

EVEREST REINSURANCE HOLDINGS INC
Form 10-Q
November 14, 2016
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED: Commission file number:
September 30, 2016 1-14527

EVEREST REINSURANCE HOLDINGS, INC.
(Exact name of registrant as specified in its charter)
Delaware 22-3263609
(State or other jurisdiction of
incorporation or organization) (I.R.S. Employer
Identification No.)

477 Martinsville Road
Post Office Box 830
Liberty Corner, New Jersey 07938-0830
(908) 604-3000

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

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 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 Accelerated filer
Non-accelerated filer X Smaller reporting company
(Do not check if smaller
reporting company)

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

YES NOX

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

<u>Class</u>	<u>Number of Shares Outstanding</u> <u>At November 1, 2016</u>
Common Shares, \$0.01 par value	1,000

The Registrant meets the conditions set forth in General Instruction H (1)(a) and (b) of Form 10-Q and is therefore filing this form with the reduced disclosure format permitted by General Instruction H of Form 10-Q.

EVEREST REINSURANCE HOLDINGS, INC.

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EVEREST REINSURANCE HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except par value per share)	September 30, 2016 (unaudited)	December 31, 2015
ASSETS:		
Fixed maturities - available for sale, at market value (amortized cost: 2016, \$5,862,000; 2015, \$5,335,472)	\$ 6,014,941	\$ 5,356,477
Fixed maturities - available for sale, at fair value	3,982	2,102
Equity securities - available for sale, at fair value	961,115	1,215,377
Short-term investments	188,359	563,536
Other invested assets (cost: 2016, \$615,735 2015, \$450,154)	615,735	450,154
Other invested assets, at fair value	1,725,367	1,773,214
Cash	285,178	155,429
Total investments and cash	9,794,677	9,516,289
Note receivable - affiliated	250,000	250,000
Accrued investment income	47,699	41,727
Premiums receivable	1,288,137	1,129,656
Reinsurance receivables - unaffiliated	827,281	716,982
Reinsurance receivables - affiliated	3,771,322	3,742,105
Funds held by reinsureds	189,984	176,712
Deferred acquisition costs	77,725	92,651
Prepaid reinsurance premiums	869,282	772,686
Other assets	318,615	256,395
TOTAL ASSETS	\$ 17,434,722	\$ 16,695,203
LIABILITIES:		
Reserve for losses and loss adjustment expenses	\$ 8,306,404	\$ 7,940,720
Unearned premium reserve	1,448,915	1,349,799
Funds held under reinsurance treaties	113,566	101,531
Losses in the course of payment	127,976	125,592
Commission reserves	71,518	51,873
Other net payable to reinsurers	1,020,995	1,225,260
4.868% Senior notes due 6/1/2044	396,684	396,594
6.6% Long term notes due 5/1/2067	236,438	236,364
Accrued interest on debt and borrowings	12,341	3,537
Income taxes	163,956	68,024
Unsettled securities payable	66,976	15,040
Other liabilities	227,998	249,658
Total liabilities	12,193,767	11,763,992
Commitments and Contingencies (Note 5)		
STOCKHOLDER'S EQUITY:		
Common stock, par value: \$0.01; 3,000 shares authorized; 1,000 shares issued and outstanding (2016 and 2015)	-	-
Additional paid-in capital	384,974	374,789
Accumulated other comprehensive income (loss), net of deferred income tax expense		

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(benefit) of \$29,808 at 2016 and (\$33,458) at 2015	55,349	(62,136)
Retained earnings	4,800,632	4,618,558
Total stockholder's equity	5,240,955	4,931,211
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$ 17,434,722	\$ 16,695,203

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

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EVEREST REINSURANCE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME (LOSS)

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016 (unaudited)	2015	2016 (unaudited)	2015
REVENUES:				
Premiums earned	\$556,653	\$546,050	\$1,527,433	\$1,588,536
Net investment income	64,570	63,363	196,887	206,869
Net realized capital gains (losses):				
Other-than-temporary impairments on fixed maturity securities	(836)	(10,502)	(25,242)	(43,433)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	-	-	-	-
Realized gain(loss) on sale of subsidiary	(28,032)	94,704	(28,032)	94,704
Other net realized capital gains (losses)	(21,195)	(205,897)	(34,001)	(100,445)
Total net realized capital gains (losses)	(50,063)	(121,695)	(87,275)	(49,174)
Other income (expense)	(13,208)	10,828	(10,806)	38,950
Total revenues	557,952	498,546	1,626,239	1,785,181
CLAIMS AND EXPENSES:				
Incurred losses and loss adjustment expenses	301,603	370,754	936,201	1,002,513
Commission, brokerage, taxes and fees	85,563	72,151	226,511	241,635
Other underwriting expenses	64,149	56,953	181,706	157,069
Corporate expenses	1,835	1,637	6,181	5,031
Interest, fee and bond issue cost amortization expense	8,859	8,859	26,576	26,576
Total claims and expenses	462,009	510,354	1,377,175	1,432,824
INCOME (LOSS) BEFORE TAXES	95,943	(11,808)	249,064	352,357
Income tax expense (benefit)	21,145	(7,149)	66,990	107,306
NET INCOME (LOSS)	\$74,798	\$(4,659)	\$182,074	\$245,051
Other comprehensive income (loss), net of tax:				
Unrealized appreciation (depreciation) ("URA(D)") on securities arising during the period	3,808	(29,878)	62,672	(49,866)
Less: reclassification adjustment for realized losses (gains) included in net income (loss)	(2,767)	11,625	23,085	48,951
Total URA(D) on securities arising during the period	1,041	(18,253)	85,757	(915)
Foreign currency translation adjustments	(2,642)	(27,473)	27,779	(44,636)
Benefit plan actuarial net gain (loss) for the period	-	-	-	-
Reclassification adjustment for amortization of net (gain) loss included in net income (loss)	1,268	1,556	3,949	4,769
Total benefit plan net gain (loss) for the period	1,268	1,556	3,949	4,769
Total other comprehensive income (loss), net of tax	(333)	(44,170)	117,485	(40,782)
COMPREHENSIVE INCOME (LOSS)	\$74,465	\$(48,829)	\$299,559	\$204,269

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

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EVEREST REINSURANCE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF
CHANGES IN STOCKHOLDER'S EQUITY

(Dollars in thousands, except share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016 (unaudited)	2015	2016 (unaudited)	2015 (unaudited)
COMMON STOCK (shares outstanding):				
Balance, beginning of period	1,000	1,000	1,000	1,000
Balance, end of period	1,000	1,000	1,000	1,000
ADDITIONAL PAID-IN CAPITAL:				
Balance, beginning of period	\$382,537	\$369,284	\$374,789	\$362,293
Share-based compensation plans	2,437	3,282	10,185	10,273
Balance, end of period	384,974	372,566	384,974	372,566
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), NET OF DEFERRED INCOME TAXES:				
Balance, beginning of period	55,682	7,907	(62,136)	4,519
Net increase (decrease) during the period	(333)	(44,170)	117,485	(40,782)
Balance, end of period	55,349	(36,263)		