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PRESENTATION

Operator

Good day and welcome to the fourth quarter 2015 earnings call of Everest Re Group LTD. Today's conference is being recorded. At this time I would like to turn the conference now over to Beth Farrell, Vice President of Investor Relations. Please go ahead.

Beth Farrell - *Everest Re Group Ltd - VP of IR*

Thank you, Holly. Good morning and welcome to Everest Re Group's fourth-quarter and full-year 2015 Earnings Conference Call. On the call me today are Dom Addesso, the Company's President and Chief Executive Officer; John Doucette, our Chief Underwriting Officer; and Craig Howie, our 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 our current projections or expectations. Our SEC filings have a full listing of the risks that investors should consider in connection with such statements. Now let me turn the call over to Dom.

Dom Addesso - *Everest Re Group Ltd - President and CEO*

Thanks, Beth, and good morning. I'm pleased to report record operating earnings per share for 2015 of $25.04 per share. This translates into an operating return on equity of 15%.

The underwriting account produced record underwriting results of $912 million, as a result of continued discipline and portfolio shifts undertaken in a very challenging market. Of course, the absolute number is stronger than expected due to the low level of cats. However, it is noteworthy that in a declining rate environment the combined ratio remained relatively stable at 83.4% versus 82.8% from a year ago.

The slight uptick is due to the growth in the insurance portfolio. In fact, the reinsurance combined ratio stood at 78.5% in the last two years. In 2015, reserve releases helped, but other contributing factors were portfolio shifts, expanding mortgage credit ratings, increased facultative business and profits derived from our Mt. Logan operation.

All in we have been extremely pleased with how the organization has navigated through this market. On the insurance front, it very much remains an improving story. Although the overall results at first glance continue to look challenged.

The attritional combined ratio improved eight points and came in at 94.3%, demonstrating that our current strategies are producing the desired outcome. Nevertheless, the overall results came in at 106.3% combined ratio.

This was due to prior year development, once again coming from two of our run-off books of business. One is an excess casualty program book and the other is a construction liability account experiencing late reported construction defect claims.

While this has been a difficult sector to reserve, it should be noted that our overall reserve position was more than adequate to absorb these developments, resulting in an overall reserve release of $36 million for the year. Going forward, we remain confident that our overall reserve position is sufficient to handle developments in any of our many lines of business, but more importantly, we feel the same as it relates to the insurance segment specifically.

The insurance segment has made great progress during the past year and key additions have been made to our executive management, underwriting and distribution ranks. Overall premiums grew by 26%, led by our property E&S and crop lines as well as A&H, casualty, D&O and our sports and entertainment business.

We continue to build out the sectors as well as some new areas that will come online in 2016. Profitability in each of these sectors is strong despite some rate flattening.

John will get into some of these details in his report but overall we would expect continued momentum in the insurance segment into 2016 and beyond. Overall we were very pleased with our underwriting results and initiatives in both reinsurance and insurance. A bit of a continual challenge however remains on the investment front.

As we all know the low interest-rate environment continues. And new money rates are less than the yields for maturities rolling of. In addition, certain sectors have been more recently challenged and in particular the energy sector, along with emerging market debt and high-yield generally.

As we, along with others, have well-diversified portfolios, we are not immune to some of the impacts. As a result, investment income is down, mostly driven by lower Limited Partnership income, impacted by the aforementioned factors.

In addition there were some realized losses due to write-downs taken on certain oil and gas investments. The factors in the investment markets also had an impact on book value where growth was constrained due to a decline in the unrealized accounts.

Nevertheless, book value per share grew 7% to $178.21, from $166.75. In general, as I mentioned previously, this was another successful year. We are appropriately navigating through continual competitive pressures, and going forward, we expect to maintain our utilization of alternative capital to maximize returns.

In addition, we expect continued growth in specialty risks in the North American insurance platform, as well as in Continental Europe through our new Lloyds Syndicate. No doubt the rate pressures we saw at 1/1 will further challenge us and the industry but we remain confident in our ability to outperform. Thank you and now to Craig for further details on the results.

Craig Howie - *Everest Re Group Ltd - EVP and CFO*

Thank you, Dom, and good morning, everyone. Everest had a terrific end to 2015 with one of our strongest quarters in history, helped by reserve releases that impacted both current and prior years. For the fourth quarter of 2015 operating income was $353 million or $8.17 per diluted common share.

This compares to operating income of $331 million or $7.28 per share in the fourth quarter of 2014. The 2015 quarterly result represents an annualized operating return on equity of 19%. For the year, operating income was $1.1 billion or $25.04 per share, compared to $1.1 billion or $24.71 per share in 2014.

Net income for the year was $978 million or $22.10 per share, compared to $1.2 billion or $25.91 per share in 2014. Net income included $130 million of net after-tax realized capital losses compared to $55 million of capital gains last year, for a difference of over $4 per share year-over-year.

In 2015 capital losses were primarily attributable to fair value adjustment on the equity portfolio and impairments on the fixed income portfolio. The impairments mainly related to credit write-downs on energy investments. The results reflect a slight increase in the overall current year attritional combined ratio of 82.9%, up from 82% last year.

This attritional measure increase of less than one point includes higher-than-expected current year losses in the reinsurance segments. Including $60 million of estimated losses for Tianjin and numerous weather-related losses that did not meet our $10 million capacity threshold.

In the fourth quarter, Everest saw $20 million of current year catastrophe losses related to the US storms that occurred during the last week of the year. The fourth quarter of 2015 also included favorable development on prior cat losses, largely from the 2013 year. Therefore, net catastrophe losses for the quarter were negative $4 million.

Catastrophe losses for the year were $66 million in 2015 compared to $62 million in 2014. For 2015, gross catastrophe losses were $100 million, but were offset by $33 million of favorable development on prior year cat losses, primarily from the 2013 German hail storms, European floods, Typhoon Fitow and US storms events. Our reported combined ratio was 83.4% for the year of 2015 compared 82.8% in 2014.

The 2015 commission ratio of 21.9% was slightly down from 22% in 2014. Our expense ratio remains low at 4.9% for the year compared to 4.6% and 2014. The expense ratio for the reinsurance segments remain flat at 2.9% while the overall expense ratio was influenced by the buildout of our insurance platform. Everest has one of the lowest internal expense ratios in the industry. This is a strategic competitive advantage for Everest.

On reserves we completed our annual loss reserve studies. The results of the studies indicated that overall reserves remained adequate.

In the fourth quarter, we booked prior year development in the insurance segment and for asbestos, which was more than offset by favorable development in the reinsurance segments. The $121 million of prior-year reserve development in the insurance segment during the quarter, as referenced by Dom, was largely related to umbrella business and construction liability.

These run-off programs were discontinued by the Company several years ago. The $155 million of favorable prior year development in the reinsurance segments, including Mt. Logan Re, reflected $193 million of favorable development, offset by a $38 million increase in asbestos reserves related to several large settlements during the year.

The $193 million of reinsurance favorable development during the quarter mostly related to casualty and property treaty business both in the United States and internationally. These redundancies have developed over time but we don't react until the position becomes more mature.

We continue to hold our loss reserve estimates for the most recent years. For investments pretax investment income was $111 million for the quarter and $474 million for the year on our $17.7 billion investment portfolio. Investment income was below last year as anticipated.

This result was primarily driven by the low interest rate environment and by the decline in Limited Partnership income. On the fixed income portfolio, income was down $30 million year-over-year. Limited partnership income was down $26 million year-over-year, primarily due to energy-related investments.

The pretax yield on the overall portfolio was 2.8%, compared to 3.2% in 2014. And duration remained at three years. Other income and expense included $61 million of foreign-exchange gains for the 2015 year, compared to $30 million of foreign-exchange gains in 2014.

The foreign-exchange gains resulted from the relative strengthening of the US dollar against other world currencies. On income taxes, the 2015 operating income effective tax rate was 14.5%. This effective tax rate for the year was in line with our expectations for the year. Operating income does not include capital gains or losses.

Strong cash flow continues with operating cash flows of $1.3 billion for the year, essentially flat compared to 2014. This is primarily due to our continued premium growth.

Shareholders equity for the group was $7.6 billion at the end of 2015, up $157 million compared to year end 2014. This is after taking into account capital return from $400 million of share buybacks and $175 million of dividends paid in 2015.

The Company announced a 21% increase to its regular quarterly dividend, and paid $1.15 per share in the fourth quarter of 2015. Our strong capital balance positions us well to continue share repurchases.

Thank you. And now John Doucette will provide the operations review.

John Doucette - *Everest Re Group Ltd - Chief Underwriting Officer*

Thank you. Good morning. As Craig mentioned we had a very strong Q4, finishing a successful 2015 year. Our group gross written premium for Q4 was $1.5 billion, up 6% from Q4 in 2014, predominantly driven by growth in insurance.

Our group net written premium was $1.4 billion, which was up $70 million or 5% over Q4 2014. For the full-year, our group 2015 gross written premium was $5.9 billion up almost $130 million or 2% from 2014. Our group net written premium was $5.4 billion also up 2%.

Let me first review our reinsurance segments, starting with 2015 full-year results then give some color on January 1 renewals and how we are navigating the market.

For our global reinsurance segments, including both total reinsurance and Logan, gross written premium for 2015 was $4.3 billion, down 4%. But adjusted for exchange rates, it is essentially flat year-over-year. Net premiums were $4.1 million, down 3%. On constant currency basis, it is closer to flat.

Our reinsurance book, including Mt. Logan, generated $991 million of underwriting profit in 2015, up 6% compared to 2014. This is noteworthy, given a similar amount of property catastrophe losses in 2014 and 2015, as well as some other large losses this year, including the Tianjin port loss.

These record reinsurance underwriting results, despite the soft market, highlight the successful execution of the strategy and initiatives that we put in place over the last couple of years.

These expanded our opportunities and reinsurance profits by developing new and enhancing existing strategic relationships with key reinsurance clients across multiple lines of business, deploying capital to credit opportunities and other new products worldwide, offering meaningful line capacity on attractive property catastrophe treaties, utilizing both Mt. Logan and cat bonds, and growing both our regional and facultative books.

These initiatives broadened and enhanced both our broker and client relationships and continue to provide new opportunities to expand with long-standing clients whether on new deals or larger shares of existing ones. Offsetting this, we are scaling down or non- renewing treaties which inadequately compensate us for putting our capital at risk.

In the current market, this causes significant churn in our renewals. This, combined with a dynamic allocation of capital to the best price business resulted in the outperformance of our portfolio relative to the broader market.

Now, some color on the January 1 reinsurance renewals. We wrote about $2.1 billion of premium across all reinsurance lines, which was down 3% compared to last 1/1 as we continue to face currency headwinds. On a constant dollar basis premium was roughly flat.

Our catastrophe exposed property book saw risk-adjusted rates down low single digits for US business, but down more in other areas such as Europe, Asia, Australia and some Latin American countries. We moved to higher attachments where risk-adjusted rates were generally better.

Globally, our expected combined ratio was up about 1% for our property cat XOL book compared to the 1/1 renewals last year. Overall our 1/1 cat XOL premium was about flat driven by increased signings in the US but offset by reductions in some emerging markets and Europe due to FX and softer rates.

Our purple book, which has had strong results shrunk this 1/1 due to elevated competition which drove rates down to inadequate levels. Consequently, we redeployed some capacity to better priced reinsurance deals. We did have some wins at 1/1 in our traditional casualty book with several large quota share deals for strategic clients. But generally, this area remains challenging.

In particular, we continue to deemphasize management and professional liability. On the positive front casualty pro rata ceding commissions began stabilizing. We also found attractive opportunities in the credit space and we continue to enjoy meaningful opportunities with key P&C clients where we have the ability to offer multi-line capacity.

We executed on new opportunities at 1/1 that added meaningfully to our top line. Including several Solvency II surplus relief quota shares, increased lines on existing treaties with several global clients, as well as new layers for the same customer group where they are looking to reinsure their growing global retentions.

In aggregate, these new deals offset some of the premium lost on deals that we nonrenewed. We continue to utilize Mt. Logan, cat bonds and traditional hedges which have allowed us to grow our gross portfolio over the last few years. While generally keeping our net PMLs on our 1/1 renewal book fairly stable, relative to our capital base.

During the fourth quarter, we sponsored another $625 million of cat bonds, protecting us from wind and quake losses in both the US and Canada where we have a dominant lead reinsurance market position and enjoy preferential access to and signings on favorable deals. This brings the total multi-year protection provided by Kilimanjaro cat bonds to $1.6 billion.

As of 1/1, Mt. Logan's assets under management was up to $860 million, a growth of 25% in AUM from 1/1 last year. Once again, 100% of Logan's capacity was fully deployed at 1/1 renewal.

During 2015, Everest's common shareholders earned $27 million from the Logan platform, including fees.

The combination of cat bonds and Logan have added $2.5 billion of off balance sheet capacity for deployment in the property cat market, which has enhanced our competitive position in this very important class.

As highlighted before, Everest possesses sustainable, competitive advantages that continue to position us well for success in this reinsurance market. These include: number one, we have one of the lowest internal expense ratios in the industry at 2.9% for our total reinsurance segment. Therefore, on the same rates we have higher dollar margins and higher ROEs than our competitors.

Number two, all across zones and perils, we are more diversified than most competitors which naturally lowers our internal capital charges and improves our risk adjusted returns. Number three, our scaled up retrocessional strategy including growing Mt. Logan, upsizing Kilimanjaro cat bonds and utilizing traditional hedges, also lowers our internal capital charges further and increases our risk adjusted returns as well.

And number four, our operational structure and culture. Decentralized but controlled. We empower experienced leading underwriting teams to provide responsive service and direct customer access to decision-makers. Unconstrained by narrow geographic scope for overly centralized approval processes we deploy highly rated capacity faster, more creatively and in scale.

We are pleased with the outcome of our 1/1 renewals despite market conditions and we are off to another strong start this year for our reinsurance book.

Now, turning to our insurance operations. We wrote about $360 million of insurance gross written premium in Q4 and wrote $1.5 billion for the year. This is up 17% for Q4 and up 26% for the 2015 year compared to prior periods. Our direct operations, including our property, casualty, professional liability and contingency businesses were up 23% year-over-year.

Our specialty operations, Heartland - our crop insurer, Evcan - our Canadian Company and accident and health, each saw meaningful topline growth in 2015, achieving gross written premium increases in excess of 40% year over year. Our focused growth initiatives in each of these sectors has provided an improving opportunity set.

While calendar year results for insurance were marred by prior year development on run-off books of business, the 2015 accident year results have been improving and showing strong bottom-line result.

This year, we had a notable 94.3% accident year combined ratio translating into $73 million of underwriting profits, meaningfully improved from the 102.3% combined ratio for 2014 accident year. While this improvement was driven in part by better results on our crop business, we are continuing to see improvement in the accident year results of our other businesses as well.

Excluding Heartland, this business had a 1.6% improvement to the accident year combined ratio lowering it to 93.4%, a very strong result. We have successfully attracted talented underwriters in many segments, added a new distribution team and hired operational staff to enhance our processes and technology to support the scale, diversification and geographic scope of our growing insurance platform.

We are also launching several new product lines in excess casualty, private Company D&O and inland Marine, with additional new products planned for 2016. Regarding the rating environment in 2015 we have seen slightly positive pricing in most lines led by commercial auto at about 7%.

However, we saw negative rate trends in financial institutions and commercial management liability which both remained very competitive due to excess capacity. Insurance property rates were down slightly but margins remained adequate to deploy capital.

We are bullish about our opportunities despite the challenging market and are excited by the development of our insurance platform and the launch of our new Lloyds Syndicate. We continue to leverage the strength in both our reinsurance and insurance books to be the best in class manager of capital in the new insurance global earth. Thank you and now back to Beth for Q&A.

Beth Farrell - *Everest Re Group Ltd - VP of IR*

Thanks, John. Holly, we are open for questions at this time.

QUESTIONS AND ANSWERS

Operator

Thank you.

(Operator Instructions)

Vinay Misquith, please go ahead your line is open.

Vinay Misquith - *Sterne Agee CRT - Analyst*

Hi, good morning, congratulations on a very strong quarter and a super year. The first question is on the primary insurance operations. Was there some favorable reserve development, prior quarter favorable development that happened in the fourth quarter of this year?

Dom Addesso - *Everest Re Group Ltd - President and CEO*

I'm sorry, Vinay was there favorable development in the insurance segment?

Vinay Misquith - *Sterne Agee CRT - Analyst*

Yes, prior quarter because I get a 56.6% accident loss ratio ex-cat, so was there some prior quarter reserving true-up that was favorable?

Craig Howie - *Everest Re Group Ltd - EVP and CFO*

There was some favorable prior year development that came through as well in this segment but it's very small in comparison to the reserve charges that we took for construction liability and umbrella. That's what represents the majority of that.

Vinay Misquith - *Sterne Agee CRT - Analyst*

I was talking about from prior quarters. Nevermind.

Dom Addesso - *Everest Re Group Ltd - President and CEO*

Prior -- Vinay this is Dom. Prior quarters, that would just be movement in the expected loss ratio for the current accident year. That wouldn't relate to any prior period developing or any reserve studies.

Vinay Misquith - *Sterne Agee CRT - Analyst*

Okay.

Dom Addesso - *Everest Re Group Ltd - President and CEO*

Mix of business portfolio shifts and assessment of what the current year loss trend is.

Vinay Misquith - *Sterne Agee CRT - Analyst*

Sure. Now on the primary business, you've certainly grown the top line very strongly. We've heard press reports of you making a lot of hires. Dom what are you doing in that business to ensure that the new business you're getting is priced appropriately?

Dom Addesso - *Everest Re Group Ltd - President and CEO*

Well, there are several things. First of all as I mentioned in my comments and John referenced as well, we are adding underwriting talent across the organization. But that also includes a separate office or Chief Underwriting Officer within that unit.

And John as the group Chief Underwriting Officer is in regular contact with him as we expand our writings, as we talk about the underwriting template and the underwriting box if you will and our risk appetite. So that occurs at the individual insurance level and then of course monitored at the group level.

That's the first thing. The other thing that we have is a very strong price monitoring process so we're able to understand what's going on at the transactional level from a rate adequacy point you that all our business units report appropriately to us on quarterly basis.

So those are some factors in addition to the regularly scheduled underwriting audits and risk management committee that we have not only internally but also reported up through the Board of Directors. So it is a comprehensive process.

Vinay Misquith - *Sterne Agee CRT - Analyst*

Okay, that's helpful. And on the reinsurance side, I think what was mentioned was that the new business on January 1 was written at a 1% higher combined ratio. Did I hear that correctly?

John Doucette - *Everest Re Group Ltd - Chief Underwriting Officer*

Vinay, this is John. Yes, that was for our overall worldwide property catastrophe XOL book.

Vinay Misquith - *Sterne Agee CRT - Analyst*

That's great, so it would be lower and then the rate declines that we are hearing in the markets? So was that because of a mix change that you did this year?

John Doucette - *Everest Re Group Ltd - Chief Underwriting Officer*

Right. So it's a combination of things, but as we alluded to in our script, one of the things we found at this 1/1 was that the higher layers in general were priced we thought had a better pricing to them.

So on average, there's exceptions to this but on average the attachment point of our property cat book went up and that helped mitigate it. But I also think, we've talked about this before, when it comes to signings across the program given Everest's relationship, 40 plus year relationship with our clients and brokers, and given our balance sheet and high ratings, we get a lot more selection of the layers that we like than others. And that allows us to mitigate the overall market rate softening.

Dom Addesso - *Everest Re Group Ltd - President and CEO*

Another factor there, Vinay, is that we are down generally in all non-US territories, and then the US being a better price of that portfolio mix, while your question is why is the combined ratio only expected combined down one when maybe what we reported in terms of generally rate decreases might suggest otherwise. So a little bit of mix shift on a geographic basis is part of the answer there as well.

Vinay Misquith - *Sterne Agee CRT - Analyst*

Okay, that's helpful. And the last question is on capital management. This year I think we saw about 50% of earnings being returned to shareholders. Just curious about 2016.

And it seems that your primary business though it's growing pretty meaningfully, I would've thought that would be diversifying with reinsurance. Curious why you're consuming capital for that growth?

Dom Addesso - *Everest Re Group Ltd - President and CEO*

Vinay, I am glad, you were the first one to that question out-of-the-box. And clearly we expect it at every call. Look, we don't telegraph what we're likely to do in terms of share repurchases.

Yes we look at operating earnings. Yes we look at the opportunities that are ahead of us in the marketplace and look at the growth opportunities and look at our rating agency capital requirements as well as our own internal economic capital.

What I will say is that we continue to remain bullish on repurchasing shares into 2016. We did do some in the fourth quarter. But then of course price kind of got away from us a little bit, and we probably did a little less than we might otherwise would have but we still will be repurchasing stock into 2016 but I'm not going to be giving any forecast of what that might be.

Vinay Misquith - *Sterne Agee CRT - Analyst*

Thank you.

Dom Addesso - *Everest Re Group Ltd - President and CEO*

Thank you.

Operator

Michael Nannizzi, Goldman Sachs.

Michael Nannizzi - *Goldman Sachs - Analyst*

Thanks. John, I have one question on the insurance business you mentioned,160 basis points of improvement excluding crop? I was just trying to figure out what was the base against which you are looking at that number? Maybe I got that wrong but I thought that is what you said?

John Doucette - *Everest Re Group Ltd - Chief Underwriting Officer*

Good morning.

Michael Nannizzi - *Goldman Sachs - Analyst*

Hi, good morning.

John Doucette - *Everest Re Group Ltd - Chief Underwriting Officer*

Basically, it's basically the accident year combined ratio, attritional combined ratio, looking this year for our insurance excluding Heartland compared to last period. And the reason we gave that number was because there was a meaningful improvement in the Heartland results from last year to this. So we wanted to identify that it wasn't just the improvement in the Heartland results.

Michael Nannizzi - *Goldman Sachs - Analyst*

Got it.

Dom Addesso - *Everest Re Group Ltd - President and CEO*

So Michael, the net written premium for the insurance group for the year is $1.325 billion. Of that $250 million approximately was Heartland if that is getting to your questions.

Michael Nannizzi - *Goldman Sachs - Analyst*

Yes. Is there any way, John, to know sort of what the number is in terms of 160 basis points? Can we know what that number was last year just to have some idea of, just because there's always the been a lot of change, there's new business, there's been a lot of mix shift in that book so it'd be just helpful to sort of square what that sort of baseline looks like? Or maybe give the Heartland piece and we can figure out the other side?

Dom Addesso - *Everest Re Group Ltd - President and CEO*

Right. So this is Dom, Mike. I gave you the 2015, the 2014 Heartland premium number was $130 million. Does that help you figure that out?

Craig Howie - *Everest Re Group Ltd - EVP and CFO*

So excluding Heartland last year, Mike, this is Craig, excluding Heartland last year it was a 95% combined and this year it's [93.4%] excluding crop. This year crop had a profit, last year crop was running at a loss.

Michael Nannizzi - *Goldman Sachs - Analyst*

So 95% -- you cut out for a second -- 95% to 90.4% cash?

Craig Howie - *Everest Re Group Ltd - EVP and CFO*

Last year the combined ratio, excluding crop on the insurance book was 95.0%. That number is now 93.4%, that is the 1.6 points of improvement that John mentioned.

Michael Nannizzi - *Goldman Sachs - Analyst*

Perfect, okay. Great that really helps. Thank you so much. And then, John, the $800 million or so in Mt. Logan, just so we can right size it, what was a comparable dollar amount for 2014? Was that -- obviously you raised $600 million, was that -- I'm guessing there was some retirement of bonds as well, so I just want to know what was the comparable number there last year?

John Doucette - *Everest Re Group Ltd - Chief Underwriting Officer*

So it is up above 25% -- this is Mt. Logan not the bonds.

Michael Nannizzi - *Goldman Sachs - Analyst*

Correct.

John Doucette - *Everest Re Group Ltd - Chief Underwriting Officer*

Mt. Logan is up 25% so bringing it to $860 million.

Michael Nannizzi - *Goldman Sachs - Analyst*

Perfect. Excellent. And last one, just on the commentary about 1/1 renewals and the higher attachment, so that rate online was better on the high attachment versus low attachment. Should we take that to understand there's just less competition at those higher levels or is there some other aspect of the landscape just from an operational perspective that would contribute to that dynamic?

John Doucette - *Everest Re Group Ltd - Chief Underwriting Officer*

I think a lot of that's really where there's more limit purchase so from a demand point of view they're higher. Typically how the programs are laid out that lower layers are smaller and they increasingly as you go up the tower the dollar limits that are purchased our larger so there is more demand at that point.

And to the extent that our business is being impacted by alternative capital, those higher layers have lower rates online which are more challenging for alternative capital, unrated capital to find an attractive return for that. So I think that's partially playing into that too.

Michael Nannizzi - *Goldman Sachs - Analyst*

Got it. Great. Thank you so much.

Dom Addesso - *Everest Re Group Ltd - President and CEO*

Thanks, Michael.

John Doucette - *Everest Re Group Ltd - Chief Underwriting Officer*

Thank you.

Operator

Kai Pan, Morgan Stanley.

Kai Pan - *Morgan Stanley - Analyst*

Good morning, thank you. Just to follow up on Mike's question. Can you tell the other piece in your insurance basic crop, basically what we're trying to understand was your -- the current year combined ratio running at? Just wanted to see if that meets your long-term average or it looks like something got better-than-expected?

Craig Howie - *Everest Re Group Ltd - EVP and CFO*

This is correct, Kai. Current your crop is running at a 99%, that is certainly better than our long-term average because this is a profitable year for us in crop. It is not where we expect to be over the long haul. This business needs scale and geographic diversity and that's what we've attempted to do this year. We've grown the premium and we've grown it diversifying it into other states as well.

Kai Pan - *Morgan Stanley - Analyst*

So there -- I'm sorry, so there's still room for improvement it's not like you have a normally three-year on the crop side?

Craig Howie - *Everest Re Group Ltd - EVP and CFO*

Still room for improvement, yes, but we did show a profit this year for the first time.

Kai Pan - *Morgan Stanley - Analyst*

Okay, that's great. And then on the reserve charge $120 million in the insurance segment the two run-off business. Can you tell us how big the remaining reserve on the book?

Craig Howie - *Everest Re Group Ltd - EVP and CFO*

Remaining reserves on the book for insurance overall? Or --

Kai Pan - *Morgan Stanley - Analyst*

For these two run-offs.

Craig Howie - *Everest Re Group Ltd - EVP and CFO*

For these two run-offs, this is what we are attempting to do with these is look at where we expect these reserves to be over time and I don't have that number in front of me, Kai.

Kai Pan - *Morgan Stanley - Analyst*

Okay, that's fine. It looks remarkable that Dom you mentioned that you be able to keep the underlying combined ratio stable in your reinsurance segment despite of pricing pressure. Part of that might be business mix. I just wonder on the accident year loss ratio peak side, on the loss trend inflation, what trend do you see there in your major line of business?

Dom Addesso - *Everest Re Group Ltd - President and CEO*

Well the underlying combined ratio on the reinsurance side is comprised of several factors. We have obviously a property cat book we have a property pro rata book, casualty pro rata, casualty excess, facultative, mortgage credit et cetera, and all those things when combined together obviously produce the overall combined ratio.

The expected combined ratio on property cat XOL year-over-year in terms of what was expected was slightly up, but of course with no cats that has a positive impact on the results. Our treaty casualty results have been improving year-over-year. We've been expanding our facultative operations which typically have had higher margins than the treaty book of business.

And the mortgage credit of course has been something we have recently added to our portfolio also contributing to that. So to point to any one factor is difficult, but it is just a composition of the portfolio and as it evolves we're able to maintain a decent level of profitability and return on capital as a result.

And partly to your question if you're asking about trend, it obviously depends on the line of business but clearly in all of our businesses, in all the lines of business, the businesses' trend is not strong. There isn't a high loss inflation factor that we're seeing in any of our lines of business.

Kai Pan - *Morgan Stanley - Analyst*

So do you book to the lower cost trends or are you taking probably more longer-term approach on your assumption?

Dom Addesso - *Everest Re Group Ltd - President and CEO*

Well I mean loss costs trends are generally are going to be more of a factor in casualty than anything else. And what are underwriters are looking and actuaries are looking at depends on the client's book of business, and those loss cost trends are the average trends that we've seen over the last couple years. It's not anything, I wouldn't describe it as being at the low end of the range of the high-end of the range, it's essentially based on the experience that we've seen in the marketplace over the last five or six years.

John Doucette - *Everest Re Group Ltd - Chief Underwriting Officer*

And Kai it's John. Just to add to that, we have a very experienced actuarial pricing team that have priced all property and casualty lines of business all over the world and have been doing that for 20 plus years and we've added, over the last several years, more talent to that team and enhanced the analytics. So we feel pretty comfortable that we understand what the trends are, what the loss picks are, for the reinsurance business that we're putting on the books.

Dom Addesso - *Everest Re Group Ltd - President and CEO*

I think I'll add one other thing that maybe will hopefully answer the question and maybe provide you some comfort relative to that question. And that is if you look over the last 12 years at our accident year, initial accident year pick combined ratio, every year in the last 12, that accident year combined ratio has developed positively. In other words each accident year has had redundancy in it. So that basically tells you that our expected loss pick in the year for the account is a conservative pick.

Kai Pan - *Morgan Stanley - Analyst*

That's great. And lastly, Dom, can you talk a little more about the growth areas including Lloyds?

Dom Addesso - *Everest Re Group Ltd - President and CEO*

Well, Lloyds of course we just got off the ground at January 1. It was a process that we were able to move relatively quickly on into Lloyds and I think we got it done in near record time. But given our scale in the marketplace I think it was a win-win, not only for us but I think also for Lloyds as a market in general. So we're pleased of that.

And in that space and Lloyds in particular as a growth area, we're looking at primarily Continental Europe. In addition to Lloyds will be a platform that will help us in some of the Asian markets particularly China and Australia, where it's advantageous to issue Lloyd's papers contrasted with what we had been doing was issuing paper at risk rate. Just some cost advantages to that.

It also provides a facility for US business that might have multinational exposure. So those are the opportunities for Lloyds.

Generally in the insurance space, as we mentioned, property E&S is a big growth area for us, A&H, commercial D&O, private Company D&O, we've got an inland marine team, we're doing, looking at growth in the excess casualty and environmental areas, our work comp book, particularly in California, has been growing, and we're looking at how we can possibly use that capability in other jurisdictions that are favorable as far as work comp is concerned.

So there's just a number of areas whether it be lines of business or segments that we're focusing on the contingency business, as far as sports and entertainment as well I mentioned, is growing nicely. So it's across a number of different areas.

Kai Pan - *Morgan Stanley - Analyst*

That's great. Well thank you so much for all the answers and good luck.

Dom Addesso - *Everest Re Group Ltd - President and CEO*

Thank you, Kai.

John Doucette - *Everest Re Group Ltd - Chief Underwriting Officer*

Thank you.

Operator

Sarah DeWitt, JPMorgan.

Sarah DeWitt - *JPMorgan - Analyst*

Hi, good morning and congrats on a good quarter. The underlying combined ratio for the whole Company, you've done a good job at keeping this stable in 2015 versus 2014, despite some rate pressure as well as growing the insurance business. Could you just talk about your ability to maintain margins going forward or should we expect any deterioration?

Dom Addesso - *Everest Re Group Ltd - President and CEO*

Sarah, this is Dom. I think clearly with rates going down I mean it's fairly obvious that margins are no doubt going to be under pressure. The way we look at it, as opposed to looking at it from a combined ratio point of view, maybe just to give you a high-level view, based on what we saw 1/1 and perhaps with what we could expect from the balance of the year and also factoring in where we see insurance pricing as well, which is generally more flattish than it is in the reinsurance space, we would expect an overall impact of about one point in our ROE. And that's essentially how we think about maybe that's the best way to answer the question that you've asked.

Sarah DeWitt - *JPMorgan - Analyst*

Okay, that's helpful. And then on the insurance reserve strengthening. When do you think we could turn the corner on that run-off business, and can you give us any color in terms of what's the duration of these claims, how much has been paid out? Anything that gives you comfort that we might be reaching an inflection point on this would be helpful.

Dom Addesso - *Everest Re Group Ltd - President and CEO*

Well, let me first say that what I think is most important and what I pay most attention to is our overall reserve adequacy of the entire group. Which I think personally has been moving over time, partly the evidence of that what I referenced earlier in response to Kai in terms of how our accident year combined ratios or loss pics have developed.

With right now your question is very focused on the insurance side and understandably so. You never know in any of these lines of business we have a couple of hundred different IB&R groups. Clearly some in each year we have redundancies in some and deficiencies in others, so this is a natural occurrence in a complete reserving process. So I can't emphasize enough the overall reserve position us what we really stay focused on.

As I said in my comments, opening comments was that we're reasonably confident that our overall written insurance position again as a group is sufficient. But with reserves, it's one of those things you never know. As it relates to any individual class within the segment. But as I said I think our overall insurance portfolio is well reserved.

Craig Howie - *Everest Re Group Ltd - EVP and CFO*

Just to add to that, during the reserve process this year, when we went to the insurance segments we did consider the severity scenarios as well as volatility assumptions in those calculations that were done during the reserve studies. And Management did elect to book a higher number than the actuarial indicated estimate for both of these books of reserves, both the umbrella book and the construction liability book.

Sarah DeWitt - *JPMorgan - Analyst*

Okay and was at the major factor that changed versus last year when you did the study at this time?

Craig Howie - *Everest Re Group Ltd - EVP and CFO*

One of the major factors that changed this year was we did a claim review for the umbrella book. We had done a claim review earlier in the year and we utilized those results that came out of that claim review to take into account that impact and that was considered during the actuarial studies for that book of business.

On the construction liability side, this relates a to run-off landscapers program that we stopped writing back in when 2008. The Company no longer writes this book of business, but these are not indemnity type claims anymore.

We're considered an additional insurer. Claimants have ten years to file claims against the general contractor. So again, they are not indemnity claims at this point they're mostly legal fees, so it is a little bit more difficult to wrap your arms around this other than looking at not only frequency but also severity of those cases.

Sarah DeWitt - *JPMorgan - Analyst*

Great. That's helpful, thank you.

Craig Howie - *Everest Re Group Ltd - EVP and CFO*

Thank you.

Operator

Josh Shanker, Deutsche Bank.

Josh Shanker - *Deutsche Bank - Analyst*

Good morning, everyone.

Dom Addesso - *Everest Re Group Ltd - President and CEO*

Good morning, Josh.

Josh Shanker - *Deutsche Bank - Analyst*

Good morning. I would guess that on average, I ask a question about the insurance business about once every three quarters. And Dom you were named CFO in 2009, President in 2011, CEO in 2013. If Everest had chosen that any of those times to dump the insurance business would that have been a mistake?

Dom Addesso - *Everest Re Group Ltd - President and CEO*

Yes.

Josh Shanker - *Deutsche Bank - Analyst*

Why should we think that Everest is in a long-term in a great position to be in the insurance business?

Dom Addesso - *Everest Re Group Ltd - President and CEO*

Obviously with the premise of your question you're referencing the reserve outcomes.

Josh Shanker - *Deutsche Bank - Analyst*

I'm also noting that current accident years are running about 100% anyways.

Dom Addesso - *Everest Re Group Ltd - President and CEO*

No they are not. We reported current accident years running at 94%.

John Doucette - *Everest Re Group Ltd - Chief Underwriting Officer*

94.3%.

Josh Shanker - *Deutsche Bank - Analyst*

This year, maybe that's the new trend I guess. I'm looking at over a ten year period I guess.

Dom Addesso - *Everest Re Group Ltd - President and CEO*

Well look, we have significantly modified the method in which we're doing business on the insurance space. The historical insurance footprint of Everest was a program based (inaudible) business.

Today, that book of business is dominated by a direct brokerage book of business. One in which we are primarily driving the underwriting as supposed to an MGA driving the underwriting. That does that mean by the way that we don't have some favorable and significant MGA relationships that we still maintain. Predominantly, the book is being driven by desk underwriters that are employed by Everest. That's the significant change.

And I think we've being able to demonstrate over the last couple of years the improvement in the accident year and calendar year or accident your combined ratio, but clearly there's been a challenge with reserves that come up from books of business that have been terminated -- as Craig pointed out -- that have been terminated in 2008 earlier.

There's nothing that the current management can do about that except focus on building out a first-class insurance organization which we believe we're doing today.

Josh Shanker - *Deutsche Bank - Analyst*

And so your view is over the next two or three years you'll be surprised if the insurance industry is not a contributor to profits the way the reinsurance business has been?

Dom Addesso - *Everest Re Group Ltd - President and CEO*

Absolutely, by definition in a non cat year, the reinsurer, reinsurance segments are going to produce a better combined ratio then the insurance space but the insurance sector is much more stable in that perspective. But I think the current year attritional ratios demonstrate that already.

John Doucette - *Everest Re Group Ltd - Chief Underwriting Officer*

Josh it's John, just to add a little more color. I think also in the context of one of the things we've really been focused on in the last several years, Dom and executive management team, is expanding our opportunities set. And trying to figure out how we can get profitable growth.

That's why we've been hiring very talented teams of people or individuals that can hire teams of people and can access business on the insurance side. That's why we're getting into Lloyds. That's why we're setting up the alternative capital to give us more capacity to deploy in other areas around the globe, whether it's insurance or reinsurance, whether it's in the US or internationally, we're looking for ways to expand our opportunity set.

I think that's my job, that's the senior leaders of the reinsurance and insurance team, to develop new products, new distribution, new opportunities. And that also is one of the reasons why, as we develop that, one of the reasons why the combined ratio has stabilized and our goal is to hopefully improve even in this market condition.

Dom Addesso - *Everest Re Group Ltd - President and CEO*

And you know, Josh, had the decision -- thank you for your recollection of all my extents at Everest, but had we made maybe the decision that you're suggesting, to let's say dispose of the insurance sector, these reserve developments that we've seen would not have gone away.

Those are things that would have been there regardless of whether we had chosen to go forward on the insurance sector or not. And in fact, I think if anything, the insurance sector, based on the new strategy, has been accretive to earnings regardless of the prior year development. That prior year development was baked. There's nothing we could have done about that.

Josh Shanker - *Deutsche Bank - Analyst*

Well good luck, I hope it ceases in the future and we'll see what happens.

Dom Addesso - *Everest Re Group Ltd - President and CEO*

We will see.

Josh Shanker - *Deutsche Bank - Analyst*

Thank you.

Dom Addesso - *Everest Re Group Ltd - President and CEO*

Well thank you very much. Again we're very pleased to report a record quarter and an outstanding year. Particularly compared to generally what's going on in the overall market.

We appreciate your questions and certainly understand even the tough ones. We think though we have demonstrated over the past couple of years that our strategies that we embarked on a couple of years ago are beginning to demonstrate that we can produce returns that are above market returns -- above market.

So again thank you for your questions and interest in Everest and we'll talk to you in the months ahead.

Operator

Thank you. That will now conclude today's conference call. Thank you for your participation ladies and gentlemen. You may now disconnect.
