# FINAL TRANSCRIPT

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## RE - Q2 2010 Everest Re Group, Ltd. Earnings Conference Call

**Event Date/Time: Jul. 29. 2010 / 2:30PM GMT**



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*Everest Re Group, Ltd. - CEO*

**Ralph Jones**
*Everest Re Group, Ltd. - President & COO*

**Dom Addesso**
*Everest Re Group, Ltd. - CFO*

## CONFERENCE CALL PARTICIPANTS

**Cliff Gallant**
*KBW - Analyst*

**Jay Gelb**
*Barclays Capital - Analyst*

**Matthew Heimermann**
*J.P. Morgan - Analyst*

**Vinay Misquith**
*Creidt Suisse - Analyst*

**Brian Meredith**
*UBS - Analyst*

**Ron Bobman**
*Capital Returns Management - Analyst*

## PRESENTATION

**Operator**

Good day everyone. Welcome to the Everest Re Group, Ltd second quarter 2010 earnings release call. Today's conference is being recorded. At this time for opening remarks and introductions I would like to turn the conference over to miss Beth Farrell, Vice-President of Investor Relations. Please go ahead.

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**Beth Farrell** - *Everest Re Group, Ltd. - VP & IR*

Thank you, Michael. Good morning and welcome to Everest Re Group second quarter 2010 earnings conference call. With me is today are Joe Taranto, the Company's Chairman and Chief Executive Officer, Ralph Jones, President and Chief Operating Officer and Dom Addesso, Chief Financial Officer.

Before we begin, I will preface our comments by noting that our SEC filings include extensive disclosures with respect to forward-looking statements. In that regard, I note that statements made during today's call, which are forward-looking in nature, such as statements about projections, estimates, expectations and the like are subject to various risks. As you know, actual results could differ materially from current projections or expectations. Our SEC filings have a full listing of the risk that investors should consider in connections with such statements. I will turn the call over to Joe.

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**Joe Taranto** - *Everest Re Group, Ltd. - CEO*

Thanks Beth. Good Morning. We are pleased to have posted after-tax operating income of $185 million for the second quarter even though we increased our provision for the first quarter catastrophes, particularly the Chilean earthquake. For the quarter the annualized operating ROE was 13.1%. This result demonstrates the underlying strength of our underwriting portfolio. We are also pleased to have increased book value per share by roughly $4.50 from $102.87 at year end to $107.31 as our investments performed well and our share buybacks added value.

Dom will take you through the financial highlights shortly. Gross written premiums increased 4% to roughly $1 billion. Adjusting for foreign exchange, gross written premiums were up 5%. Our growth came from our reinsurance operation, particularly our international operation. Insurance premiums were, in fact, down 4%. Although the markets remain competitive, we have been able to selectively grow our business by focusing on those markets with the best profit opportunity.

Ralph will take you through the underwriting particulars momentarily, including the July 1 renewals for the both the international book and for Florida. In Florida, although catastrophe rates were down 10% to 15% for the industry, we improved our overall portfolio, since most of our portfolio is pro-rata. And our pro-rata clients have improved their position because reinsurance costs are less and because they've been granted meaningful underlying rate increases. Again, Ralph will get into this is in greater detail.

In the quarter we repurchased 2.7 million shares at a cost of $200 million. This represents 4.5% of the outstanding shares at the end of the first quarter. 5.2 million shares remain available under the current authorization. In March 2009, we put out a tender offer for $0.50 on the dollar for $400 million of the hybrid bonds, we previously floated in the market. They were trading in the market at $0.45 on the dollar, as there was much fear in the market. 40% of the holders took the deal. Today, one year later, these bond are selling at twice the value. This transaction was a hard market transaction for us. I go through this example to let you know that I view buying back our stock today, much the same. When it comes to buying back our stock, it is a hard market. We will continue to invest our earnings into buying our stock. We will do it in a way where our capital and our ratings remain as strong as ever.

Last, I will be retiring December 31 of this year as CEO. I will remain as Chairman of the Board. Effective January 1, 2011, Ralph will become CEO. I have had the privilege of working with many wonderful people at Everest over the last 16 years. These people have helped me grow the Company from a modest size to the global franchise it is today, with over $6 billion of capital. I thank them all. For the past two years I've worked with Ralph Jones. I have been impressed with his breadth of experience, his intelligence and his leadership. The board and I are confident that Ralph and our team will continue to effectively grow Everest in 2011 and beyond. As chairman, I will help Ralph and Everest in any way that I can. Ralph?

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**Ralph Jones** - *Everest Re Group, Ltd. - President & COO*

Thank you, Joe. I am thrilled at the opportunity to lead the Everest franchise next year. You set the bar pretty high during your 10 years as CEO, Joe. During the last 10 years, the average growth in book value per share was over 14%. Even with all the challenges of the last decades - from 9-11 to hurricane Katrina and then financial meltdown. It's pretty high standard of achievement in our industry. It's a great Company, I like the people, I like our position of strength and I like our prospects. Thank you, Joe, for the opportunity.

Overall, it was a good quarter, we wrote just over $1 billion in written premium at a 93 combined. The largest segment is international which includes Canada, Latin America, Asia-Pacific and the Middle East and Africa. Which wrote in total $307 million in written premium for international in the second quarter. Up 12% in US dollars and 9% in base currencies in the countries in which we operate.



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Much of the growth came from new business in Brazil, rate increases Australia, and in Latin America but mostly in Chile. And larger signings in Canada and in South Africa. Combined ratio for international was 106% in the quarter and that included 26 points of the cap loss from the earthquake in Chile.

The US Reinsurance business written premium was $268 million for the quarter, about flat over last year. Some of the growth came in the property segment but this was offset by a drop in the crop insurance line -- reinsurance line. As we lost two treaty clients that were acquired. The combined ratio for US Reinsurance was 79%.

As respect to the marketplace, we are seeing good opportunities in property and had a strong renewal season in Florida which came mostly on June 1. We renewed both of our large quota share deals on similar terms to last year. Terms we like. As respects the excess of loss property CAT contracts, we non-renewed or reduced our overall limit exposed by about a third. Some of this reduction was targeted and some was in response to rate reductions we deemed excessive. Of the business we renewed, rate reductions averaged 8%.

On balance, we continue to support about 17 of the Florida insurance groups. New capacity available for Florida wind business, allowed the primary companies to see some benefit this year. This was also beneficial to our two quota share partners. On balance between the quota shares and the XOLs, our aggregate exposure in Florida and the profit potential overall is about the same as last year.

Our specialty segment was up 15% to $65.8 million in the second quarter. Marine business continues to shrink, but we are up significantly in the accident and health book. This is as a result of growth in the travel accident business as well as several new self-funded medical accounts. Combined ratio and specialty was 119% , as a result the reserves taken for the offshore oil rig in the gulf. Our loss estimate of $22 million is about what we indicated it would be last quarter. This is for the property damage on the rig itself.

Our Bermuda operations, which includes London, Dublin and Brussels was $167 million, up 3% from prior year at 75 combined. Not much new to report from Bermuda, except the casualty market is soft, the dollar is strong, and the CAT loss for Xynthia is less than we anticipated. And this, in part accounts for the very good underwriting result for Bermuda operations in the quarter. Our direct insurance operations wrote $205 million in the quarter, down 4% over the prior year. We continue to face head winds in the US casualty market, which makes up most of our direct business. We are down to six core programs in Everest National, that give us the prospect for an appropriate underwriting margin. Our shift in emphasis for the direct specialty lines continues. Our accident year run rate is about 101% combined. And this quarter, we ran at 105% due to the settlement of a few large claims for a runoff professional liability program for architects and engineers. Rate increases held at 2% plus for the GL book and 9% plus for the California comp book, which I am pleased with.

I am also pleased to report that Mark Herman has accepted the role of CEO for our insurance operations. Mark has been running our specialty operation in New York for the past year. He was formerly the President of Ace Bermuda and brings a great underwriting track record to his new assignment. Darrell Bradley, our president of Everest National and Mark will make a great leadership team as I begin to delegate this day-to-day responsibility.

Overall, we are making some money and we have our dukes up as we battle the marketplace. A market place with more capacity than good opportunities, in general. Over

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**Dom Addesso** - *Everest Re Group, Ltd. - CFO*

Thank you, Ralph. And good morning. As noted, operating earnings for the quarter were $3.18 per diluted share. When combined with $0.48 per diluted share, realized capital losses for the quarter, it resulted in net income of $2.70 per share. The realized losses for the quarter were primarily a result of fair value adjustments on our equity portfolio, due to change in the overall during market in the quarter and not the result of losses on sales of securities.



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The operating income reference for the quarter equals $185 million and was primarily the result of a pre-tax underwriting gain of $68 million and $166 million of investment income pre-tax. Other items on a pre-tax basis included foreign currency gains of $8 million, a loss of $22 million on the equity index put contracts and interest expense and other corporate expense totaling $17 million. The effective tax rate for the quarter applied to these items was 8.5%, resulting in $17 million of tax on operating income. The change in the annual effective tax rate from 10.5% in the first quarter reflects second quarter actual results combined with the unchanged estimate for taxable book income during the remainder of the year.

The details on the underwriting gain for the quarter are as follows, a 65.1% loss ratio, a 23.9% commission ratio and other underwriting expenses of 4.2%. This resulted in a 93.2% combined ratio for the quarter. Expense ratios for the quarter are generally consistent with other periods.

The loss ratio has three distinct components. The current year attritional result was at 59% for the quarter and 59.2% for the year-to-date. Which is up over the comparable periods one year ago. This reflects events such as the Horizon rig loss and Tennessee floods, as well as higher accident year picks reflecting a slightly softer market offset by rate increases in certain segments, as previously outlined by Ralph.

The next largest component of the loss ratio was attributable to CAT losses. This represented seven-points or $70 million for the quarter. The dominant driver of this amount was the change in our estimates for the first quarter CATs. With an increase in our loss estimates for Chile and a reduction in our loss estimates for Xynthia and last year's Turkey floods. The net effect of these CAT losses in the quarter, after taxes and reinstated premiums was $52.4 million or $0.90 per share. The current estimate for Chile, which totals $400 million or $306 million net of tax and reinstatement premium, is the result of updated reports from up ceding companies, in addition to our management estimates.

These ceding company loss reports were verified by our claims staff, who visited six out of our seven pro-rata clients in Chile. While it is still relatively early in the adjustment process, these numbers compare to market loss estimates which are now in the $10 billion to $12 billion range. As we evaluate potential future emergence, if any, for this one event, we do consider our overall CAT reserve position. When combined with reserves on prior year CATs, for which we have seen limited activity, we are reasonably reserve for future movement on prior CAT events.

The final piece of our loss incurred amount for the quarter was $10 million or 0.9 points, just under one point, of favorable development on prior year attritional reserves. This was primarily due to favorable emergence in our reinsurance operations, coming from our international businesses. Net investment income for the quarter was $166 million compared to $167 million in last year's quarter. The decline from the prior year was due lower income from limited partnerships. A year-to-date basis, however, net investment income was up significantly in 2010 over 2009 to $327 million. This was due to a loss in 2009 from those limited partnerships of $73 million during the first quarter of 2009. Income from fixed maturities and equity securities have increased year over year due to investing of our short term and cash balances, as well as increases in invested assets arising from positive cash flow from operations of just under $500 million in 2010 compared to $284 million in 2009.

The increase in equity income was due to the increased allocations to dividend yielding equity securities. Unrealized gains net of tax for the quarter of $113 million, flowed through other comprehensive income. As declines in interest rates continue to positively influence the value of our bond portfolio. Offsetting this and other comprehensive income is translation losses from net assets held abroad in other than US currencies.

Total comprehensive income for year-to-date was $229 million. And when combined with dividends of $56 million in the six months and share repurchases of $247 million, results in total book value as of June 30, $6 billion were $107.31 per share. This represents an increase of over $16.00 per share or 18% from June 30 of last year. This book value growth leaves us well positioned for market opportunities, as well as continued share repurchases. With that, I thank you and turn it back to Beth for Q&A.



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**Beth Farrell** - *Everest Re Group, Ltd. - VP & IR*

Michael, we are ready for questions.

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## QUESTIONS AND ANSWERS

**Operator**

Thank you, miss Farrell. (Operator Instructions) We will take our first question from Cliff Gallant from KBW.

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**Cliff Gallant** - *KBW - Analyst*

Good morning.

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**Joe Taranto** - *Everest Re Group, Ltd. - CEO*

Good morning.

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**Cliff Gallant** - *KBW - Analyst*

Congratulations, Joe. Try not to take the pop in the stock today too personally.

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**Joe Taranto** - *Everest Re Group, Ltd. - CEO*

Thank you.

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**Cliff Gallant** - *KBW - Analyst*

Two questions. One, yet notable competitor in the California worker's comp market, who took reserve charges this week and I was curious what you were seeing in terms as your lost trends there. And secondly, ask about the dividend. You were pretty aggressive with capital management this quarter, and I think your dividends been flat for awhile. Any thought to increasing that?

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**Ralph Jones** - *Everest Re Group, Ltd. - President & COO*

Want me to take the first one? Let me, this is Ralph, Cliff. On the California comp book. We are pleased with what we are seeing. We have about a $230 million annualized book of business and it's a roughly kind of a third of our insurance operations. We've have filed for rate increases and we are actually getting what we are looking for.

So, through the first six months it is just under 10% rate increase. And the reserve position looks good. So, I don't know, I think you might be referring to Seabright, but I don't know what their issues are but, we are very comfortable with what we got and how the market is playing out.

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**Cliff Gallant** - *KBW - Analyst*

I think they were talking about things like, because of the economy, people were staying, you know, filing their claims longer, you know staying on worker's comp longer as opposed to returning to work and so your just seeing a change in the activity of claimants.

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**Ralph Jones** - *Everest Re Group, Ltd. - President & COO*

Only thing we see that kinda dampens, to some degree, the impact of the rate of increases is that the audit premiums that we get have tailed off because the payrolls are down. As you project. some of these audit premiums for some of the the clients and their payrolls are down, that - -that becomes less income to you over time. But that really impacts the volume as opposed to the margins. So, that's the trend we're seeing.

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**Dom Addesso** - *Everest Re Group, Ltd. - CFO*

Cliff, this is Dom. What we seeing is relatively stable, but we do have to consider the factors you mentioned, as we think about our IBNR estimates. And those are all factored into the management estimates of reserves.

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**Joe Taranto** - *Everest Re Group, Ltd. - CEO*

On the dividend question, Cliff, there is no plan to modify at this point. We did change it significantly a couple of years ago. We pay about a 2.5% dividend on the stock price. Which is, I think, a healthy dividend. And frankly, I think I find it better to take any extra money and put it into share repurchase at this point. So, I think it's a good dividend, and right now the plan is to keep it the same.

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**Cliff Gallant** - *KBW - Analyst*

Again, congratulations to both of you.

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**Ralph Jones** - *Everest Re Group, Ltd. - President & COO*

Thank you.

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**Operator**

We will move on to the next question from Jay Gelb from Barclays Capital, please go ahead.

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**Jay Gelb** - *Barclays Capital - Analyst*

Thanks. Joe, again, congratulations from our end, as well and Ralph, we know you will do a great job. Ralph, I wanted to focus on a big picture item, now that you're taking over the position over as chief executive. Can you give us your thoughts on strategy, execution, and Everest's historically hasn't been too active in mergers and acquisitions, but I just wanted your thoughts on that as well.

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**Ralph Jones** - *Everest Re Group, Ltd. - President & COO*

I wouldn't describe it as steady as she goes. The results have been very good over the ups and downs of the market cycle. And that's a direct result of very disciplined underwriting, particularly on the treaty side. So, don't expect any major changes there. We are constantly looking for opportunities, but you take those opportunities as market yields it to us. And given you know, given the current outlook in the insurance market, the way the pricing trends are going, it is probably, you know, probably have head winds over the next couple of years.

On the insurance side, I think we have a decent business. But it hasn't performed particularly well. We are working very hard to have that perform in a way that is commensurate with the reinsurance company, which is very strong and all hands on deck to make that happen. You can see the trend that we've been defining over the last year, which is an emphasis more on direct specialty lines that present a margin that, where underwriting expertise matters. Versus the, a more commodity, property casualty, let's say mostly casualty MGA model. We are happy with the six partners that we have. We are down from a larger number a year ago but we're very happy with the six we have and we will continue in that business. We are happy with the California comp play that we are making. And Mark Herman and his leadership will be a big boost. And he has more of a speciality lines background. A lot of depth in the professional liability side of the house. So, we will kind of work to have that perform better.

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**Jay Gelb** - *Barclays Capital - Analyst*

Thank you. And then separately on share buybacks. The $200 million repurchased in the second quarter is probably the largest of any quarter since at least 2005. I am trying to get a sense of how fast we should expect the pace buybacks be, going forward. Thanks.

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**Joe Taranto** - *Everest Re Group, Ltd. - CEO*

Well, it's probably the largest in any quarter ever. And it tells you how strongly we feel about that as increasing value for shareholders. Having said that, we will continue to not forecast what we plan to buy. That is something that we prefer to feel the process as we go through the quarter. Taking into account all the issues including hurricane season and stock price and everything else that needs to be taken into account when you get into share repurchase. The plan is to continue to purchase, including in this quarter, and plan is to purchase going forward because certainly at today's price we think it's a great thing to do. But, we are not going to put dollars onto it right now.

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**Jay Gelb** - *Barclays Capital - Analyst*

All right. Thank you.

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**Operator**

Our next question comes from Matthew Heimermann with J.P. Morgan. Please go ahead.

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**Matthew Heimermann** - *J.P. Morgan - Analyst*

Good morning, everybody. Couple of questions. First, with respect to the insurance business, now that you scaled down the MGA relations that's been given and your going to have a more direct focus going forward, how should we think of the expense structure in that business? Both acquisition and MGA?

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**Ralph Jones** - *Everest Re Group, Ltd. - President & COO*

Well, expense model for MGA's is relatively high and you are paying commission and a MGA fee. And the fee is you know, roughly on average seven to ten points on the overlying commissions. You need that to - - the same kind of framework to do in the specialty lines. Because you are focused on building the appropriate teams for the appropriate opportunities. I expect the expenses to be down somewhat over the course of time. And not immediately.

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**Matthew Heimermann** - *J.P. Morgan - Analyst*

Okay. That's helpful. With respect to how you are deploying your capital by geographic risks, can you give us a sense, and I guess to some extent I'm hoping you'll dig in a little bit what happened at [7, 1] , as well. But, just major geographies around the world and whether or not PML is up or down relative to

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**Ralph Jones** - *Everest Re Group, Ltd. - President & COO*

Sure. Well, in general, the PML is about the same. Kind of on an overall basis. We see a good opportunities in Asia-Pacific. And strong growth in the quarter in Singapore and that came principally from Australia as I mentioned. We saw strong growth in Canada. And see good opportunities coming out of Canada, which we book in our international line. And we saw probably fewer opportunities in Europe. We have an office in Brussels that deals with the continent. And those opportunities were fewer. So, if you kind of go around the world and look at the aggregate exposure, particularly for CAT exposure on the 1 in 100 or 1 in 250 PML, we saw down in the European crosswind. We saw it about the same in Florida, as I mentioned in the second quarter in the US And we saw it down in Latin America. And principally because of reactions after the Chile earthquake. We saw good rate increases in Chile. On the order of 70% to 80%

And of the renewals we had coming up, we had six, five out of the six renewals that came up on July 1st. We renewed five out of the six. One we didn't, that was a significant PML reduction because of that. And the ones we renewed we were happy with and happy with the rate escalation. We didn't see a broader rate escalation outside of Chile. Particularly little bit stronger demand, lower supply and other Latin America countries and not to any grit degree that we expected because of the size the industry loss there. By and large the PML aggregates overall are the same.

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**Matthew Heimermann** - *J.P. Morgan - Analyst*

For Dom, I guess, just in the alternative portfolio, I mean, most other companies that have reported strong numbers have pointed to real estate and private equity. I was curious if you could give some color on the strong gain there.

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**Dom Addesso** - *Everest Re Group, Ltd. - CFO*

Well the strong gain year-over-year was due to the limited partnership income. Which, as the economy is improving and all of those limit partnerships are subject to marks every quarter. And those businesses are improving, and in many of the sectors that we are in. Whether it is real estate, healthcare or infrastructure. Those sectors or most the sectors are coming back. Therefore, the marks are improving in the sectors. Year-over-year our limited partnership was $31 million of gain and almost $32 million of gain in the six months of 2010. And a year ago we had a $53 million of loss. And in the first quarter, or the second quarter, excuse me, we had $16 million of gain compared to a year ago the second quarter was about $20 million of gain in the limited partner investments.

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**Matthew Heimermann** - *J.P. Morgan - Analyst*

That is helpful. Thank you. Then I guess. I will state my congratulations and good-byes for a subsequent conference call but let us know when the party is.

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**Operator**

We will move on to the next question from Vinay Misquith from Credit Suisse.

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**Vinay Misquith** - *Creidt Suisse - Analyst*

Hi, congratulations to a great quarter and to you, Joe, for your wonderful time of service with Everest Re. My first question is on the growth in the international. Was that mostly from rate increases or was that also from new client growth and, if you could, explain to us how you are getting the growth and who are you getting it from?

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**Ralph Jones** - *Everest Re Group, Ltd. - President & COO*

Yes. Again, a lot of the treaties come up on the first. Vinay, you can see some of the first quarter, the growth was as we defined and as we expected during the course of the years and the treaties come out and it is very similar pattern to the way we describe it in the first quarter. Canada is very strong. We see good opportunities in Canada. And some of that is rate increases particularly for CAT programs and the western part of the country. We saw it strong rate increases in Australia. Partly because of the losses in Australia. We saw rate increases in South Africa and some of that Middle East and south African business we kind of put in the bucket, was up So, it's, I would say equal between rate increases, larger signings on current customers and some new business. It was really pretty broadly spread on those four parts of the world.

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**Vinay Misquith** - *Creidt Suisse - Analyst*

Okay. And could you help us understand how the PMLs have stayed relatively flat despite a higher unit count?

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**Ralph Jones** - *Everest Re Group, Ltd. - President & COO*

Well, the number of customers is approximately the same. Again, are we going back to the international question.

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**Vinay Misquith** - *Creidt Suisse - Analyst*

Yes, correct.

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**Ralph Jones** - *Everest Re Group, Ltd. - President & COO*

So, the number of customers came, about the same but you got to remember, that within the international segment, we had the new office in Brazil, last year, which is going to write between $80 million and $100 million, this year. And that is principally new property business that's quota share, that's not subject to CAT exposures like other parts of the world. A lot of the growth that you see comes from that new operation in Brazil which is earning its way out in 2010, which it is not CAT exposed.

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**Vinay Misquith** - *Creidt Suisse - Analyst*

Okay. Great. The margins this quarter were very strong. Did you see a very low CAT quarter, extra large CATs and spendy property lines in your international books.

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**Ralph Jones** - *Everest Re Group, Ltd. - President & COO*

There was really no other CAT activity other than the movements we mentioned. Chile was up a bit and Xynthia was down but other than that was not a lot of activity outside the US Some of the US activity was floods in Nashville and that really came in the attritional column for US reinsurance.

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**Vinay Misquith** - *Creidt Suisse - Analyst*

Fair enough. Last question is on tax rate, we've seen a very low tax rate this quarter. Should we expect that same level in the future?

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**Dom Addesso** - *Everest Re Group, Ltd. - CFO*

Yes, that's an annualized effective tax rate based on the projection of taxable income for the reminder of the year. That can change relative to what kind of CAT events we have in the quarter and that's the big swing there. And we have assumed some level of CATs in our estimates for the year. So if there are none, that is a good thing for operating earnings and then the effective tax rate would move up and net net would still be a positive earnings story. So the tax would be eight and a half percent going forward. For the reminder of the year. If the level of catastrophes we put into assumptions come to fruition. If they don't, if they don't, then the tax rate will go up. And operating income will go up at a faster rate.

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**Vinay Misquith** - *Creidt Suisse - Analyst*

Thank you.

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**Operator**

(Operator Instructions) Next question is from Brian Meredith from UBS. Go ahead.

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**Brian Meredith** - *UBS - Analyst*

Good morning and congratulations also, Ralph and Joe. Couple of quick questions here, one, book on the investment portfolio looks like It is up a little bit sequentially, is that just the deployment of assets?

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**Dom Addesso** - *Everest Re Group, Ltd. - CFO*

Yes, Brian. And you will note that our cash and short positions have been coming down over time. Though we have been trying to remain more diligent around moving out of assets yielding less than 1%. And trying to put that money to work. As well as increased cash flow.

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**Brian Meredith** - *UBS - Analyst*

Okay, great. Also, did any FX impact on the top line.



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**Ralph Jones** - *Everest Re Group, Ltd. - President & COO*

Yes, about 1%.

**Brian Meredith** - *UBS - Analyst*

1% impact. Positive, I assume.

**Ralph Jones** - *Everest Re Group, Ltd. - President & COO*

It is 4%. And would have been 5%. And X foreign currency.

**Brian Meredith** - *UBS - Analyst*

Then, last question. On the Chile loss, where do you stand with respect to the excess of loss limits and pretty much maxed out there? And any kind of color you can give us as far as aggregate caps in your quota shares and where we stand close to those.

**Dom Addesso** - *Everest Re Group, Ltd. - CFO*

Well, on the XOL contracts we are very near the top. Now, that can move a little bit because of currency movements but nevertheless it is still in the - in the last 10%. We are up in the 90% range in terms of maxing that out. On the pro-rata's our aggregate limits there are in the low 500 million range.

**Brian Meredith** - *UBS - Analyst*

Okay. Great, thank you.

**Operator**

We will take our next question from Mr. Ron Bobman with Capital Returns Management Please go ahead, sir.

**Ron Bobman** - *Capital Returns Management - Analyst*

Thanks again. And I echo the congrats to both of you. Quick question at the California work comp book and curious to know what loss pick you are taking for the current accident year. And also, how it's change year-over-year. 10 versus nine?

**Ralph Jones** - *Everest Re Group, Ltd. - President & COO*

On a combined basis, the accident year picks in the mid-90s and that's about the same as last year. Even though we are getting rate increases. As a combined ratio.

**Ron Bobman** - *Capital Returns Management - Analyst*

Yes, I noted that, thanks. Would you give us a little bit of description to the nature of the risks for the profile of the risks and account types that is represented by the book. If it has any sort of dent one way or the other?



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**Ralph Jones** - *Everest Re Group, Ltd. - President & COO*

Yes. It is two pieces to the book. One is we write directly through our operations and in orange county, and oak land and the other we have through a good program manager in San Diego called Arrowhead. Principally, it is construction and agriculture.

**Ron Bobman** - *Capital Returns Management - Analyst*

Thanks again, best of luck. Hope it continues. Thank you.

**Operator**

With no other questions in queue, I would like to turn the call over to miss Beth Farrell for any closing remarks.

**Beth Farrell** - *Everest Re Group, Ltd. - VP & IR*

Thank you for joining us today. If you have any questions, feel free to call my cell or Dom Addesso.

**Operator**

Ladies and gentlemen, that concludes today's call. Thank you for your participation.

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