)	Pre-tax Unrealized Net Capital Gains (Losses)
2012	$ 16,220.9	$ 600.2	3.70 %	$ 164.4	$ 161.0
2011	15,680.9	620.0	3.95 %	6.9	106.6
2010	15,297.4	653.5	4.27 %	101.9	48.4
2009	14,472.8	547.8	3.79 %	(2.3)	636.7
2008	14,411.8	565.9	3.93 %	(695.8)	(310.4)

(1) Average of the beginning and ending carrying values of investments and cash, less net funds held, future policy benefit reserve, and non-interest bearing cash. Bonds, common stock and redeemable and non-redeemable preferred stocks are carried at market value. Common stock which are actively managed are carried at fair value.
(2) After investment expenses, excluding realized net capital gains (losses).
(3) Included in 2012, 2011, 2010, 2009 and 2008, are fair value re-measurements of $118.1 million, ($4.4) million, $70.4 million, $40.2 million and ($276.0) million, respectively.
(Some amounts may not reconcile due to rounding.)

The amortized cost, market value and gross unrealized appreciation and depreciation of available for sale, fixed maturity and equity security investments, carried at market value, are as follows for the periods indicated:

	At December 31, 2012			
(Dollars in millions)	Amortized Cost	Unrealized Appreciation	Unrealized Depreciation	Market Value
Fixed maturity securities				
U.S. Treasury securities and obligations of U.S. government agencies and corporations	$ 302.0	$ 11.1	$ (1.0)	$ 312.1
Obligations of U.S. states and political subdivisions	1,215.0	78.1	(1.1)	1,292.0
Corporate securities	3,795.0	247.4	(7.1)	4,035.3
Asset-backed securities	169.6	7.3	(0.3)	176.6
Mortgage-backed securities				
Commercial	294.6	28.0	(2.5)	320.1
Agency residential	2,091.7	63.8	(3.3)	2,152.2
Non-agency residential	7.7	0.6	(0.2)	8.1
Foreign government securities	1,785.7	133.0	(6.5)	1,912.2
Foreign corporate securities	2,783.6	159.6	(10.1)	2,933.1
Total fixed maturity securities	$ 12,444.9	$ 728.9	$ (32.1)	$ 13,141.7
Equity securities	$ 131.6	$ 11.9	$ -	$ 143.5

(Some amounts may not reconcile due to rounding.)

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	At December 31, 2011			
(Dollars in millions)	Amortized Cost	Unrealized Appreciation	Unrealized Depreciation	Market Value
Fixed maturity securities				
U.S. Treasury securities and obligations of				
U.S. government agencies and corporations	$ 284.5	$ 16.4	$ (0.3)	$ 300.6
Obligations of U.S. states and political subdivisions	1,558.6	102.8	(0.5)	1,660.9
Corporate securities	3,495.8	197.9	(27.1)	3,666.6
Asset-backed securities	186.9	7.0	(0.5)	193.4
Mortgage-backed securities				
Commercial	310.4	20.9	(9.9)	321.4
Agency residential	2,199.0	86.7	(3.1)	2,282.6
Non-agency residential	53.4	0.5	(0.8)	53.1
Foreign government securities	1,555.7	120.9	(8.4)	1,668.2
Foreign corporate securities	2,086.9	92.0	(32.2)	2,146.7
Total fixed maturity securities	$ 11,731.2	$ 645.1	$ (82.8)	$ 12,293.5
Equity securities	$ 463.6	$ 4.1	$ (18.8)	$ 448.9

(Some amounts may not reconcile due to rounding.)

The following table represents the credit quality distribution of the Company's fixed maturities for the periods indicated:

	At December 31,			
	2012		2011	
(Dollars in millions)	Market Value	Percent of Total	Market Value	Percent of Total
Rating Agency Credit Quality Distribution (1) :				
AAA	$ 5,097.3	38.8 %	$ 5,518.2	44.9 %
AA	2,343.1	17.8 %	2,539.4	20.7 %
A	2,676.4	20.4 %	2,149.6	17.4 %
BBB	1,612.6	12.3 %	991.3	8.1 %
BB	997.2	7.6 %	779.3	6.3 %
B	337.7	2.6 %	282.6	2.3 %
Other	77.4	0.5 %	33.1	0.3 %
Total	$ 13,141.7	100.0 %	$ 12,293.5	100.0 %

(Some amounts may not reconcile due to rounding.)

(1) As of January 1, 2012, the Company modified its credit ratings to reflect the "higher of" basis for securities that are rated by Moody's and Standard and Poor's. The values at December 31, 2011, have been updated for this change in methodology.

The following table summarizes fixed maturities by contractual maturity for the periods indicated:

	At December 31,			
	2012		2011	
(Dollars in millions)	Market Value	Percent of Total	Market Value	Percent of Total
Fixed maturity securities - available for sale				

Due in one year or less	$	957.7	7.3	%	$	494.9	4.0	%
Due after one year through five years		5,741.3	43.7	%		5,268.8	42.9	%
Due after five years through ten years		2,511.5	19.1	%		2,325.1	18.9	%
Due after ten years		1,274.2	9.7	%		1,354.2	11.0	%
Asset-backed securities		176.6	1.3	%		193.4	1.6	%
Mortgage-backed securities		2,480.4	18.9	%		2,657.1	21.6	%
Total fixed maturity securities	$	13,141.7	100.0	%	$	12,293.5	100.0	%

(Some amounts may not reconcile due to rounding.)

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Financial Strength Ratings.
The following table shows the current financial strength ratings of the Company's operating subsidiaries as reported by A.M. Best, Standard & Poor's and Moody's. These ratings are based upon factors of concern to policyholders and should not be considered an indication of the degree or lack of risk involved in a direct or indirect equity investment in an insurance or reinsurance company.

All of the below-mentioned ratings are continually monitored and revised, if necessary, by each of the rating agencies. The ratings presented in the following table were in effect as of February 28, 2013.

The Company believes that its ratings, in general, are important to its operations because they provide the Company's customers and investors with an independent assessment of the Company's underlying financial strength using a scale that provides for relative comparisons. Strong financial ratings are particularly important for reinsurance companies. Ceding companies must rely on their reinsurers to pay covered losses well into the future. As a result, a highly rated reinsurer is generally preferred.

Operating Subsidiary:	A.M. Best	Standard & Poor's	Moody's
Everest Re	A+ (Superior)	A+ (Strong)	Aa3 (Excellent)
Bermuda Re	A+ (Superior)	A+ (Strong)	Aa3 (Excellent)
Ireland Re	A+ (Superior)	A+ (Strong)	Not Rated
Everest International	A+ (Superior)	Not Rated	Not Rated
Everest National	A+ (Superior)	A+ (Strong)	Not Rated
Everest Indemnity	A+ (Superior)	Not Rated	Not Rated
Everest Security	A+ (Superior)	Not Rated	Not Rated
Everest Canada	A+ (Superior)	Not Rated	Not Rated
Mt. McKinley	Not Rated	Not Rated	Not Rated

A.M. Best states that the "A+" ("Superior") rating is assigned to those companies which, in its opinion, have a superior ability to meet their ongoing insurance policy and contract obligations based on A.M. Best's comprehensive quantitative and qualitative evaluation of a company's balance sheet strength, operating performance and business profile. Standard & Poor's states that the "A+" rating is assigned to those insurance companies which, in its opinion, have strong financial security characteristics with respect to their ability to pay under its insurance policies and contracts in accordance with their terms. Moody's states that insurance companies rated "Aa" offer excellent financial security. Together with the "Aaa" rated companies, "Aa" rated companies constitute what are generally known as high-grade companies, with "Aa" rated companies generally having somewhat larger long-term risks. On January 24, 2012, Moody's affirmed the ratings of the Company's operating subsidiaries but changed the outlook on the ratings from stable to negative reflecting their opinion of the potential direction of the ratings over the medium term (12 to 18 months). The Company will continue to work with Moody's over this time to address their concerns but it is not possible to predict the potential outcome. The Company does not believe that a one notch downgrade would have a material adverse affect on the Company's business.

Subsidiaries other than Everest Re and Bermuda Re may not be rated by some or any rating agencies because such ratings are not considered essential by the individual subsidiary's customers or because of the limited nature of the subsidiary's operations. In particular, Mt. McKinley is not rated because it is in run-off status.

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Debt Ratings.
The following table shows the debt ratings by A.M. Best, Standard & Poor's and Moody's of the Holdings' senior notes due October 15, 2014, long term notes due May 1, 2067 and Everest Re Capital Trust II's ("Capital Trust II") trust preferred securities due March 29, 2034, all of which are considered investment grade. Debt ratings are the rating agencies' current assessment of the credit worthiness of an obligor with respect to a specific obligation.

	A.M. Best		Standard & Poor's		Moody's	
Senior Notes	a-	(Strong)	A-	(Strong)	A3	(Good)
Trust Preferred Securities	bbb+	(Adequate)	BBB	(Adequate)	Baa1	(Adequate)
Long Term Notes	bbb	(Adequate)	BBB	(Adequate)	Baa1	(Adequate)

A debt rating of "a-" is assigned by A.M. Best where the issuer, in A.M. Best's opinion, has a strong ability to meet the terms of the obligation. A.M. Best assigns a debt rating in the "bbb" range where the issuer, in A.M. Best's opinion, has adequate ability to meet the terms of the obligation. Standard & Poor's assigns a debt rating in the "A" range to issuers that exhibit strong capacity and willingness to meet its financial commitments on obligations as they come due. A debt rating in the "BBB" range is assigned by Standard & Poor's where the issuers exhibit adequate protection parameters although adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. According to Moody's, a debt rating of "A3" is assigned to issues that are considered upper-medium-grade obligations and subject to low credit risk. Obligations rated "Baa1" are subject to moderate credit risk and are considered medium-grade and as such may possess certain speculative characteristics. On January 24, 2012, Moody's affirmed the ratings of the Company's operating subsidiaries but changed the outlook on the ratings from stable to negative reflecting their opinion of the potential direction of the ratings over the medium term (12 to 18 months). The Company will continue to work with Moody's over this time to address their concerns but it is not possible to predict the potential outcome. The Company does not believe that a one notch downgrade would have a material adverse affect on the Company's business.

Competition.
The worldwide reinsurance and insurance businesses are highly competitive, as well as cyclical by product and market. As such, financial results tend to fluctuate with periods of constrained availability, high rates and strong profits followed by periods of abundant capacity, low rates and constrained profitability. Competition in the types of reinsurance and insurance business that the Company underwrites is based on many factors, including the perceived overall financial strength of the reinsurer or insurer, ratings of the reinsurer or insurer by A.M. Best and/or Standard & Poor's, underwriting expertise, the jurisdictions where the reinsurer or insurer is licensed or otherwise authorized, capacity and coverages offered, premiums charged, other terms and conditions of the reinsurance and insurance business offered, services offered, speed of claims payment and reputation and experience in lines written. Furthermore, the market impact from these competitive factors related to reinsurance and insurance is generally not consistent across lines of business, domestic and international geographical areas and distribution channels.

The Company competes in the U.S., Bermuda and international reinsurance and insurance markets with numerous global competitors. The Company's competitors include independent reinsurance and insurance companies, subsidiaries or affiliates of established worldwide insurance companies, reinsurance departments of certain insurance companies and domestic and international underwriting operations, including underwriting syndicates at Lloyd's. Some of these competitors have greater financial resources than the Company and have established long term and continuing business relationships, which can be a significant competitive advantage. In addition, the lack of strong barriers to entry into the reinsurance business and the potential for securitization of reinsurance and insurance risks through capital markets provide additional sources of potential reinsurance and insurance capacity and competition.

Worldwide insurance and reinsurance market conditions continued to be very competitive, particularly in the casualty lines of business. Generally, there was ample insurance and reinsurance capacity relative to demand. Competition and its effect on rates, terms and conditions vary widely by market and coverage yet continued to be most prevalent in the U.S. casualty insurance and reinsurance markets.

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However, during the fourth quarter of 2012, the industry sustained significant losses from Superstorm Sandy and also sustained significant losses during 2011 from Australian floods, the New Zealand earthquake, the earthquake and tsunami in Japan, storms in the U.S., and the Thailand floods. It is too early to determine the longer term impact on market conditions as a result of these events. While the 2011 events have resulted in meaningful rate increases for catastrophe coverages in some global catastrophe prone regions, particularly areas impacted by these losses, whether the magnitude of these 2012 and 2011 losses is sufficient to increase rates and improve market conditions for other lines of business remains to be seen.

Overall, the Company believes that current marketplace conditions, particularly for catastrophe coverages, provide profit opportunities for it given its strong ratings, distribution system, reputation and expertise. The Company continues to employ its strategy of targeting business that offers the greatest profit potential, while maintaining balance and diversification in its overall portfolio.

Employees.
As of February 1, 2013, the Company employed 1,039 persons. Management believes that employee relations are good. None of the Company's employees are subject to collective bargaining agreements, and the Company is not aware of any current efforts to implement such agreements.

Regulatory Matters.
The Company and its insurance subsidiaries are subject to regulation under the insurance statutes of the various jurisdictions in which they conduct business, including essentially all states of the U.S., Canada, Singapore, Brazil, the United Kingdom, Ireland and Bermuda. These regulations vary from jurisdiction to jurisdiction and are generally designed to protect ceding insurance companies and policyholders by regulating the Company's conduct of business, financial integrity and ability to meet its obligations. Many of these regulations require reporting of information designed to allow insurance regulators to closely monitor the Company's performance.

Insurance Holding Company Regulation. Under applicable U.S. laws and regulations, no person, corporation or other entity may acquire a controlling interest in the Company, unless such person, corporation or entity has obtained the prior approval for such acquisition from the insurance commissioners of Delaware and the other states in which the Company's insurance subsidiaries are domiciled or deemed domiciled, currently California and Georgia. Under these laws, "control" is presumed when any person acquires, directly or indirectly, 10% or more of the voting securities of an insurance company. To obtain the approval of any change in control, the proposed acquirer must file an application with the relevant insurance commissioner disclosing, among other things, the background of the acquirer and that of its directors and officers, the acquirer's financial condition and its proposed changes in the management and operations of the insurance company. U.S. state regulators also require prior notice or regulatory approval of material inter-affiliate transactions within the holding company structure.

The Insurance Companies Act of Canada requires prior approval by the Minister of Finance of anyone acquiring a significant interest in an insurance company authorized to do business in Canada. In addition, the Company is subject to regulation by the insurance regulators of other states and foreign jurisdictions in which it is authorized to do business. Certain of these states and foreign jurisdictions impose regulations regulating the ability of any person to acquire control of an insurance company authorized to do business in that jurisdiction without appropriate regulatory approval similar to those described above.

Dividends. Under Bermuda law, Group is prohibited from declaring or paying a dividend if such payment would reduce the realizable value of its assets to an amount less than the aggregate value of its liabilities and its issued share capital and share premium (additional paid-in capital) accounts. Group's ability to pay dividends and its operating expenses is partially dependent upon dividends from its subsidiaries. The payment of dividends by insurance subsidiaries is limited under Bermuda law as well as the laws of the various U.S. states in which Group's insurance and reinsurance subsidiaries are domiciled or deemed domiciled. The limitations are generally based upon net income (loss) and compliance with applicable policyholders' surplus or minimum solvency and liquidity requirements as determined in accordance with the relevant statutory accounting practices. Under Irish corporate and regulatory law, Holdings Ireland and its subsidiaries are limited as to the dividends they can pay based on retained earnings and net income (loss) and/or capital and minimum solvency requirements. As Holdings has outstanding debt obligations, it is dependent upon dividends and other permissible payments from its operating subsidiaries to enable it to meet its debt and operating expense obligations and to pay dividends.

Under Bermuda law, Bermuda Re and Everest International are unable to declare or make payment of a dividend if they fail to meet their minimum solvency margin or minimum liquidity ratio. As a long term insurer, Bermuda Re is also unable to declare or pay a dividend to anyone who is not a policyholder unless, after payment of the dividend, the value of the assets in their long term business fund, as certified by their approved actuary, exceeds their liabilities for long term business by at least the $250,000 minimum solvency margin. Prior approval of the Bermuda Monetary Authority is required if Bermuda Re's or Everest International's dividend payments would exceed 25% of their prior year end statutory capital and surplus. At December 31, 2012, Bermuda Re and Everest International exceeded their solvency and liquidity requirements by a significant margin.

The payment of dividends to Holdings by Everest Re is subject to limitations imposed by Delaware law. Generally, Everest Re may only pay dividends out of its statutory earned surplus, which was $2,613.0 million at December 31, 2012, and only after it has given 10 days prior notice to the Delaware Insurance Commissioner. During this 10-day period, the Commissioner may, by order, limit or disallow the payment of ordinary dividends if the Commissioner finds the insurer to be presently or potentially in financial distress. Further, the maximum amount of dividends that may be paid without the prior approval of the Delaware Insurance Commissioner in any twelve month period is the greater of (1) 10% of the insurer's statutory surplus as of the end of the prior calendar year or (2) the insurer's statutory net income (loss), not including realized capital gains (losses), for the prior calendar year. Accordingly, the maximum amount that will be available for the payment of dividends by Everest Re in 2013 without triggering the requirement for prior approval of regulatory authorities in connection with a dividend is $359.0 million.

Insurance Regulation. Neither Bermuda Re nor Everest International is admitted to do business in any jurisdiction in the U.S. Both conduct their insurance business from their offices in Bermuda, and in the case of Bermuda Re, its branch in the UK. In Bermuda, Bermuda Re and Everest International are regulated by the Insurance Act 1978 (as amended) and related regulations (the "Act"). The Act establishes solvency and liquidity standards and auditing and reporting requirements and subjects Bermuda Re and Everest International to the supervision, investigation and intervention powers of the Bermuda Monetary Authority. Under the Act, Bermuda Re and Everest International, as Class 4 insurers, are each required to maintain a principal office in Bermuda, to maintain a minimum of $100 million in statutory capital and surplus, to have an independent auditor approved by the Bermuda Monetary Authority conduct an annual audit and report on their respective statutory and U.S. GAAP financial statements and filings and to have an appointed loss reserve specialist (also approved by the Bermuda Monetary Authority) review and report on their respective loss reserves annually.

Bermuda Re is also registered under the Act as long term insurer and is thereby authorized to write life and annuity business. As a long term insurer, Bermuda Re is required to maintain $250,000 in statutory capital separate from their Class 4 minimum statutory capital and surplus, to maintain long term business funds, to separately account for this business and to have an approved actuary prepare a certificate concerning their long term business assets and liabilities to be filed annually. Bermuda Re's operations in the United Kingdom and worldwide are subject to regulation by the Financial Services Authority (the "FSA"). The FSA imposes solvency, capital adequacy, audit, financial reporting and other regulatory requirements on insurers transacting business in the United Kingdom. Bermuda Re presently meets or exceeds all of the FSA's solvency and capital requirements.

U.S. domestic property and casualty insurers, including reinsurers, are subject to regulation by their state of domicile and by those states in which they are licensed. The regulation of reinsurers is typically focused on financial condition, investments, management and operation. The rates and policy terms of reinsurance agreements are generally not subject to direct regulation by any governmental authority.

The operations of Everest Re's foreign branch offices in Canada and Singapore are subject to regulation by the insurance regulatory officials of those jurisdictions. Management believes that the Company is in compliance with applicable laws and regulations pertaining to its business and operations.

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Everest Indemnity, Everest National, Everest Security and Mt. McKinley are subject to regulations similar to the U.S. regulations applicable to Everest Re. In addition, Everest National and Everest Security must comply with substantial regulatory requirements in each state where they conduct business. These additional requirements include, but are not limited to, rate and policy form requirements, requirements with regard to licensing, agent appointments, participation in residual markets and claim handling procedures. These regulations are primarily designed for the protection of policyholders.

Licenses. Everest Re is a licensed property and casualty insurer and/or reinsurer in all states, the District of Columbia and Puerto Rico. In New Hampshire and Puerto Rico, Everest Re is licensed for reinsurance only. Such licensing enables U.S. domestic ceding company clients to take credit for uncollateralized reinsurance receivables from Everest Re in their statutory financial statements.

Everest Re is licensed as a property and casualty reinsurer in Canada. It is also authorized to conduct reinsurance business in Singapore and Brazil. Everest Re can also write reinsurance in other foreign countries. Because some jurisdictions require a reinsurer to register in order to be an acceptable market for local insurers, Everest Re is registered as a foreign insurer and/or reinsurer in the following countries: Argentina, Bolivia, Chile, Colombia, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Peru, Venezuela and the Philippines. Everest National is licensed in 50 states and the District of Columbia. Everest Indemnity is licensed in Delaware and is eligible to write insurance on a surplus lines basis in 49 states, the District of Columbia and Puerto Rico. Everest Security is licensed in Georgia and Alabama. Mt. McKinley is licensed in Delaware and California. Bermuda Re and Everest International are registered as Class 4 insurers in Bermuda, and Bermuda Re is also registered as a long term insurer in Bermuda. Bermuda Re is also an authorized reinsurer in the U.K. Ireland Re is licensed to write non-life reinsurance for the London and European markets. Everest Canada is licensed to write property and casualty insurance in Canada.

Periodic Examinations. Everest Re, Everest National, Everest Indemnity, Everest Security and Mt. McKinley are subject to periodic financial examination (usually every three years) of their affairs by the insurance departments of the states in which they are licensed, authorized or accredited. Everest Re's, Everest National's, Everest Security's, Everest Indemnity's and Mt. McKinley's last examination reports were as of December 31, 2010. None of these reports contained any material findings or recommendations. In addition, U.S. insurance companies are subject to examinations by the various state insurance departments where they are licensed concerning compliance with applicable conduct of business regulations.

NAIC Risk-Based Capital Requirements. The U.S. National Association of Insurance Commissioners ("NAIC") has developed a formula to measure the amount of capital appropriate for a property and casualty insurance company to support its overall business operations in light of its size and risk profile. The major categories of a company's risk profile are its asset risk, credit risk, and underwriting risk. The standards are an effort by the NAIC to prevent insolvencies, to ward off other financial difficulties of insurance companies and to establish uniform regulatory standards among state insurance departments.

Under the approved formula, a company's statutory surplus is compared to its risk based capital ("RBC"). If this ratio is above a minimum threshold, no action is necessary. Below this threshold are four distinct action levels at which an insurer's domiciliary state regulator can intervene with increasing degrees of authority over an insurer as the ratio of surplus to RBC decreases. The mildest intervention requires an insurer to submit a plan of appropriate corrective actions. The most severe action requires an insurer to be rehabilitated or liquidated.

Based on their financial positions at December 31, 2012, Everest Re, Everest National, Everest Indemnity and Everest Security significantly exceed the minimum thresholds. Since Mt. McKinley ceased writing new and renewal insurance in 1985, its domiciliary regulator, the Delaware Insurance Commissioner, has exempted Mt. McKinley from complying with RBC requirements.

Various proposals to change the RBC formula arise from time to time. The Company is unable to predict whether any such proposal will be adopted, the form in which any such proposals would be adopted or the effect, if any, the adoption of any such proposal or change in the RBC calculations would have on the Company.

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Tax Matters.
The following summary of the taxation of the Company is based on current law. There can be no assurance that legislative, judicial, or administrative changes will not be enacted that materially affect this summary.

Bermuda. Under Bermuda law, no income, withholding or capital gains taxes are imposed upon Group and its Bermuda subsidiaries. Group and its Bermuda subsidiaries have received an undertaking from the Minister of Finance in Bermuda that, in the event of any taxes being imposed, Group and its Bermuda subsidiaries will be exempt from taxation in Bermuda until March 2035. Non-Bermuda branches of Bermuda subsidiaries are subject to local taxes in the jurisdictions in which they operate.

United States. Group's U.S. subsidiaries conduct business in and are subject to taxation in the U.S. Non-U.S. branches of U.S. subsidiaries are subject to local taxation in the jurisdictions in which they operate. Should the U.S. subsidiaries distribute current or accumulated earnings and profits in the form of dividends or otherwise, the Company would be subject to withholding taxes. Group and its Bermuda subsidiaries believe that they have operated and will continue to operate their businesses in a manner that will not cause them to generate income treated as effectively connected with the conduct of a trade or business within the U.S. On this basis, Group does not expect that it and its Bermuda subsidiaries will be required to pay U.S. corporate income taxes other than withholding taxes on certain investment income and premium excise taxes. If Group or its Bermuda subsidiaries were to become subject to U.S. income tax, there could be a material adverse effect on the Company's financial condition, results of operations and cash flows.

United Kingdom. Bermuda Re's UK branch conducts business in the UK and is subject to taxation in the UK. Bermuda Re believes that it has operated and will continue to operate its Bermuda operation in a manner which will not cause them to be subject to UK taxation. If Bermuda Re's Bermuda operations were to become subject to UK income tax, there could be a material adverse impact on the Company's financial condition, results of operations and cash flow.

Ireland. Holdings Ireland and Ireland Re conduct business in Ireland and are subject to taxation in Ireland.

Available Information.
The Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and amendments to those reports are available free of charge through the Company's internet website at http://www.everestregroup.com as soon as reasonably practicable after such reports are electronically filed with the Securities and Exchange Commission (the "SEC").

ITEM 1A. RISK FACTORS

In addition to the other information provided in this report, the following risk factors should be considered when evaluating an investment in our securities. If the circumstances contemplated by the individual risk factors materialize, our business, financial condition and results of operations could be materially and adversely affected and the trading price of our common shares could decline significantly.

RISKS RELATING TO OUR BUSINESS

Fluctuations in the financial markets could result in investment losses.

Prolonged and severe disruptions in the public debt and equity markets, such as occurred during 2008, could result in significant realized and unrealized losses in our investment portfolio. For the year ended December 31, 2008, we incurred $695.8 million of realized investment losses and $310.4 million of unrealized investment losses. Although financial markets have significantly improved since 2008, they could deteriorate in the future. Such declines in the financial markets could result in significant realized and unrealized losses on investments and could have a material adverse impact on our results of operations, equity, business and insurer financial strength and debt ratings.

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Our results could be adversely affected by catastrophic events.

We are exposed to unpredictable catastrophic events, including weather-related and other natural catastrophes, as well as acts of terrorism. Any material reduction in our operating results caused by the occurrence of one or more catastrophes could inhibit our ability to pay dividends or to meet our interest and principal payment obligations. Subsequent to April 1, 2010, we define a catastrophe as an event that causes a loss on property exposures before reinsurance of at least $10.0 million, before corporate level reinsurance and taxes. Prior to April 1, 2010, we used a threshold of $5.0 million. By way of illustration, during the past five calendar years, pre-tax catastrophe losses, net of contract specific reinsurance but before cessions under corporate reinsurance programs, were as follows:

Calendar year: (Dollars in millions)	Pre-tax catastrophe losses
2012	$ 410.0
2011	1,300.4
2010	571.1
2009	67.4
2008	364.3

Our losses from future catastrophic events could exceed our projections.

We use projections of possible losses from future catastrophic events of varying types and magnitudes as a strategic underwriting tool. We use these loss projections to estimate our potential catastrophe losses in certain geographic areas and decide on the purchase of retrocessional coverage or other actions to limit the extent of potential losses in a given geographic area. These loss projections are approximations, reliant on a mix of quantitative and qualitative processes, and actual losses may exceed the projections by a material amount, resulting in a material adverse effect on our financial condition and results of operations.

If our loss reserves are inadequate to meet our actual losses, our net income would be reduced or we could incur a loss.

We are required to maintain reserves to cover our estimated ultimate liability of losses and LAE for both reported and unreported claims incurred. These reserves are only estimates of what we believe the settlement and administration of claims will cost based on facts and circumstances known to us. In setting reserves for our reinsurance liabilities, we rely on claim data supplied by our ceding companies and brokers and we employ actuarial and statistical projections. The information received from our ceding companies is not always timely or accurate, which can contribute to inaccuracies in our loss projections. Because of the uncertainties that surround our estimates of loss and LAE reserves, we cannot be certain that ultimate losses and LAE payments will not exceed our estimates. If our reserves are deficient, we would be required to increase loss reserves in the period in which such deficiencies are identified which would cause a charge to our earnings and a reduction of capital. By way of illustration, during the past five calendar years, the reserve re-estimation process resulted in a decrease to our pre-tax net income in three of the years:

Calendar year: (Dollars in millions)	Effect on pre-tax net income	
2012	$ 3.7	increase
2011	3.7	decrease
2010	30.9	increase

2009	128.8	decrease
2008	34.9	decrease

See ITEM 1, "Business - Changes in Historical Reserves," which provides a more detailed chart showing the effect of reserve re-estimates on calendar year operating results for the past ten years.

The difficulty in estimating our reserves is significantly more challenging as it relates to reserving for potential A&E liabilities. At year-end 2012, 4.4% of our gross reserves were comprised of A&E reserves. A&E liabilities are especially hard to estimate for many reasons, including the long delays between exposure and manifestation of any bodily injury or property damage, difficulty in identifying the source of the asbestos or environmental contamination, long reporting delays and difficulty in properly allocating liability for the asbestos or environmental damage. Legal tactics and judicial and legislative developments affecting the scope of insurers' liability, which can be difficult to predict, also contribute to uncertainties in estimating reserves for A&E liabilities.

The failure to accurately assess underwriting risk and establish adequate premium rates could reduce our net income or result in a net loss.

Our success depends on our ability to accurately assess the risks associated with the businesses on which the risk is retained. If we fail to accurately assess the risks we retain, we may fail to establish adequate premium rates to cover our losses and LAE. This could reduce our net income and even result in a net loss.

In addition, losses may arise from events or exposures that are not anticipated when the coverage is priced. In addition to unanticipated events, we also face the unanticipated expansion of our exposures, particularly in long-tail liability lines. An example of this is the expansion over time of the scope of insurers' legal liability within the mass tort arena, particularly for A&E exposures discussed above.

Decreases in pricing for property and casualty reinsurance and insurance could reduce our net income.

The worldwide reinsurance and insurance businesses are highly competitive, as well as cyclical by product and market. These cycles, as well as other factors that influence aggregate supply and demand for property and casualty insurance and reinsurance products, are outside of our control. The supply of (re)insurance is driven by prevailing prices and levels of capacity that may fluctuate in response to a number of factors including large catastrophic losses and investment returns being realized in the insurance industry. Demand for (re)insurance is influenced by underwriting results of insurers and insureds, including catastrophe losses, and prevailing general economic conditions. If any of these factors were to result in a decline in the demand for (re)insurance or an overall increase in (re)insurance capacity, our net income could decrease.

If rating agencies downgrade the ratings of our insurance subsidiaries, future prospects for growth and profitability could be significantly and adversely affected.

Our active insurance company subsidiaries currently hold financial strength ratings assigned by third-party rating agencies which assess and rate the claims paying ability and financial strength of insurers and reinsurers. Our active subsidiaries carry an "A+" ("Superior") rating from A.M. Best. Everest Re, Bermuda Re, Ireland Re and Everest National hold an "A+" ("Strong") rating from Standard & Poor's. Everest Re and Bermuda Re hold an "Aa3" ("Excellent") rating fro Moody's. Financial strength ratings are used by client companies and agents and brokers that place the business as an important means of assessing the financial strength and quality of reinsurers. A downgrade or withdrawal of any of these ratings might adversely affect our ability to market our insurance products and could have a material and adverse effect on future prospects for growth and profitability.

On January 24, 2012, Moody's affirmed the ratings of our operating subsidiaries but changed the outlook on the ratings from stable to negative reflecting their opinion of the likely direction of the ratings over the medium term (12 to 18 months). We will continue to work with Moody's over this time to address their concerns but it is not possible to predict the potential outcome.

On March 13, 2009, Standard & Poor's downgraded its ratings of Everest Re, Bermuda Re and Everest National one level to "A+". It is possible that a further downgrade will occur in the future if we do not continue to meet the evolving criteria expected of our current rating. In that regard, several of the rating agencies are in the process of modifying their approaches to evaluating enterprise risk management and its impact on ratings. Therefore, we cannot predict the outcome of this reassessment or its potential impact upon our ratings.

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Consistent with market practice, much of our treaty reinsurance business allows the ceding company to terminate the contract or seek collateralization of our obligations in the event of a rating downgrade below a certain threshold. The termination provision would generally be triggered if a rating fell below A.M. Best's A- rating level, which is three levels below Everest Re's current rating of A+. To a lesser extent, Everest Re also has modest exposure to reinsurance contracts that contain provisions for obligatory funding of outstanding liabilities in the event of a rating agency downgrade. Those provisions would also generally be triggered if Everest Re's rating fell below A.M. Best's A- rating level.

The failure of our insureds, intermediaries and reinsurers to satisfy their obligations to us could reduce our income.

In accordance with industry practice, we have uncollateralized receivables from insureds, agents and brokers and/or rely on agents and brokers to process our payments. We may not be able to collect amounts due from insureds, agents and brokers, resulting in a reduction to net income.

We are subject to credit risk of reinsurers in connection with retrocessional arrangements because the transfer of risk to a reinsurer does not relieve us of our liability to the insured. In addition, reinsurers may be unwilling to pay us even though they are able to do so. The failure of one or more of our reinsurers to honor their obligations to us in a timely fashion would impact our cash flow and reduce our net income and could cause us to incur a significant loss.

If we are unable or choose not to purchase reinsurance and transfer risk to reinsurers, our net income could be reduced or we could incur a net loss in the event of unusual loss experience.

We are generally less reliant on the purchase of reinsurance than many of our competitors, in part because of our strategic emphasis on underwriting discipline and management of the cycles inherent in our business. We try to separate our risk taking process from our risk mitigation process in order to avoid developing too great a reliance on reinsurance. We generally purchase reinsurance from other third parties only when we expect a net benefit. The percentage of business that we reinsure may vary considerably from year to year, depending on our view of the relationship between cost and expected benefit for the contract period.

	2012	2011	2010	2009	2008
Percentage of ceded written premiums to gross written premiums	5.3%	4.1%	6.1%	4.8%	4.7%

Changes in the availability and cost of reinsurance, which are subject to market conditions that are outside of our control, have reduced to some extent our ability to use reinsurance to tailor the risks we assume on a contract or program basis or to mitigate or balance exposures across our reinsurance operations. Because we have purchased minimal reinsurance in recent years, our net income could be reduced following a large unreinsured event or adverse overall claims experience.

Our industry is highly competitive and we may not be able to compete successfully in the future.

Our industry is highly competitive and subject to pricing cycles that can be pronounced. We compete globally in the United States, Bermuda and international reinsurance and insurance markets with numerous competitors. Our competitors include independent reinsurance and insurance companies, subsidiaries or affiliates of established worldwide insurance companies, reinsurance departments of certain insurance companies and domestic and international underwriting operations, including underwriting syndicates at Lloyd's.

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According to Standard & Poor's, we rank among the top ten global reinsurance groups, where more than two-thirds of the market share is concentrated. The worldwide net premium written by the traditional reinsurance market, for both life and non-life business, was estimated to be $174 billion in 2011 according to data compiled by Standard & Poor's. The top twenty-five groups in our industry represent just over 90% of these revenues. The leaders in this market are Munich Re, Swiss Re, Berkshire Hathaway Inc., Hannover Ruckversicherung AG, and syndicates at Lloyd's. Some of these competitors have greater financial resources than we do and have established long term and continuing business relationships throughout the industry, which can be a significant competitive advantage. In addition, the lack of strong barriers to entry into the reinsurance business and the potential for securitization of reinsurance and insurance risks through capital markets provide additional sources of potential reinsurance and insurance capacity and competition.

We are dependent on our key personnel.

Our success has been, and will continue to be, dependent on our ability to retain the services of existing key executive officers and to attract and retain additional qualified personnel in the future. The loss of the services of any key executive officer or the inability to hire and retain other highly qualified personnel in the future could adversely affect our ability to conduct business. Generally, we consider key executive officers to be those individuals who have the greatest influence in setting overall policy and controlling operations: Chairman and Chief Executive Officer, Joseph V. Taranto (age 63), President, Dominic J. Addesso (age 59) and Executive Vice President and Chief Financial Officer, Craig Howie (age 49). We currently have employment contracts with Mr. Taranto and Mr. Addesso. Mr. Taranto's contract was filed with the SEC and provides for terms of employment ending on December 31, 2013. Mr. Addesso's contract was filed with the SEC and provides for terms of employment ending December 31, 2016.

Special considerations apply to our Bermuda operations. Under Bermuda law, non-Bermudians, other than spouses of Bermudians and individuals holding permanent or working resident certificates, are not permitted to engage in any gainful occupation in Bermuda without a work permit issued by the Bermuda government. A work permit is only granted or extended if the employer can show that, after a proper public advertisement, no Bermudian, spouse of a Bermudian or individual holding a permanent or working resident certificate is available who meets the minimum standards reasonably required for the position. The Bermuda government places a six-year term limit on individuals with work permits, subject to specified exemptions for persons deemed to be key employees of businesses with a significant physical presence in Bermuda. Currently, all four of our Bermuda-based professional employees who require work permits have been granted permits by the Bermuda government that expire at various times between September 2013 and May 2015. This includes Mark de Saram, the chief executive officer of our Bermuda reinsurance operation. In the event his work permit were not renewed, we could lose his services, thereby adversely affecting our ability to conduct our business in Bermuda until we were able to replace him with an individual in Bermuda who did not require a work permit or who was granted the permit. The Company has an employment contract with Mr. de Saram, which was filed with the SEC and provides for term of employment ending on November 1, 2014.

Our investment values and investment income could decline because they are exposed to interest rate, credit, and market risks.

A significant portion of our investment portfolio consists of fixed income securities and smaller portions consist of equity securities and other investments. Both the fair market value of our invested assets and associated investment income fluctuate depending on general economic and market conditions. For example, the fair market value of our predominant fixed income portfolio generally increases or decreases inversely to fluctuations in interest rates. The market value of our fixed income securities could also decrease as a result of a downturn in the business cycle that causes the credit quality of such securities to deteriorate. The net investment income that we realize from future investments in fixed income securities will generally increase or decrease with interest rates.

Interest rate fluctuations also can cause net investment income from fixed income investments that carry prepayment risk, such as mortgage-backed and other asset-backed securities, to differ from the income anticipated from those securities at the time of purchase. In addition, if issuers of individual investments are unable to meet their obligations, investment income will be reduced and realized capital losses may arise.

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The majority of our fixed income securities are classified as available for sale and temporary changes in the market value of these investments are reflected as changes to our shareholders' equity. Our actively managed equity security portfolios are fair valued and any changes in fair value are reflected as net realized capital gains or losses. As a result, a decline in the value of our securities reduces our capital or could cause us to incur a loss.

We have invested a portion of our investment portfolio in equity securities. The value of these assets fluctuates with changes in the markets. In times of economic weakness, the fair value of these assets may decline, and may negatively impact net income. We also invest in non-traditional investments which have different risk characteristics than traditional fixed income and equity securities. These alternative investments are comprised primarily of private equity limited partnerships. The changes in value and investment income/(loss) for these partnerships may be more volatile than over-the-counter securities.

The following table quantifies the portion of our investment portfolio that consists of fixed income securities, equity securities and investments that carry prepayment risk.

(Dollars in millions)		At December 31, 2012	% of Total	
Mortgage-backed securities:				
Commercial	$	320.1	1.9	%
Agency residential		2,152.2	13.0	%
Non-agency residential		8.1	0.0	%
Other asset-backed		176.6	1.1	%
Total asset-backed		2,657.0	16.0	%
Other fixed income		10,484.7	63.3	%
Total fixed income, at market value		13,141.7	79.3	%
Fixed maturities, at fair value		41.5	0.3	%
Equity securities, at market value		143.4	0.9	%
Equity securities, at fair value		1,255.6	7.5	%
Other invested assets		596.6	3.6	%
Cash and short-term investments		1,397.4	8.4	%
Total investments and cash	$	16,576.2	100.0	%

(Some amounts may not reconcile due to rounding.)

We may experience foreign currency exchange losses that reduce our net income and capital levels.

Through our Bermuda and international operations, we conduct business in a variety of foreign (non-U.S.) currencies, principally the Euro, the British pound, the Canadian dollar, and the Singapore dollar. Assets, liabilities, revenues and expenses denominated in foreign currencies are exposed to changes in currency exchange rates. Our functional currency is the U.S. dollar, and exchange rate fluctuations relative to the U.S. dollar may materially impact our results and financial position. In 2012, we wrote approximately 31.0% of our coverages in non-U.S. currencies; as of December 31, 2012, we maintained approximately 17.3% of our investment portfolio in investments denominated in non-U.S. currencies. During 2012, 2011 and 2010, the impact on our quarterly pre-tax net income from exchange rate fluctuations ranged from a loss of $17.0 million to a gain of $31.8 million.

We are subject to cybersecurity risks that could negatively impact our business operations.

We are dependent upon our information technology platform, including our processing systems, data and electronic transmissions in our business operations. Security breaches could expose us to the loss or misuse of our information, litigation and potential liability. In addition, cyber incidents that impact the availability, reliability, speed, accuracy or other proper functioning of these systems could have a significant negative impact on our operations and possibly our results. An incident could also result in a violation of applicable privacy and other laws, damage our reputation, cause a loss of customers or give rise to monetary fines and other penalties, which could be significant. Management is not aware of a cybersecurity incident that has had a material impact on our operations.

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RISKS RELATING TO REGULATION

Insurance laws and regulations restrict our ability to operate and any failure to comply with those laws and regulations could have a material adverse effect on our business.

We are subject to extensive and increasing regulation under U.S., state and foreign insurance laws. These laws limit the amount of dividends that can be paid to us by our operating subsidiaries, impose restrictions on the amount and type of investments that we can hold, prescribe solvency, accounting and internal control standards that must be met and maintained and require us to maintain reserves. These laws also require disclosure of material inter-affiliate transactions and require prior approval of “extraordinary” transactions. Such “extraordinary” transactions include declaring dividends from operating subsidiaries that exceed statutory thresholds. These laws also generally require approval of changes of control of insurance companies. The application of these laws could affect our liquidity and ability to pay dividends, interest and other payments on securities, as applicable, and could restrict our ability to expand our business operations through acquisitions of new insurance subsidiaries. We may not have or maintain all required licenses and approvals or fully comply with the wide variety of applicable laws and regulations or the relevant authority’s interpretation of the laws and regulations. If we do not have the requisite licenses and approvals or do not comply with applicable regulatory requirements, the insurance regulatory authorities could preclude or temporarily suspend us from carrying on some or all of our activities or monetarily penalize us. These types of actions could have a material adverse effect on our business. To date, no material fine, penalty or restriction has been imposed on us for failure to comply with any insurance law or regulation.

As a result of the recent dislocation of the financial markets, Congress and the Presidential administration in the United States, are contemplating changes in the way the financial services industry is regulated. It is possible that insurance regulation will be drawn into this process, and that federal regulatory initiatives in the insurance industry could emerge. In addition, regulatory bodies in Europe are developing a new capital adequacy directive for insurers and reinsurers. The future impact of such initiatives, if any, on our operation, net income (loss) or financial condition cannot be determined at this time.

Regulatory challenges in the United States could adversely affect the ability of Bermuda Re to conduct business.

Bermuda Re does not intend to be licensed or admitted as an insurer or reinsurer in any U.S. jurisdiction. Under current law, Bermuda Re generally will be permitted to reinsure U.S. risks from its office in Bermuda without obtaining those licenses. However, the insurance and reinsurance regulatory framework is subject to periodic legislative review and revision. In the past, there have been congressional and other initiatives in the United States regarding increased supervision and regulation of the insurance industry, including proposals to supervise and regulate reinsurers domiciled outside the United States. If Bermuda Re were to become subject to any insurance laws of the United States or any U.S. state at any time in the future, it might be required to post deposits or maintain minimum surplus levels and might be prohibited from engaging in lines of business or from writing some types of policies. Complying with those laws could have a material adverse effect on our ability to conduct business in Bermuda and international markets.

Bermuda Re may need to be licensed or admitted in additional jurisdictions to develop its business.

As Bermuda Re’s business develops, it will monitor the need to obtain licenses in jurisdictions other than Bermuda and the U.K., where it has an authorized branch, in order to comply with applicable law or to be able to engage in additional insurance-related activities. In addition, Bermuda Re may be at a competitive disadvantage in jurisdictions where it is not licensed or does not enjoy an exemption from licensing relative to competitors that are so licensed or exempt from licensing. Bermuda Re may not be able to obtain any additional licenses that it determines are necessary or desirable. Furthermore, the process of obtaining those licenses is often costly and may take a long time.

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Bermuda Re’s ability to write reinsurance may be severely limited if it is unable to arrange for security to back its reinsurance.

Many jurisdictions do not permit insurance companies to take credit for reinsurance obtained from unlicensed or non-admitted insurers on their statutory financial statements without appropriate security. Bermuda Re’s reinsurance clients typically require it to post a letter of credit or enter into other security arrangements. If Bermuda Re is unable to obtain or maintain a letter of credit facility on commercially acceptable terms or is unable to arrange for other types of security, its ability to operate its business may be severely limited. If Bermuda Re defaults on any letter of credit that it obtains, it may be required to prematurely liquidate a substantial portion of its investment portfolio and other assets pledged as collateral.

RISKS RELATING TO GROUP’S SECURITIES

Because of our holding company structure, our ability to pay dividends, interest and principal is dependent on our receipt of dividends, loan payments and other funds from our subsidiaries.

Group and Holdings are holding companies, each of whose most significant asset consists of the stock of its operating subsidiaries. As a result, each of Group’s and Holdings’ ability to pay dividends, interest or other payments on its securities in the future will depend on the earnings and cash flows of the operating subsidiaries and the ability of the subsidiaries to pay dividends or to advance or repay funds to it. This ability is subject to general economic, financial, competitive, regulatory and other factors beyond our control. Payment of dividends and advances and repayments from some of the operating subsidiaries are regulated by U.S., state and foreign insurance laws and regulatory restrictions, including minimum solvency and liquidity thresholds. Accordingly, the operating subsidiaries may not be able to pay dividends or advance or repay funds to Group and Holdings in the future, which could prevent us from paying dividends, interest or other payments on our securities.

Provisions in Group’s bye-laws could have an anti-takeover effect, which could diminish the value of its common shares.

Group’s bye-laws contain provisions that may entrench directors and make it more difficult for shareholders to replace directors even if the shareholders consider it beneficial to do so. In addition, these provisions could delay or prevent a change of control that a shareholder might consider favorable. The effect of these provisions could be to prevent a shareholder from receiving the benefit from any premium over the market price of our common shares offered by a bidder in a potential takeover. Even in the absence of an attempt to effect a change in management or a takeover attempt, these provisions may adversely affect the prevailing market price of our common shares if they are viewed as discouraging takeover attempts in the future.

For example, Group’s bye-laws contain the following provisions that could have an anti-takeover effect:

- directors currently serve staggered three-year terms, meaning that the members of only one of three classes of directors are selected each year (although the staggered board structure will be phased out between 2012 and 2014);
- shareholders have limited ability to remove directors;
- the total voting power of any shareholder owning more than 9.9% of the common shares will be reduced to 9.9% of the total voting power of the common shares;

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- the board of directors may decline to register any transfer of common shares if it has reason to believe that the transfer would result in:

i.) any person that is not an investment company beneficially owning more than 5.0% of any class of the issued and outstanding share capital of Group,

ii.) any person holding controlled shares in excess of 9.9% of any class of the issued and outstanding share capital of Group, or

iii.) any adverse tax, regulatory or legal consequences to Group, any of its subsidiaries or any of its shareholders;

- Group also has the option to redeem or purchase all or part of a shareholder's common shares to the extent the board of directors determines it is necessary or advisable to avoid or cure any adverse or potential adverse consequences if:

i.) any person that is not an investment company beneficially owns more than 5.0% of any class of the issued and outstanding share capital of Group,

ii.) any person holds controlled shares in excess of 9.9% of any class of the issued and outstanding share capital of Group, or

iii.) share ownership by any person may result in adverse tax, regulatory or legal consequences to Group, any of its subsidiaries or any other shareholder.

The Board of Directors has indicated that it will apply these bye-law provisions in such manner that "passive institutional investors" will be treated similarly to investment companies. For this purpose, "passive institutional investors" include all persons who are eligible, pursuant to Rule 13d-1(b)(1) under the U.S. Securities Exchange Act of 1934, ("the Exchange Act") to file a short-form statement on Schedule 13G, other than an insurance company or any parent holding company or control person of an insurance company.

Applicable insurance laws may also have an anti-takeover effect.

Before a person can acquire control of a U.S. insurance company, prior written approval must be obtained from the insurance commissioner of the state where that insurance company is domiciled or deemed commercially domiciled. Prior to granting approval of an application to acquire control of a domestic insurance company, a state insurance commissioner will consider such factors as the financial strength of the applicant, the integrity and competence of the applicant's board of directors and executive officers, the acquiror's plans for the future operations of the insurance company and any anti-competitive results that may arise from the consummation of the acquisition of control. Because any person who acquired control of Group would thereby acquire indirect control of its insurance company subsidiaries in the U.S., the insurance change of control laws of Delaware, California and Georgia would apply to such a transaction. This could have the effect of delaying or even preventing such a change of control.

The ownership of common shares of Group by Holdings may have an impact on securing approval of shareholder proposals that Group's management supports.

As of December 31, 2012, Holdings owned 9,719,971 or 15.9% of the outstanding common shares of Group. Under Group's bye-laws, the total voting power of any shareholder owning more than 9.9% of the common shares is reduced to 9.9% of the total voting power of the common shares. Nevertheless, Holdings, which is controlled by Group, has the ability to vote 9.9% of the total voting power of Group's common shares, which may have an impact on securing approval of shareholder proposals that Group's management supports.

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Investors in Group may have more difficulty in protecting their interests than investors in a U.S. corporation.

The Companies Act 1981 of Bermuda (the "Companies Act"), differs in material respects from the laws applicable to U.S. corporations and their shareholders. The following is a summary of material differences between the Companies Act, as modified in some instances by provisions of Group's bye-laws, and Delaware corporate law that could make it more difficult for investors in Group to protect their interests than investors in a U.S. corporation. Because the following statements are summaries, they do not address all aspects of Bermuda law that may be relevant to Group and its shareholders.

Alternate Directors. Group's bye-laws provide, as permitted by Bermuda law, that each director may appoint an alternate director, who shall have the power to attend and vote at any meeting of the board of directors or committee at which that director is not personally present and to sign written consents in place of that director. Delaware law does not provide for alternate directors.

Committees of the Board of Directors. Group's bye-laws provide, as permitted by Bermuda law, that the board of directors may delegate any of its powers to committees that the board appoints, and those committees may consist partly or entirely of non-directors. Delaware law allows the board of directors of a corporation to delegate many of its powers to committees, but those committees may consist only of directors.

Interested Directors. Bermuda law and Group's bye-laws provide that if a director has a personal interest in a transaction to which the company is also a party and if the director discloses the nature of this personal interest at the first opportunity, either at a meeting of directors or in writing to the directors, then the company will not be able to declare the transaction void solely due to the existence of that personal interest and the director will not be liable to the company for any profit realized from the transaction. In addition, after a director has made the declaration of interest referred to above, he or she is allowed to be counted for purposes of determining whether a quorum is present and to vote on a transaction in which he or she has an interest, unless disqualified from doing so by the chairman of the relevant board meeting. Under Delaware law, an interested director could be held liable for a transaction in which that director derived an improper personal benefit. Additionally, under Delaware law, a corporation may be able to declare a transaction with an interested director to be void unless one of the following conditions is fulfilled:

- the material facts as to the interested director's relationship or interests are disclosed or are known to the board of directors and the board in good faith authorizes the transaction by the affirmative vote of a majority of the disinterested directors;

- the material facts are disclosed or are known to the shareholders entitled to vote on the transaction and the transaction is specifically approved in good faith by the holders of a majority of the voting shares; or

- the transaction is fair to the corporation as of the time it is authorized, approved or ratified.

Transactions with Significant Shareholders. As a Bermuda company, Group may enter into business transactions with its significant shareholders, including asset sales, in which a significant shareholder receives, or could receive, a financial benefit that is greater than that received, or to be received, by other shareholders with prior approval from Group's board of directors but without obtaining prior approval from the shareholders. In the case of an amalgamation, in which two or more companies join together and continue as a single company, a resolution of shareholders approved by a majority of at least 75% of the votes cast is required in addition to the approval of the board of directors, except in the case of an amalgamation with and between wholly-owned subsidiaries. If Group was a Delaware corporation, any business combination with an interested shareholder (which, for this purpose, would include mergers and asset sales of greater than 10% of Group's assets that would otherwise be considered transactions in the ordinary course of business) within a period of three years from the time the person became an interested shareholder would require prior approval from shareholders holding at least 66 2/3% of Group's outstanding common shares not owned by the interested shareholder, unless the transaction qualified for one of the exemptions in the relevant Delaware statute or Group opted out of the statute. For purposes of the Delaware statute, an "interested shareholder" is generally defined as a person who together with that person's affiliates and associates owns, or within the previous three years did own, 15% or more of a corporation's outstanding voting shares.

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Takeovers. Under Bermuda law, if an acquiror makes an offer for shares of a company and, within four months of the offer, the holders of not less than 90% of the shares that are the subject of the offer tender their shares, the acquiror may give the nontendering shareholders notice requiring them to transfer their shares on the terms of the offer. Within one month of receiving the notice, dissenting shareholders may apply to the court objecting to the transfer. The burden is on the dissenting shareholders to show that the court should exercise its discretion to enjoin the transfer. The court will be unlikely to do this unless there is evidence of fraud or bad faith or collusion between the acquiror and the tendering shareholders aimed at unfairly forcing out minority shareholders. Under another provision of Bermuda law, the holders of 95% of the shares of a company (the "acquiring shareholders") may give notice to the remaining shareholders requiring them to sell their shares on the terms described in the notice. Within one month of receiving the notice, dissenting shareholders may apply to the court for an appraisal of their shares. Within one month of the court's appraisal, the acquiring shareholders are entitled either to acquire all shares involved at the price fixed by the court or cancel the notice given to the remaining shareholders. If shares were acquired under the notice at a price below the court's appraisal price, the acquiring shareholders must either pay the difference in price or cancel the notice and return the shares thus acquired to the shareholder, who must then refund the purchase price. There are no comparable provisions under Delaware law.

Inspection of Corporate Records. Members of the general public have the right to inspect the public documents of Group available at the office of the Registrar of Companies and Group's registered office, both in Bermuda. These documents include the memorandum of association, which describes Group's permitted purposes and powers, any amendments to the memorandum of association and documents relating to any increase or reduction in Group's authorized share capital. Shareholders of Group have the additional right to inspect Group's bye-laws, minutes of general meetings of shareholders and audited financial statements that must be presented to the annual general meeting of shareholders. The register of shareholders of Group also is open to inspection by shareholders and to members of the public without charge. Group is required to maintain its share register at its registered office in Bermuda. Group also maintains a branch register in the offices of its transfer agent in the U.S., which is open for public inspection as required under the Companies Act. Group is required to keep at its registered office a register of its directors and officers that is open for inspection by members of the public without charge. However, Bermuda law does not provide a general right for shareholders to inspect or obtain copies of any other corporate records. Under Delaware law, any shareholder may inspect or obtain copies of a corporation's shareholder list and its other books and records for any purpose reasonably related to that person's interest as a shareholder.

Shareholder's Suits. The rights of shareholders under Bermuda law are not as extensive as the rights of shareholders under legislation or judicial precedent in many U.S. jurisdictions. Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. However, the Bermuda courts ordinarily would be expected to follow English case law precedent, which would permit a shareholder to bring an action in the name of Group to remedy a wrong done to Group where the act complained of is alleged to be beyond the corporate power of Group or illegal or would result in the violation of Group's memorandum of association or bye-laws. Furthermore, the court would give consideration to acts that are alleged to constitute a fraud against the minority shareholders or where an act requires the approval of a greater percentage of Group's shareholders than actually approved it. The winning party in an action of this type generally would be able to recover a portion of attorneys' fees incurred in connection with the action. Under Delaware law, class actions and derivative actions generally are available to stockholders for breach of fiduciary duty, corporate waste and actions not taken in accordance with applicable law. In these types of actions, the court has discretion to permit the winning party to recover its attorneys' fees.

Limitation of Liability of Directors and Officers. Group's bye-laws provide that Group and its shareholders waive all claims or rights of action that they might have, individually or in the right of the Company, against any director or officer for any act or failure to act in the performance of that director's or officer's duties. However, this waiver does not apply to claims or rights of action that arise out of fraud or dishonesty. This waiver may have the effect of barring claims arising under U.S. federal securities laws. Under Delaware law, a corporation may include in its certificate of incorporation provisions limiting the personal liability of its directors to the corporation or its stockholders for monetary damages for many types of breach of fiduciary duty. However, these provisions may not limit liability for any breach of the duty of loyalty, acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, the authorization of unlawful dividends, stock repurchases or stock redemptions, or any transaction from which a director derived an improper personal benefit. Moreover, Delaware provisions would not be likely to bar claims arising under U.S. federal securities laws.

Indemnification of Directors and Officers. Group's bye-laws provide that Group shall indemnify its directors or officers to the full extent permitted by law against all actions, costs, charges, liabilities, loss, damage or expense incurred or suffered by them by reason of any act done, concurred in or omitted in the conduct of Group's business or in the discharge of their duties. Under Bermuda law, this indemnification may not extend to any matter involving fraud or dishonesty of which a director or officer may be guilty in relation to the company, as determined in a final judgment or decree not subject to appeal. Under Delaware law, a corporation may indemnify a director or officer who becomes a party to an action, suit or proceeding because of his position as a director or officer if (1) the director or officer acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and (2) if the action or proceeding involves a criminal offense, the director or officer had no reasonable cause to believe his or her conduct was unlawful.

Enforcement of Civil Liabilities. Group is organized under the laws of Bermuda. Some of its directors and officers may reside outside the U.S. A substantial portion of our assets are or may be located in jurisdictions outside the U.S. As a result, a person may not be able to affect service of process within the U.S. on directors and officers of Group and those experts who reside outside the U.S. A person also may not be able to recover against them or Group on judgments of U.S. courts or to obtain original judgments against them or Group in Bermuda courts, including judgments predicated upon civil liability provisions of the U.S. federal securities laws.

Dividends. Bermuda law does not allow a company to declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that the company, after the payment is made, would be unable to pay its liabilities as they become due, or that the realizable value of the company's assets would be less, as a result of the payment, than the aggregate of its liabilities and its issued share capital and share premium accounts. The share capital account represents the aggregate par value of issued shares, and the share premium account represents the aggregate amount paid for issued shares over and above their par value. Under Delaware law, subject to any restrictions contained in a company's certificate of incorporation, a company may pay dividends out of the surplus or, if there is no surplus, out of net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Surplus is the amount by which the net assets of a corporation exceed its stated capital. Delaware law also provides that dividends may not be paid out of net profits at any time when stated capital is less than the capital represented by the outstanding stock of all classes having a preference upon the distribution of assets.

RISKS RELATING TO TAXATION

If U.S. tax law changes, our net income may be reduced.

In the last few years, some members of Congress have expressed concern about U.S. corporations that move their place of incorporation to low-tax jurisdictions. Also, some members of Congress have expressed concern over a competitive advantage that foreign-controlled insurers and reinsurers may have over U.S. controlled insurers and reinsurers due to the purchase of reinsurance by U.S. insurers from affiliates operating in some foreign jurisdictions, including Bermuda. It is possible that future legislation that would be disadvantageous to our Bermuda insurance subsidiaries could be enacted. If any such legislation were enacted, the U.S. tax burden on our Bermuda operations, or on some business ceded from our licensed U.S. insurance subsidiaries to some offshore reinsurers, could be increased. This would reduce our net income.

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Group and/or Bermuda Re may be subject to U.S. corporate income tax, which would reduce our net income.

Bermuda Re. The income of Bermuda Re is a significant portion of our worldwide income from operations. We have established guidelines for the conduct of our operations that are designed to ensure that Bermuda Re is not engaged in the conduct of a trade or business in the U.S. Based on its compliance with those guidelines, we believe that Bermuda Re should not be required to pay U.S. corporate income tax, other than withholding tax on U.S. source dividend income. However, if the Internal Revenue Service ("IRS") were to successfully assert that Bermuda Re was engaged in a trade or business, Bermuda Re would be required to pay U.S. corporate income tax on all of its income and possibly the U.S. branch profits tax. However, if the IRS were to successfully assert that Bermuda Re was engaged in a U.S. trade or business, we believe the U.S.-Bermuda tax treaty would preclude the IRS from taxing Bermuda Re's income except to the extent that its income was attributable to a permanent establishment maintained by that subsidiary. We do not believe that Bermuda Re has a permanent establishment in the U.S. If the IRS were to successfully assert that Bermuda Re did have income attributable to a permanent establishment in the U.S., Bermuda Re would be subject to U.S. tax only on that income.

Group. We conduct our operations in a manner designed to minimize our U.S. tax exposure. Based on our compliance with guidelines designed to ensure that we generate only immaterial amounts, if any, of income that is subject to the taxing jurisdiction of the U.S., we believe that we should be required to pay only immaterial amounts, if any, of U.S. corporate income tax, other than withholding tax on U.S. source dividend income. However, if the IRS successfully asserted that we had material amounts of income that was subject to the taxing jurisdiction of the U.S., we would be required to pay U.S. corporate income tax on that income, and possibly the U.S. branch profits tax. The imposition of such tax would reduce our net income.

If Bermuda Re became subject to U.S. income tax on its income, or if we became subject to U.S. income tax, our income could also be subject to the U.S. branch profits tax. In that event, Group and Bermuda Re would be subject to taxation at a higher combined effective rate than if they were organized as U.S. corporations. The combined effect of the 35% U.S. corporate income tax rate and the 30% branch profits tax rate is a net tax rate of 54.5%. The imposition of these taxes would reduce our net income.

Group and/or Bermuda Re may become subject to Bermuda tax, which would reduce our net income.

Group and Bermuda Re are not subject to income or profits tax, withholding tax or capital gains taxes in Bermuda. Both companies have received an assurance from the Bermuda Minister of Finance under The Exempted Undertakings Tax Protection Amendment Act of 2011 to the effect that if any legislation is enacted in Bermuda that imposes any tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then that tax will not apply to us or to any of our operations or our shares, debentures or other obligations until March 31, 2035. This assurance does not prevent the application of any of those taxes to persons ordinarily resident in Bermuda and does not prevent the imposition of any tax payable in accordance with the provisions of The Land Tax Act 1967 of Bermuda or otherwise payable in relation to any land leased to Group or Bermuda Re.

Our net income will be reduced if U.S. excise and withholding taxes are increased.

Bermuda Re is subject to federal excise tax on reinsurance and insurance premiums with respect to risks located in the U.S. In addition, Bermuda Re is subject to withholding tax on dividend income from U.S. sources. These taxes could increase and other taxes could be imposed in the future on Bermuda Re's business, which would reduce our net income.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

Everest Re's corporate offices are located in approximately 230,500 square feet of leased office space in Liberty Corner, New Jersey. Bermuda Re's corporate offices are located in approximately 3,600 total square feet of leased office space in Hamilton, Bermuda. The Company's other twenty locations occupy a total of approximately 152,300 square feet, all of which are leased. Management believes that the above-described office space is adequate for its current and anticipated needs.

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of business, the Company is involved in lawsuits, arbitrations and other formal and informal dispute resolution procedures, the outcomes of which will determine the Company's rights and obligations under insurance and reinsurance agreements. In some disputes, the Company seeks to enforce its rights under an agreement or to collect funds owing to it. In other matters, the Company is resisting attempts by others to collect funds or enforce alleged rights. These disputes arise from time to time and are ultimately resolved through both informal and formal means, including negotiated resolution, arbitration and litigation. In all such matters, the Company believes that its positions are legally and commercially reasonable. The Company considers the statuses of these proceedings when determining its reserves for unpaid loss and loss adjustment expenses.

Aside from litigation and arbitrations related to these insurance and reinsurance agreements, the Company is not a party to any other material litigation or arbitration.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information.
The common shares of Group trade on the New York Stock Exchange under the symbol, "RE". The quarterly high and low market prices of Group's common shares for the periods indicated were:

	2012		2011	
	High	Low	High	Low
First Quarter	$ 93.87	$ 83.35	$ 90.58	$ 81.61
Second Quarter	105.13	92.45	93.76	80.55
Third Quarter	110.89	100.30	83.47	73.50
Fourth Quarter	114.60	101.72	92.60	76.63

Number of Holders of Common Shares.
The number of record holders of common shares as of February 1, 2013 was 92. That number does not include the beneficial owners of shares held in "street" name or held through participants in depositories, such as The Depository Trust Company.

Dividend History and Restrictions.

In 1995, the Board of Directors of the Company established a policy of declaring regular quarterly cash dividends and has paid a regular quarterly dividend in each quarter since the fourth quarter of 1995. The Company declared and paid its regular quarterly cash dividend of $0.48 per share for each of the four quarters of 2012 and 2011. On February 20, 2013, the Company's Board of Directors declared a dividend of $0.48 per share, payable on or before March 20, 2013 to shareholders of record on March 6, 2013.

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The declaration and payment of future dividends, if any, by the Company will be at the discretion of the Board of Directors and will depend upon many factors, including the Company's earnings, financial condition, business needs and growth objectives, capital and surplus requirements of its operating subsidiaries, regulatory restrictions, rating agency considerations and other factors. As an insurance holding company, the Company is partially dependent on dividends and other permitted payments from its subsidiaries to pay cash dividends to its shareholders. The payment of dividends to Group by Holdings and to Holdings by Everest Re is subject to Delaware regulatory restrictions and the payment of dividends to Group by Bermuda Re is subject to Bermuda insurance regulatory restrictions. See "Regulatory Matters – Dividends" and ITEM 8, "Financial Statements and Supplementary Data" - Note 15 of Notes to Consolidated Financial Statements.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (1)
January 1 - 31, 2012	-	$ -	-	2,274,947
February 1 - 29, 2012	587,469	$ 89.5178	558,400	6,716,547
March 1 - 31, 2012	819,029	$ 91.5741	819,029	5,897,518
April 1 - 30, 2012	-	$ -	-	5,897,518
May 1 - 31, 2012	477,098	$ 100.0171	476,000	5,421,518
June 1 - 30, 2012	514,957	$ 101.7417	514,957	4,906,561
July 1 - 31, 2012	74,135	$ 104.9270	-	4,906,561
August 1 - 31, 2012	-	$ -	-	4,906,561
September 1 - 30, 2012	232,355	$ 109.2467	229,100	4,677,461
October 1 - 31, 2012	-	$ -	-	4,677,461
November 1 - 30, 2012	252,927	$ 107.1269	252,064	4,425,397
December 1 - 31, 2012	143,507	$ 108.9761	118,875	4,306,522
Total	3,101,477	$ -	2,968,425	