

Everest Re Group Reports First Quarter 2017 Results; 14% Annualized Net Income Return on Equity

April 24, 2017 4:16 PM ET

HAMILTON, Bermuda--(BUSINESS WIRE)--Apr. 24, 2017-- Everest Re Group, Ltd. (NYSE:RE) today reported first quarter 2017 net income available to common shareholders of \$291.6 million, or \$7.07 per diluted common share, compared to net income of \$171.7 million, or \$4.00 per diluted common share for the first quarter of 2016. After-tax operating income¹ available to common shareholders was \$259.5 million, or \$6.29 per diluted common share, for the first quarter of 2017 compared to after-tax operating income¹ of \$222.7 million, or \$5.19 per diluted common share, for the same period last year.

Commenting on the Company's results, President and Chief Executive Officer, Dominic J. Addesso said, "We are starting out 2017 with a very strong quarter - providing a 13% operating return on equity and a 77% increase in net income earnings per share. We continue to see strong momentum across our underwriting operations, with opportunities in both reinsurance and insurance. This growth is not coming at the expense of margin as we hold fast to our underwriting principals, which are focused on sustained profitability regardless of the market cycle. This strategy coupled with the returns we are achieving on our growing investment portfolio are providing for the strong results we saw in the quarter."

Operating highlights for the first quarter of 2017 included the following:

- Gross written premiums for the quarter were \$1.6 billion, an increase of 18% compared to the first quarter of 2016 with minimal impact from foreign currency fluctuations. Worldwide reinsurance premiums were up 19% to \$1.2 billion, primarily due to the new crop reinsurance transaction and growth in financial lines premium. Direct insurance premiums were up 15% to \$434 million, quarter over quarter, consistent with the growth trends noted in 2016.
- The combined ratio was 86.0% for the quarter, in line with the first quarter of 2016. Excluding catastrophe losses in the quarter from the Australian windstorm, Cyclone Debbie, and prior year development, the attritional combined ratio improved to 84.5% from 85.3% reported in the same period last year.
- Net investment income increased 19% for the quarter to \$122.3 million.
- Net after-tax realized and unrealized capital gains amounted to \$32.1 million and \$17.3 million, respectively.
- Cash flow from operations was \$381.8 million compared to \$375.5 million for the same period in 2016.
- For the quarter, the annualized after-tax operating income¹ return on average adjusted shareholders' equity² was 12.8%.
- Shareholders' equity ended the quarter at \$8.3 billion, up 3% compared to year end 2016. Book value per share also increased 3% from \$197.45 at December 31, 2016 to \$203.32 at March 31, 2017.

This news release contains forward-looking statements within the meaning of the U.S. federal securities laws. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in the U.S. Federal securities laws. These statements involve risks and uncertainties that could cause actual results to differ materially from those contained in forward-looking statements made on behalf of the Company. These risks and uncertainties include the impact of general economic conditions and conditions affecting the insurance and reinsurance industry, the adequacy of our reserves, our ability to assess underwriting risk, trends in rates for property and casualty insurance and reinsurance, competition, investment market fluctuations, trends in insured and paid losses, catastrophes, regulatory and legal uncertainties and other factors described in our latest Annual Report on Form 10-K. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Everest Re Group, Ltd. is a Bermuda holding company that operates through the following subsidiaries: Everest Reinsurance Company provides reinsurance to property and casualty insurers in both the U.S. and international markets. Everest Reinsurance (Bermuda), Ltd., including through its branch in the United Kingdom, provides reinsurance and insurance to worldwide property and casualty markets and reinsurance to life insurers. Everest Reinsurance Company

(Ireland), Limited provides reinsurance to non-life insurers in Europe. Everest Insurance[®] refers to the primary insurance operations of Everest Re Group, Ltd., and its affiliated companies which offer property, casualty and specialty lines insurance on both an admitted and non-admitted basis in the U.S. and internationally. The Company also operates within the Lloyd's insurance market through Syndicate 2786. In addition, through Mt. Logan Re, Ltd., the Company manages segregated accounts, capitalized by the Company and third party investors that provide reinsurance for property catastrophe risks. Additional information on Everest Re Group companies can be found at the Group's web site at www.everestregroup.com.

A conference call discussing the first quarter results will be held at 10:30 a.m. Eastern Time on April 25, 2017. The call will be available on the Internet through the Company's web site or at www.streetevents.com.

Recipients are encouraged to visit the Company's web site to view supplemental financial information on the Company's results. The supplemental information is located at www.everestregroup.com in the "Financial Reports" section of the "Investor Center". The supplemental financial information may also be obtained by contacting the Company directly.

¹The Company generally uses after-tax operating income (loss), a non-GAAP financial measure, to evaluate its performance. After-tax operating income (loss) consists of net income (loss) excluding after-tax net realized capital gains (losses) as the following reconciliation displays:

| | Three Months Ended | | | |
|--|--------------------|--------------------------------|-----------|--------------------------------|
| | March 31, | | | |
| (Dollars in thousands, except per share amounts) | 2017 | (unaudited) | | 2016 |
| | Amount | Per Diluted Common Share | Amount | Per Diluted Common Share |
| Net income (loss) | \$291,643 | \$ 7.07 | \$171,686 | \$ 4.00 |
| After-tax net realized capital gains (losses) | 32,110 | 0.78 | (50,979) | (1.19) |
| After-tax operating income (loss) | \$259,533 | \$ 6.29 | \$222,665 | \$ 5.19 |

(Some amounts may not reconcile due to rounding.)

Although net realized capital gains (losses) are an integral part of the Company's insurance operations, the determination of net realized capital gains (losses) is independent of the insurance underwriting process. The Company believes that the level of net realized capital gains (losses) for any particular period is not indicative of the performance of the underlying business in that particular period. Providing only a GAAP presentation of net income (loss) makes it more difficult for users of the financial information to evaluate the Company's success or failure in its basic business, and may lead to incorrect or misleading assumptions and conclusions. The Company understands that the equity analysts who follow the Company focus on after-tax operating income (loss) in their analyses for the reasons discussed above. The Company provides after-tax operating income (loss) to investors so that they have what management believes to be a useful supplement to GAAP information concerning the Company's performance.

²Adjusted shareholders' equity excludes net after-tax unrealized (appreciation) depreciation of investments

--Financial Details Follow--

EVEREST RE GROUP, LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME (LOSS)

| (Dollars in thousands, except per share amounts) | Three Months Ended | |
|--|--------------------|---------------------|
| | March 31, 2017 | 2016 (unaudited) |
| REVENUES: | | |
| Premiums earned | \$ 1,312,097 | \$ 1,218,867 |
| Net investment income | 122,289 | 102,524 |
| Net realized capital gains (losses): | | |
| Other-than-temporary impairments on fixed maturity securities | (1,229) | (28,793) |
| Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss) | - | - |
| Other net realized capital gains (losses) | 53,957 | (45,466) |
| Total net realized capital gains (losses) | 52,728 | (74,259) |
| Net derivative gain (loss) | 2,630 | (3,020) |
| Other income (expense) | (4,966) | (2,066) |
| Total revenues | 1,484,778 | 1,242,046 |
| CLAIMS AND EXPENSES: | | |
| Incurred losses and loss adjustment expenses | 770,788 | 700,749 |
| Commission, brokerage, taxes and fees | 282,269 | 275,006 |
| Other underwriting expenses | 75,887 | 72,110 |
| Corporate expenses | 8,457 | 7,886 |
| Interest, fees and bond issue cost amortization expense | 8,964 | 9,228 |
| Total claims and expenses | 1,146,365 | 1,064,979 |
| INCOME (LOSS) BEFORE TAXES | 338,413 | 177,067 |
| Income tax expense (benefit) | 46,770 | 5,381 |
| NET INCOME (LOSS) | \$ 291,643 | \$ 171,686 |
| Other comprehensive income (loss), net of tax: | | |
| Unrealized appreciation (depreciation) ("URA(D)") on securities arising during the period | 19,548 | 142,962 |
| Reclassification adjustment for realized losses (gains) included in net income (loss) | (2,199) | 32,381 |
| Total URA(D) on securities arising during the period | 17,349 | 175,343 |
| Foreign currency translation adjustments | 11,893 | 9,773 |
| Benefit plan actuarial net gain (loss) for the period | - | - |
| Reclassification adjustment for amortization of net (gain) loss included in net income (loss) | 2,004 | 1,340 |

| | | |
|---|------------------|------------------|
| Total benefit plan net gain (loss) for the period | 2,004 | 1,340 |
| Total other comprehensive income (loss), net of tax | 31,246 | 186,456 |
| COMPREHENSIVE INCOME (LOSS) | \$322,889 | \$358,142 |
| EARNINGS PER COMMON SHARE: | | |
| Basic | \$7.12 | \$4.03 |
| Diluted | 7.07 | 4.00 |
| Dividends declared | 1.25 | 1.15 |

EVEREST RE GROUP, LTD.

CONSOLIDATED BALANCE SHEETS

| | March 31, 2017 (unaudited) | December 31, 2016 |
|--|----------------------------------|----------------------|
| (Dollars and share amounts in thousands, except par value per share) | | |
| ASSETS: | | |
| Fixed maturities - available for sale, at market value (amortized cost: 2017, \$14,542,645; 2016, \$13,932,613) | \$14,730,995 | \$14,107,408 |
| Equity securities - available for sale, at market value (cost: 2017, \$108,834; 2016, \$129,553) | 104,346 | 119,067 |
| Equity securities - available for sale, at fair value | 983,459 | 1,010,085 |
| Short-term investments | 477,177 | 431,478 |
| Other invested assets (cost: 2017, \$1,358,749; 2016, \$1,333,069) | 1,359,252 | 1,333,129 |
| Cash | 468,240 | 481,922 |
| Total investments and cash | 18,123,469 | 17,483,089 |
| Accrued investment income | 98,169 | 96,473 |
| Premiums receivable | 1,707,232 | 1,485,990 |
| Reinsurance receivables | 1,050,540 | 1,018,325 |
| Funds held by reinsureds | 262,111 | 260,644 |
| Deferred acquisition costs | 347,337 | 344,052 |
| Prepaid reinsurance premiums | 215,749 | 191,768 |
| Income taxes | 135,050 | 177,704 |
| Other assets | 253,296 | 263,459 |
| TOTAL ASSETS | \$22,192,953 | \$21,321,504 |
| LIABILITIES: | | |
| Reserve for losses and loss adjustment expenses | \$10,414,046 | \$10,312,313 |
| Future policy benefit reserve | 55,158 | 55,074 |
| Unearned premium reserve | 1,704,734 | 1,577,546 |
| Funds held under reinsurance treaties | 23,201 | 21,278 |
| Commission reserves | 59,266 | 70,335 |
| Other net payable to reinsurers | 207,592 | 190,986 |

| | | |
|---|------------|------------|
| Losses in course of payment | 181,331 | 67,107 |
| 4.868% Senior notes due 6/1/2044 | 396,744 | 396,714 |
| 6.6% Long term notes due 5/1/2067 | 236,487 | 236,462 |
| Accrued interest on debt and borrowings | 12,341 | 3,537 |
| Equity index put option liability | 19,429 | 22,059 |
| Unsettled securities payable | 272,470 | 27,927 |
| Other liabilities | 262,278 | 264,770 |
| Total liabilities | 13,845,077 | 13,246,108 |

SHAREHOLDERS' EQUITY:

| | | |
|--|----------------------|----------------------|
| Preferred shares, par value: \$0.01; 50,000 shares authorized; no shares issued and outstanding | - | - |
| Common shares, par value: \$0.01; 200,000 shares authorized; (2017) 69,030 and (2016) 68,871 outstanding before treasury shares | 691 | 689 |
| Additional paid-in capital | 2,141,653 | 2,140,783 |
| Accumulated other comprehensive income (loss), net of deferred income tax expense (benefit) of \$13,886 at 2017 and \$8,240 at 2016 | (185,518) | (216,764) |
| Treasury shares, at cost; 27,972 shares 2017 and 2016 | (3,272,244) | (3,272,244) |
| Retained earnings | 9,663,294 | 9,422,932 |
| Total shareholders' equity | 8,347,876 | 8,075,396 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 22,192,953 | \$ 21,321,504 |

EVEREST RE GROUP, LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

| (Dollars in thousands) | Three Months Ended | |
|---|--------------------|------------|
| | March 31, 2017 | 2016 |
| | (unaudited) | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income (loss) | \$ 291,643 | \$ 171,686 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Decrease (increase) in premiums receivable | (220,367) | 7,604 |
| Decrease (increase) in funds held by reinsureds, net | 1,211 | 60,592 |
| Decrease (increase) in reinsurance receivables | (30,158) | (32,865) |
| Decrease (increase) in income taxes | 37,010 | (3,883) |
| Decrease (increase) in prepaid reinsurance premiums | (23,704) | (10,219) |
| Increase (decrease) in reserve for losses and loss adjustment expenses | 99,095 | 50,497 |
| Increase (decrease) in future policy benefit reserve | 83 | (473) |
| Increase (decrease) in unearned premiums | 125,614 | (26,116) |
| Increase (decrease) in other net payable to reinsurers | 13,666 | 5,254 |
| Increase (decrease) in losses in course of payment | 113,815 | 24,473 |
| Change in equity adjustments in limited partnerships | (10,998) | 6,181 |

| | | |
|---|-----------|---------|
| Distribution of limited partnership income | 5,384 | 15,915 |
| Change in other assets and liabilities, net | 12,998 | 12,175 |
| Non-cash compensation expense | 7,501 | 8,041 |
| Amortization of bond premium (accrual of bond discount) | 11,746 | 12,354 |
| Amortization of underwriting discount on senior notes | 1 | 1 |
| Net realized capital (gains) losses | (52,728) | 74,259 |
| Net cash provided by (used in) operating activities | 381,812 | 375,476 |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | | |
|---|-------------|-------------|
| Proceeds from fixed maturities matured/called - available for sale, at market value | 525,873 | 503,428 |
| Proceeds from fixed maturities sold - available for sale, at market value | 428,491 | 324,118 |
| Proceeds from equity securities sold - available for sale, at market value | 18,802 | 203 |
| Proceeds from equity securities sold - available for sale, at fair value | 140,315 | 92,245 |
| Distributions from other invested assets | 1,165,905 | 1,111,710 |
| Cost of fixed maturities acquired - available for sale, at market value | (1,552,743) | (1,078,990) |
| Cost of equity securities acquired - available for sale, at market value | (1,282) | (1,105) |
| Cost of equity securities acquired - available for sale, at fair value | (66,902) | (96,297) |
| Cost of other invested assets acquired | (1,184,270) | (1,454,123) |
| Net change in short-term investments | (45,178) | 360,238 |
| Net change in unsettled securities transactions | 236,702 | 30,390 |
| Net cash provided by (used in) investing activities | (334,287) | (208,183) |

CASH FLOWS FROM FINANCING ACTIVITIES:

| | | |
|---|-----------|------------|
| Common shares issued during the period, net | (6,629) | 151 |
| Purchase of treasury shares | - | (85,914) |
| Dividends paid to shareholders | (51,281) | (48,706) |
| Cost of shares withheld for taxes on settlements of share-based compensation awards | (11,517) | (8,331) |
| Net cash provided by (used in) financing activities | (69,427) | (142,800) |

| | | |
|---|------------|------------|
| EFFECT OF EXCHANGE RATE CHANGES ON CASH | 8,220 | 20,792 |
| Net increase (decrease) in cash | (13,682) | 45,285 |
| Cash, beginning of period | 481,922 | 283,658 |
| Cash, end of period | \$ 468,240 | \$ 328,943 |

SUPPLEMENTAL CASH FLOW INFORMATION:

| | | |
|-------------------------------|---------|---------|
| Income taxes paid (recovered) | \$9,593 | \$5,000 |
| Interest paid | 105 | 370 |

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