EVEREST REINSURANCE HOLDINGS INC
Form 10-K
March 21, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2013

Commission file number 1-14527

EVEREST REINSURANCE HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware	22-3263609
(State or other jurisdiction of incorporation or organization)	(I.R.S Employer Identification No.)

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
5.40% Senior Notes Due 2014	NYSE
6.60% Long Term Notes Due 2067	NYSE

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes X No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No X

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

Yes X No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Yes X No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

Yes No X

The aggregate market value on June 30, 2013, the last business day of the registrant's most recently completed second quarter, of the voting stock held by non-affiliates of the registrant was zero.

At March 15, 2014, the number of shares outstanding of the registrant common shares was 1,000, all of which are owned by Everest Underwriting Group (Ireland) Limited, a wholly-owned direct subsidiary of Everest Re Group, Ltd.

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

EVEREST REINSURANCE HOLDINGS, INC.

Table of Contents
FORM 10-K

		Page
	PART I	
Item 1.	Business	1
Item 1A.	Risk Factors	6
Item 1B.	Unresolved Staff Comments	12
Item 2.	Properties	12
Item 3.	Legal Proceedings	12
Item 4.	Mine Safety Disclosures	12
	PART II	
Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	12
Item 6.	Selected Financial Data	13
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	14
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	28
Item 8.	Financial Statements and Supplementary Data	31
Item 9.	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	31
Item 9A.	Controls and Procedures	31
Item 9B.	Other Information	31
	PART III	
Item 10.	Directors, Executive Officers and Corporate Governance	32
Item 11.	Executive Compensation	32
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	32
Item 13.	Certain Relationships and Related Transactions, and Director Independence	32
Item 14.	Principal Accountant Fees and Services	32
	PART IV	
Item 15.	Exhibits and Financial Statement Schedules	33

PART I

Unless otherwise indicated, all financial data in this document have been prepared using accounting principles generally accepted in the United States of America ("GAAP"). As used in this document, "Holdings" means Everest Reinsurance Holdings, Inc., a Delaware company and direct subsidiary of Everest Underwriting Group (Ireland) Limited ("Holdings Ireland"); "Group" means Everest Re Group, Ltd. (Holdings Ireland's parent); "Bermuda Re" means Everest Reinsurance (Bermuda), Ltd., a subsidiary of Group; "Everest Re" means Everest Reinsurance Company and its subsidiaries, a subsidiary of Holdings (unless the context otherwise requires); and the "Company", "we", "us", and "our" means Holdings and its subsidiaries (unless the context otherwise requires).

ITEM 1. BUSINESS

The Company.
Holdings, a Delaware corporation, is a wholly-owned subsidiary of Holdings Ireland. On December 30, 2008, Group contributed Holdings to its recently established Irish holding company, Holdings Ireland. Holdings Ireland is a direct subsidiary of Group and was established to serve as a holding company for the U.S. and Irish reinsurance and insurance subsidiaries. Group is a Bermuda holding company whose common shares are publicly traded in the U.S. on the New York Stock Exchange under the symbol "RE". Group files an annual report on Form 10-K with the Securities and Exchange Commission (the "SEC") with respect to its consolidated operations, including Holdings.

The Company's principal business, conducted through its operating segments, is the underwriting of reinsurance and insurance in the U.S. and international markets. The Company had gross written premiums, in 2013, of $4.4 billion, with approximately 72% representing reinsurance and 28% representing insurance. Stockholder's equity at December 31, 2013 was $4.2 billion. The Company underwrites reinsurance both through brokers and directly with ceding companies, giving it the flexibility to pursue business based on the ceding company's preferred reinsurance purchasing method. The Company underwrites insurance principally through general agent relationships, brokers and surplus lines brokers. Holdings' active operating subsidiaries, excluding Mt. McKinley Insurance Company ("Mt. McKinley"), which is in runoff, are each rated A+ ("Superior") by A.M. Best Company ("A.M. Best"), a leading provider of insurer ratings that assigns financial strength ratings to insurance companies based on their ability to meet their obligations to policyholders.

Following is a summary of the Company's operating subsidiaries:

- Everest Re, a Delaware insurance company and a direct subsidiary of Holdings, is a licensed property and casualty insurer and/or reinsurer in all states, the District of Columbia and Puerto Rico and is authorized to conduct reinsurance business in Canada, Singapore and Brazil. Everest Re underwrites property and casualty reinsurance for insurance and reinsurance companies in the U.S. and international markets. Everest Re has engaged in reinsurance transactions with Everest Reinsurance (Bermuda), Ltd. ("Bermuda Re"), Everest International Reinsurance, Ltd. ("Everest International"), Mt. Logan Re, Ltd. ("Mt. Logan Re") and Everest Insurance Company of Canada ("Everest Canada"), which are affiliated companies, primarily driven by enterprise risk and capital management considerations under which business is transacted at market rates and terms. At December 31, 2013 Everest Re had statutory surplus of $2.8 billion.

- Everest National Insurance Company ("Everest National"), a Delaware insurance company and a direct subsidiary of Everest Re, is licensed in 50 states and the District of Columbia and is authorized to write property and casualty insurance on an admitted basis in the jurisdictions in which it is licensed. The majority of Everest National's business is reinsured by its parent, Everest Re.

1

- Everest Indemnity Insurance Company ("Everest Indemnity"), a Delaware insurance company and a direct subsidiary of Everest Re, writes excess and surplus lines insurance business in the U.S. on a non-admitted basis. Excess and surplus lines insurance is specialty property and liability coverage that an insurer not licensed to write insurance in a particular jurisdiction is permitted to provide to insureds when the specific specialty coverage is unavailable from admitted insurers. Everest Indemnity is licensed in Delaware and is eligible to write business on a non-admitted basis in all other states, the District of Columbia and Puerto Rico. The majority of Everest Indemnity's business is reinsured by its parent, Everest Re.

- Everest Security Insurance Company ("Everest Security"), a Georgia insurance company and a direct subsidiary of Everest Re, writes property and casualty insurance on an admitted basis in Georgia and Alabama. The majority of Everest Security's business is reinsured by its parent, Everest Re.

- Mt. McKinley, a Delaware insurance company and a direct subsidiary of Holdings, was acquired by Holdings in September 2000 from The Prudential Insurance Company of America ("The Prudential"). In 1985, Mt. McKinley ceased writing new and renewal insurance and commenced a run-off operation to service claims arising from its previously written business. Effective September 19, 2000, Mt. McKinley and Bermuda Re entered into a loss portfolio transfer reinsurance agreement, whereby Mt. McKinley transferred, for arm's length consideration, all of its net insurance exposures and reserves to Bermuda Re.

- Heartland Crop Insurance, Inc. ("Heartland"), a Kansas based managing general agent and a direct subsidiary of Holdings, was acquired on January 2, 2011. Heartland specializes in crop insurance, which is written mainly through Everest National.

Reinsurance Industry Overview.

Reinsurance is an arrangement in which an insurance company, the reinsurer, agrees to indemnify another insurance or reinsurance company, the ceding company, against all or a portion of the insurance risks underwritten by the ceding company under one or more insurance contracts. Reinsurance can provide a ceding company with several benefits, including a reduction in its net liability on individual risks or classes of risks, catastrophe protection from large and/or multiple losses and/or a reduction in operating leverage as measured by the ratio of net premiums and reserves to capital. Reinsurance also provides a ceding company with additional underwriting capacity by permitting it to accept larger risks and write more business than would be acceptable relative to the ceding company's financial resources. Reinsurance does not discharge the ceding company from its liability to policyholders; rather, it reimburses the ceding company for covered losses.

There are two basic types of reinsurance arrangements: treaty and facultative. Treaty reinsurance obligates the ceding company to cede and the reinsurer to assume a specified portion of a type or category of risks insured by the ceding company. Treaty reinsurers do not separately evaluate each of the individual risks assumed under their treaties, instead, the reinsurer relies upon the pricing and underwriting decisions made by the ceding company. In facultative reinsurance, the ceding company cedes and the reinsurer assumes all or part of the risk under a single insurance contract. Facultative reinsurance is negotiated separately for each insurance contract that is reinsured. Facultative reinsurance, when purchased by ceding companies, usually is intended to cover individual risks not covered by their reinsurance treaties because of the dollar limits involved or because the risk is unusual.

Both treaty and facultative reinsurance can be written on either a pro rata basis or an excess of loss basis. Under pro rata reinsurance, the ceding company and the reinsurer share the premiums as well as the losses and expenses in an agreed proportion. Under excess of loss reinsurance, the reinsurer indemnifies the ceding company against all or a specified portion of losses and expenses in excess of a specified dollar amount, known as the ceding company's retention or reinsurer's attachment point, generally subject to a negotiated reinsurance contract limit.

2

In pro rata reinsurance, the reinsurer generally pays the ceding company a ceding commission. The ceding commission generally is based on the ceding company's cost of acquiring the business being reinsured (commissions, premium taxes, assessments and miscellaneous administrative expense and may contain profit sharing provisions, whereby the ceding commission is adjusted based on loss experience). Premiums paid by the ceding company to a reinsurer for excess of loss reinsurance are not directly proportional to the premiums that the ceding company receives because the reinsurer does not assume a proportionate risk. There is usually no ceding commission on excess of loss reinsurance.

Reinsurers may purchase reinsurance to cover their own risk exposure. Reinsurance of a reinsurer's business is called a retrocession. Reinsurance companies cede risks under retrocessional agreements to other reinsurers, known as retrocessionaires, for reasons similar to those that cause insurers to purchase reinsurance: to reduce net liability on individual or classes of risks, protect against catastrophic losses, stabilize financial ratios and obtain additional underwriting capacity.

Reinsurance can be written through intermediaries, generally professional reinsurance brokers, or directly with ceding companies. From a ceding company's perspective, the broker and the direct distribution channels have advantages and disadvantages. A ceding company's decision to select one distribution channel over the other will be influenced by its perception of such advantages and disadvantages relative to the reinsurance coverage being placed.

Business Strategy.

The Company's business strategy is to sustain its leadership position within targeted reinsurance and insurance markets, provide effective management throughout the property and casualty underwriting cycle and thereby achieve an attractive return for its stockholder. The Company's underwriting strategies seek to capitalize on its i) financial strength and capacity, ii) global franchise, iii) stable and experienced management team, iv) diversified product and distribution offerings, v) underwriting expertise and disciplined approach, vi) efficient and low-cost operating structure and vii) effective enterprise risk management practices.

The Company offers treaty and facultative reinsurance and admitted and non-admitted insurance. The Company's products include the full range of property and casualty reinsurance and insurance coverages, including marine, aviation, surety, errors and omissions liability ("E&O"), directors' and officers' liability ("D&O"), medical malpractice, other specialty lines, accident and health ("A&H") and workers' compensation.

The Company's underwriting strategies emphasize underwriting profitability over premium volume. Key elements of this strategy include careful risk selection, appropriate pricing through strict underwriting discipline and adjustment of the Company's business mix in response to changing market conditions. The Company focuses on reinsuring companies that effectively manage the underwriting cycle through proper analysis and pricing of underlying risks and whose underwriting guidelines and performance are compatible with its objectives.

The Company's underwriting strategies emphasize flexibility and responsiveness to changing market conditions, such as increased demand or favorable pricing trends. The Company believes that its existing strengths, including its broad underwriting expertise, U.S. and international presence, strong financial ratings and substantial capital, facilitate adjustments to its mix of business geographically, by line of business and by type of coverage, allowing it to participate in those market opportunities that provide the greatest potential for underwriting profitability. The Company's insurance operations complement these strategies by accessing business that is not available on a reinsurance basis. The Company carefully monitors its mix of business across all operations to avoid unacceptable geographic or other risk concentrations.

Capital Transactions.

The Company's business operations are in part dependent on its financial strength and financial strength ratings, and the market's perception of its financial strength. The Company's stockholder's equity was $4,190.5 million and $3,478.6 million at December 31, 2013 and 2012, respectively. The Company possesses significant financial flexibility with access to the debt markets and, through its ultimate parent, equity markets, as a result of its perceived financial strength, as evidenced by the financial strength ratings as assigned by independent rating agencies. The Company's capital position remains strong, commensurate

with its financial ratings and the Company has ample liquidity to meet its financial obligations for the foreseeable future.

On October 14, 2011. Group and Holdings renewed the shelf registration statement on Form S-3ASR with the SEC, as a Well Known Seasoned Issuer. This shelf registration statement can be used by Group to register common shares, preferred shares, debt securities, warrants, share purchase contracts and share purchase units; by Holdings to register debt securities and by Everest Re Capital Trust III ("Capital Trust III") to register trust preferred securities.

On March 19, 2009, Group announced the commencement of a cash tender offer for any and all of the 6.6% fixed to floating rate long term subordinated notes. Upon expiration of the tender offer, the Company had reduced its outstanding debt by $161.4 million.

On March 15, 2010, the $200.0 million principal amount of 8.75% senior notes matured, and was paid off in cash.

On May 24, 2013, Holdings elected to redeem the $329.9 million of 6.2% junior subordinated debt securities. As a result of the early redemption, the Company incurred pre-tax expense of $7.3 million related to the immediate amortization of the remaining capitalized issuance costs on the trust preferred securities.

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

All of the below-mentioned ratings are continually monitored and revised, if necessary, by each of the rating agencies. The ratings presented in the following table were in effect as of February 28, 2014.

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

Operating Subsidiary:	A.M. Best	Standard & Poor's	Moody's
Everest Re	A+ (Superior)	A+ (Strong)	A1 (upper-medium)
Everest National	A+ (Superior)	A+ (Strong)	Not Rated
Everest Indemnity	A+ (Superior)	Not Rated	Not Rated
Everest Security	A+ (Superior)	Not Rated	Not Rated
Mt. McKinley	Not Rated	Not Rated	Not Rated

A.M. Best states that the "A+" ("Superior") rating is assigned to those companies which, in its opinion, have a superior ability to meet their ongoing insurance policy and contract obligations based on A.M. Best's comprehensive quantitative and qualitative evaluation of a company's balance sheet strength, operating performance and business profile. A.M. Best affirmed these ratings on July 25, 2013. Standard & Poor's states that the "A+" rating is assigned to those insurance companies which, in its opinion, have strong financial security characteristics with respect to their ability to pay under its insurance policies and contracts in accordance with their terms. Standard & Poor's affirmed these ratings on May 23, 2013. Moody's states that an "A1" rating is assigned to companies, that in their opinion, offer upper-medium grade security and are subject to low credit risk.

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

Debt Ratings.
The following table shows the debt ratings by A.M. Best, Standard & Poor’s and Moody’s of the Holdings’ senior notes due October 15, 2014 and long term notes due May 1, 2067 both of which are considered investment grade. Debt ratings are the rating agencies’ current assessment of the credit worthiness of an obligor with respect to a specific obligation.

	A.M. Best		Standard & Poor's		Moody's	
Senior Notes	a-	(Strong)	A-	(Strong)	Baa1	(Medium Grade)
Long Term Notes	bbb	(Adequate)	BBB	(Adequate)	Baa2	(Medium Grade)

A debt rating of “a-” is assigned by A.M. Best where the issuer, in A.M. Best’s opinion, has a strong ability to meet the terms of the obligation. A.M. Best assigns a debt rating in the “bbb” range where the issuer, in A.M. Best’s opinion, has adequate ability to meet the terms of the obligation. Standard & Poor’s assigns a debt rating in the “A” range to issuers that exhibit strong capacity and willingness to meet its financial commitments on obligations as they come due. A debt rating in the “BBB” range is assigned by Standard & Poor’s where the obligation exhibits adequate protection parameters although adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. According to Moody’s, a debt rating of “Baa” is assigned to issues that are considered medium-grade obligations and subject to moderate credit risk and as such may possess certain speculative characteristics.

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

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

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

Catastrophe rates tend to fluctuate by global region, particularly areas recently impacted by large catastrophic events. During the second and third quarters of 2013, Canada experienced historic flooding in Alberta and Toronto, which will likely result in higher future catastrophe rates. Although there were flooding and wind storm events in Europe and Asia in the latter part of 2013, the overall 2013 catastrophe losses for the industry were lower than average. This lower level of losses, combined with increased competition is putting downward pressure on rates in certain geographical areas.

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

Employees.
As of February 1, 2014, the Company employed 656 persons. Management believes that employee relations are good. None of the Company's employees are subject to collective bargaining agreements, and the Company is not aware of any current efforts to implement such agreements.

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

ITEM 1A. RISK FACTORS

In addition to the other information provided in this report, the following risk factors should be considered when evaluating us. If the circumstances contemplated by the individual risk factors materialize, our business, financial condition and results of operations could be materially and adversely affected and our ability to service our debt, our debt ratings and our ability to issue new debt could decline significantly.

RISKS RELATING TO OUR BUSINESS

Fluctuations in the financial markets could result in investment losses.

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

Our results could be adversely affected by catastrophic events.

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

Calendar year: (Dollars in millions)	Pre-tax catastrophe losses	
2013	$	76.6
2012		235.8
2011		798.4

2010	267.1
2009	23.9

6

Our losses from future catastrophic events could exceed our projections.

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

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

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

Calendar year: (Dollars in millions)	Effect on pre-tax net income		
2013	$	44.6	decrease
2012		12.3	decrease
2011		14.8	decrease
2010		62.8	decrease
2009		70.0	decrease

The difficulty in estimating our reserves is significantly more challenging as it relates to reserving for potential asbestos and environmental (“A&E”) liabilities. At year end 2013, 5.3% of our gross reserves were comprised of A&E reserves. A&E liabilities are especially hard to estimate for many reasons, including the long delays between exposure and manifestation of any bodily injury or property damage, difficulty in identifying the source of the asbestos or environmental contamination, long reporting delays and difficulty in properly allocating liability for the asbestos or environmental damage. Legal tactics and judicial and legislative developments affecting the scope of insurers’ liability, which can be difficult to predict, also contribute to uncertainties in estimating reserves for A&E liabilities.

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

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

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

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

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

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

Our active insurance company subsidiaries currently hold financial strength ratings assigned by third-party rating agencies which assess and rate the claims paying ability and financial strength of insurers and reinsurers. Our active subsidiaries carry an “A+” (“Superior”) rating from A.M. Best. Everest Re and Everest National hold an “A+” (“Strong”) rating from Standard & Poor’s. Everest Re holds an “A1” (“upper-medium”) rating from Moody’s. Financial strength ratings are used by client companies and agents and brokers that place the business as an important means of assessing the financial strength and quality of reinsurers. A downgrade or withdrawal of any of these ratings might adversely affect our ability to market our insurance products and could have a material and adverse effect on future prospects for growth and profitability.

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

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

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

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

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

We are generally less reliant on the purchase of reinsurance than many of our competitors, in part because of our strategic emphasis on underwriting discipline and management of the cycles inherent in our business. We try to separate our risk taking process from our risk mitigation process in order to avoid developing too great a reliance on reinsurance. We generally purchase reinsurance from other third parties only when we expect a net benefit. The

percentage of business that we reinsure may vary considerably from year to year, depending on our view of the relationship between cost and expected benefit for the contract period.

We have entered into affiliated whole account quota share reinsurance agreements for 2002 through 2013 and which continue for 2014 with Bermuda Re. We believe that the terms, conditions and pricing of the quota share agreements reflect arm's length market conditions. In addition, we entered into a loss portfolio transfer agreement with Bermuda Re on October 1, 2008. These affiliated reinsurance arrangements allow us to more effectively leverage our capital, expertise, distribution platform and market presence than our stand alone capital position would otherwise allow.

Percentage of ceded written premiums to gross written premiums	2013	2012	2011	2010	2009
Unaffiliated	5.0%	6.3%	5.0%	7.4%	6.0%
Affiliated	47.3%	46.3%	45.8%	41.1%	42.0%

Our affiliated quota share agreements reflect general reinsurance market terms and conditions and are negotiated on an arms' length basis. As a result, there can be no assurance that these arrangements will continue beyond 2014. If the quota shares are not renewed, we may have to reduce our premium volume and we may be more exposed to reductions in net income from large losses.

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

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

According to Standard & Poor's, we rank among the top ten global reinsurance groups, where more than two-thirds of the market share is concentrated. The worldwide net premium written by the Top 40 global reinsurance groups, for both life and non-life business, was estimated to be $185 billion in 2012 according to data compiled by Standard & Poor's. The leaders in this market are Munich Re, Swiss Re, Hannover Ruckversicherung AG, Berkshire Hathaway Inc., and syndicates at Lloyd's. Some of these competitors have greater financial resources than we do and have established long term and continuing business relationships throughout the industry, which can be a significant competitive advantage. In addition, the lack of strong barriers to entry into the reinsurance business and the entry of alternative capital market products and vehicles provide additional sources of reinsurance and insurance capacity and increased competition.

We are dependent on our key personnel.

Our success has been, and will continue to be, dependent on our ability to retain the services of our existing key executive officers and to attract and retain additional qualified personnel in the future. The loss of the services of any key executive officer or the inability to hire and retain other highly qualified personnel in the future could adversely affect our ability to conduct business. Generally, we consider key executive officers to be those individuals who have the greatest influence in setting overall policy and controlling operations: Chairman, President and Chief Executive Officer, Dominic J. Addesso (age 60), Executive Vice President and Chief Financial Officer, Craig Howie (age 50), Executive Vice President and Chief Underwriting Officer of our operating subsidiaries, John P. Doucette (age 48) and Executive Vice President, General Counsel, Chief Compliance Officer and Secretary, Sanjoy Mukherjee (age 47). Through Group and its affiliates, we have employment contracts with Mr. Addesso, Mr. Doucette and Mr. Mukherjee, which have been filed with the SEC and provide for terms of employment ending on December 31, 2016 for Mr. Addesso and September 1, 2016 for Mr. Doucette and Mr. Mukherjee.

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

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

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

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

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

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

(Dollars in millions)		At December 31, 2013	% of Total	
Mortgage-backed securities				
Commercial	$	38.7	0.4	%
Agency residential		697.4	7.3	%
Non-agency residential		0.9	0.0	%
Other asset-backed		39.6	0.4	%
Total asset-backed		776.6	8.1	%
Other fixed income		4,425.3	46.6	%
Total fixed income, at market value		5,201.9	54.7	%
Fixed maturities, at fair value		19.4	0.2	%
Equity securities, at fair value		1,298.9	13.7	%
Other invested assets, at market value		385.8	4.1	%
Other invested assets, at fair value		1,515.1	16.0	%
Cash and short-term investments		1,074.0	11.3	%
Total investments and cash	$	9,495.1	100.0	%

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

Through our international operations, we conduct business in a variety of foreign (non-U.S.) currencies, principally the Canadian dollar and the Singapore dollar. Assets, liabilities, revenues and expenses denominated in foreign currencies are exposed to changes in currency exchange rates. Our functional currency is the U.S. dollar, and exchange rate fluctuations relative to the U.S. dollar may materially impact our results and financial position. In 2013, we wrote approximately 22.4% of our coverages in non-U.S. currencies; as of December 31, 2013, we maintained approximately 12.6% of our investment portfolio in investments denominated in non-U.S. currencies. During 2013, 2012 and 2011, the impact on our quarterly pre-tax net income from exchange rate fluctuations ranged from a loss of $12.1 million to a gain of $24.1 million.

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

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

RISKS RELATING TO REGULATION

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

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

As a result of the recent dislocation of the financial markets, Congress and the Presidential administration in the United States are implementing changes in the way the financial services industry is regulated. Some of these changes are also impacting the insurance industry. For example, the United States Department of Treasury has recently established the Federal Insurance Office with the authority to monitor all aspects of the insurance sector, monitor the extent to which traditionally underserved communities and consumers have access to affordable non-health insurance products, to represent the United States on prudential aspects of international insurance matters, to assist with administration of the Terrorism Risk Insurance Program and to advise on important national and international

insurance matters. In addition, regulatory bodies in Europe are developing a new capital adequacy directive for insurers and reinsurers. The future impact of such initiatives, if any, on our operation, net income (loss) or financial condition cannot be determined at this time.

RISK RELATING TO OUR SECURITIES

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Everest Re's corporate offices are located in approximately 230,500 square feet of leased office space in Liberty Corner, New Jersey. The Company's other fourteen locations occupy a total of approximately 122,600 square feet, all of which are leased. Management believes that the above described office space is adequate for its current and anticipated needs.

ITEM 3. LEGAL PROCEEDINGS

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

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market Information and Holder of Common Stock.

As of December 31, 2013, all of the Company’s common stock was owned by Holdings Ireland and was not publicly traded.

Dividend History and Restrictions.
The Company did not pay any dividends in 2013, 2012 and 2011. The declaration and payment of future dividends, if any, by the Company will be at the discretion of the Board of Directors and will depend upon many factors, including the Company's earnings, financial condition, business needs and growth objectives, capital and surplus requirements of its operating subsidiaries, regulatory restrictions, rating agency considerations and other factors. As an insurance holding company, the Company is dependent on dividends and other permitted payments from its subsidiaries to pay cash dividends to its stockholder. The payment of dividends to Holdings by Everest Re is subject to limitations imposed by Delaware law. Generally, Everest Re may only pay dividends out of its statutory earned surplus, which was $2.8 billion at December 31, 2013, and only after it has given 10 days prior notice to the Delaware Insurance Commissioner. During this 10-day period, the Commissioner may, by order, limit or disallow the payment of ordinary dividends if the Commissioner finds the insurer to be presently or potentially in financial distress. Further, the maximum amount of dividends that may be paid without the prior approval of the Delaware Insurance Commissioner in any twelve month period is the greater of (1) 10% of an insurer's statutory surplus as of the end of the prior calendar year or (2) the insurer's statutory net income, not including realized capital gains, for the prior calendar year. The maximum amount that is available for the payment of dividends by Everest Re in 2014 without prior regulatory approval is $538.2 million.

Recent Sales of Unregistered Securities.

None.

ITEM 6. SELECTED FINANCIAL DATA

Information for Item 6 is not required pursuant to General Instruction I(2) of Form 10-K.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following is a discussion and analysis of our results of operations and financial condition. It should be read in conjunction with the Consolidated Financial Statements and accompanying notes thereto presented under ITEM 8, "Financial Statements and Supplementary Data".

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

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

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

Catastrophe rates tend to fluctuate by global region, particularly areas recently impacted by large catastrophic events. During the second and third quarters of 2013, Canada experienced historic flooding in Alberta and Toronto, which will likely result in higher future catastrophe rates. Although there were flooding and wind storm events in Europe and Asia in the latter part of 2013, the overall 2013 catastrophe losses for the industry were lower than average. This lower level of losses, combined with increased competitors is putting downward pressure on rates in certain geographical areas.

Overall, we believe that current marketplace conditions, particularly for catastrophe coverages, provide profit opportunities for us given our strong ratings, distribution system, reputation and expertise. We continue to employ our strategy of targeting business that offers the greatest profit potential, while maintaining balance and diversification in our overall portfolio.

Financial Summary.

We monitor and evaluate our overall performance based upon financial results. The following table displays a summary of the consolidated net income (loss), ratios and stockholder's equity for the periods indicated:

	Years Ended December 31,			Percentage Increase/(Decrease)	
(Dollars in millions)	2013	2012	2011	2013/2012	2012/2011
Gross written premiums	$ 4,437.5	$ 3,569.4	$ 3,558.5	24.3 %	0.3 %
Net written premiums	2,117.4	1,691.6	1,754.0	25.2 %	-3.6 %
REVENUES:					
Premiums earned	$ 2,006.4	$ 1,773.9	$ 1,793.9	13.1 %	-1.1 %
Net investment income	297.0	306.1	312.9	-3.0 %	-2.2 %
Net realized capital gains (losses)	723.1	391.7	(41.1)	84.6 %	NM
Other income (expense)	(7.7)	12.1	(11.7)	-163.6 %	-203.3 %
Total revenues	3,018.8	2,483.9	2,053.9	21.5 %	20.9 %
CLAIMS AND EXPENSES:					
Incurred losses and loss adjustment expenses	1,272.2	1,249.7	1,877.6	1.8 %	-33.4 %
Commission, brokerage, taxes and fees	293.9	310.7	338.7	-5.4 %	-8.3 %
Other underwriting expenses	193.5	170.6	154.3	13.4 %	10.5 %
Corporate expense	8.3	8.8	6.1	-5.7 %	44.3 %
Interest, fee and bond issue cost amortization expense	45.5	50.7	50.8	-10.4 %	0.0 %
Total claims and expenses	1,813.3	1,790.6	2,427.4	1.3 %	-26.2 %
INCOME (LOSS) BEFORE TAXES	1,205.5	693.3	(373.5)	73.9 %	NM
Income tax expense (benefit)	407.2	173.0	(170.7)	135.4 %	-201.4 %
NET INCOME (LOSS)	$ 798.3	$ 520.3	$ (202.8)	53.4 %	NM
RATIOS:				Point Change	
Loss ratio	63.4 %	70.5 %	104.7 %	(7.1)	(34.2)
Commission and brokerage ratio	14.6 %	17.5 %	18.9 %	(2.9)	(1.4)
Other underwriting expense ratio	9.7 %	9.6 %	8.6 %	0.1	1.0
Combined ratio	87.7 %	97.6 %	132.2 %	(9.9)	(34.6)

	At December 31,			Percentage Increase/ (Decrease)	
(Dollars in millions)	2013	2012	2011	2013/2012	2012/2011
Balance sheet data:					
Total investments and cash	$ 9,495.1	$ 9,075.5	$ 8,396.3	4.6 %	8.1 %
Total assets	15,548.3	15,088.0	14,349.2	3.1 %	5.1 %
Loss and loss adjustment expense reserves	7,653.2	8,143.1	8,290.6	-6.0 %	-1.8 %
Total debt	488.3	818.2	818.1	-40.3 %	0.0 %
Total liabilities	11,357.9	11,609.3	11,407.8	-2.2 %	1.8 %
Stockholder's equity	4,190.5	3,478.6	2,941.4	20.5 %	18.3 %

(NM, not meaningful)

(Some amounts may not reconcile due to rounding)

Revenues.

Premiums.

Gross written premiums increased by 24.3% to $4,437.5 million in 2013 compared to $3,569.4 million in 2012, reflecting a $676.5 million, or 26.8%, increase in our reinsurance business and a $191.6 million, or 18.3%, increase in our insurance business. The increase in reinsurance premiums was mainly due to the impact of a Florida quota share reinsurance contract as well as new business, increased participations on existing business, and higher original rates on subject business. Excluding the year over year impact of the large Florida quota share reinsurance contract, gross written premiums increased 16.9% and reinsurance premiums increased 16.4%, compared to the prior year. The increase in insurance premiums was primarily

due to the growth in California workers' compensation, crop and non-standard auto business. Net written premiums increased by 25.2% to $2,117.4 million in 2013 compared to $1,691.6 million in 2012, which is consistent with the increase in gross written premiums. Premiums earned increased by 13.1% to $2,006.4 million in 2013, compared to $1,773.9 million in 2012. Unlike written premiums, premiums earned were minimally impacted by the Florida quota share reinsurance contract. The change in premiums earned was comparable to net written premiums, excluding the impact of the Florida quota share reinsurance contract.

Gross written premiums increased by 0.3% to $3,569.4 million in 2012 compared to $3,558.5 million in 2011, reflecting an $80.1 million increase in our insurance business, partially offset by a $69.2 million decrease in our reinsurance business. The increase in insurance premiums was primarily due to the growth in crop and primary A&H medical stop loss insurance, partially offset by the termination and runoff of several large casualty programs. The decreases in reinsurance premiums was primarily due to the non-renewal of a large Florida quota share reinsurance contract and a $27.7 million decline due to movement in foreign exchange rates, partially offset by increases in new business and rate increases on renewals, particularly for catastrophe exposed contracts. Net written premiums decreased by 3.6% to $1,691.6 million in 2012 compared to $1,754.0 million in 2011. The variance between the changes in gross and net written premiums was primarily attributable to the growth in the crop business, for which the Company uses a higher level of reinsurance. Premiums earned decreased by 1.1% to $1,773.9 million in 2012 compared to $1,793.9 million in 2011. The fluctuations in premiums earned in comparison to net written premiums were primarily attributable to changes in the mix of business, particularly crop insurance which has a different premiums earning pattern.

Net Investment Income. Net investment income decreased by 3.0% to $297.0 million in 2013 compared with net investment income of $306.1 million in 2012. Net pre-tax investment income as a percentage of average invested assets was 3.6% in 2013 compared to 3.7% in 2012. The declines were primarily due to lower reinvestment rates for the fixed maturities portfolio.

Net investment income decreased by 2.2% to $306.1 million in 2012 compared with net investment income of $312.9 million in 2011. Net pre-tax investment income, as a percentage of average invested assets was 3.7% in 2012 compared to 3.9% in 2011. The decline in income and yield was primarily the result of lower reinvestment rates for the fixed income portfolio, partially offset by additional dividend income from equity investments.

Net Realized Capital Gains (Losses). Net realized capital gains were $723.1 million and $391.7 million and net realized capital losses were $41.1 million in 2013, 2012 and 2011, respectively. Of the $723.1 million, there were $687.6 million of gains from fair value re-measurements and $35.6 million of net realized capital gains from sales on our fixed maturity and equity securities. The net realized capital gains of $391.7 million in 2012 were the result of $364.5 million of gains from fair value re-measurements and $33.9 million of net realized capital gains from sales on our fixed maturity and equity securities, partially offset by $6.6 million of other-than-temporary impairments on our available for sale fixed maturity securities. The net realized capital losses of $41.1 million in 2011 were the result of $16.7 million of losses from fair value re-measurements, $14.5 million of other-than-temporary impairments on our available for sale fixed maturity securities and $9.9 million of net realized capital losses from sales on our fixed maturity and equity securities.

Other Income (Expense). We recorded other expense of $7.7 million, other income of $12.1 million and other expense of $11.7 million in 2013, 2012 and 2011, respectively. The changes were primarily due to fluctuations in currency exchange rates for the corresponding periods and fluctuations in the amortization of deferred gains on retroactive reinsurance agreements with affiliates.

Claims and Expenses.

Incurred Losses and Loss Adjustment Expenses. The following table presents our incurred losses and loss adjustment expenses (“LAE”) for the periods indicated.

	Years Ended December 31,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2013						
Attritional (a)	$ 1,167.6	58.2 %	$ 27.9	1.4 %	$ 1,195.5	59.6 %
Catastrophes	59.9	3.0 %	16.7	0.8 %	76.6	3.8 %
Total	$ 1,227.5	61.2 %	$ 44.6	2.2 %	$ 1,272.2	63.4 %
2012						
Attritional (a)	$ 991.6	55.9 %	$ 22.3	1.3 %	$ 1,013.9	57.2 %
Catastrophes	245.9	13.9 %	(10.1)	-0.6 %	235.8	13.3 %
Total	$ 1,237.5	69.8 %	$ 12.2	0.7 %	$ 1,249.7	70.5 %
2011						
Attritional (a)	$ 1,073.9	59.9 %	$ 5.3	0.3 %	$ 1,079.2	60.2 %
Catastrophes	788.9	44.0 %	9.5	0.5 %	798.4	44.5 %
Total	$ 1,862.8	103.9 %	$ 14.8	0.8 %	$ 1,877.6	104.7 %
Variance 2013/2012						
Attritional (a)	$ 176.0	2.3 pts	$ 5.6	0.1 pts	$ 181.6	2.4 pts
Catastrophes	(186.0)	(10.9) pts	26.8	1.4 pts	(159.2)	(9.5) pts
Total	$ (10.0)	(8.6) pts	$ 32.4	1.5 pts	$ 22.4	(7.1) pts
Variance 2012/2011						
Attritional (a)	$ (82.3)	(4.0) pts	$ 17.0	1.0 pts	$ (65.3)	(3.0) pts
Catastrophes	(543.0)	(30.1) pts	(19.6)	(1.1) pts	(562.6)	(31.2) pts
Total	$ (625.3)	(34.1) pts	$ (2.6)	(0.1) pts	$ (627.9)	(34.2) pts

(a) Attritional losses exclude catastrophe losses.

(Some amounts may not reconcile due to rounding.)

Incurred losses and LAE increased by 1.8% to $1,272.2 million for the year ended December 31, 2013 compared to $1,249.7 million for the year ended December 31, 2012, primarily due to increases in current year attritional losses and unfavorable development on prior year catastrophe losses in 2013 compared to 2012, partially offset by the decline in current year catastrophe losses. The increase in current year attritional losses of $176.0 million is primarily due to the impact of the increase in premiums earned. Unfavorable development on prior years catastrophe losses of $16.7 million related mainly to Superstorm Sandy ($13.4 million). Current year catastrophe losses for the year ended December 31, 2013 were $59.9 million, or 3.0 points, due to U.S. storms ($22.4 million), Canadian floods ($20.4 million), Typhoon Fitow ($14.6 million) and European floods ($2.5 million). The $245.9 million of current year catastrophe losses for 2012 represented 13.9 points and related to Superstorm Sandy ($203.4 million), U.S. storms ($30.0 million) and Hurricane Isaac ($12.6 million).

Incurred losses and LAE decreased by 33.4% to $1,249.7 million for the year ended December 31, 2012 compared to $1,877.6 million in 2011, representing 34.2 loss ratio points. Current year 2012 catastrophe losses (discussed above) were lower by $543.0 million, or 30.1 points, period over period. The $788.9 million of current year catastrophe losses for 2011 related primarily to the Japanese earthquake and tsunami ($344.1 million), the 2011 New Zealand earthquake ($166.8 million), the Thailand floods ($131.2 million), U.S. storms ($40.3 million), the 2011 Australian floods ($37.1 million) and Hurricane Irene ($22.4 million) as well as $33.4 million of IBNR reserves for these 2011 catastrophe events collectively, which were not allocated to a specific event. During 2012 and 2013, $27.4 million and $2.6 million, respectively, of the IBNR reserve was allocated to specific 2011 catastrophes, leaving $3.4 million of unallocated IBNR reserves at December 31, 2013. Current year attritional losses decreased $82.3 million, representing 4.0 loss ratio points, due to a shift in mix of business towards excess of loss business, which generally has lower attritional losses, and the impact of year over year cessions under our affiliated quota share agreements resulting from changes in ceding percentages.

Commission, Brokerage, Taxes and Fees. Commission, brokerage, taxes and fees decreased by 5.4% to $293.9 million in 2013 compared to $310.7 million in 2012. The 2013 decline was primarily due to the impact from the Florida quota share reinsurance contract and an increase in excess of loss business in 2013 which carries a lower commission rate than pro rata business, partially offset by the impact of the increase in premiums earned.

Commission, brokerage, taxes and fees decreased by 8.3% to $310.7 million in 2012 compared to $338.7 million in 2011. The 2012 decrease is due primarily to an increase in excess of loss business which carries a lower commission than pro rata business, and growth in crop insurance on a direct distribution basis, which has lower acquisition costs, partially offset by the one-time effect of the non-renewal of the Florida quota share and the adoption of new accounting standards concerning the accounting for acquisition costs.

Other Underwriting Expenses. Other underwriting expenses were $193.5 million, $170.6 million and $154.3 million in 2013, 2012 and 2011, respectively. The increase in other underwriting expense for 2013 compared to 2012 was mainly due to the impact of higher premiums earned and higher compensation expenses. The increase in other underwriting expense for 2012 compared to 2011 was mainly due to higher employee benefit plan expenses.

Corporate Expenses. Corporate expenses, which are general operating expenses that are not allocated to segments, were $8.3 million, $8.8 million and $6.1 million for the years ended December 31, 2013, 2012 and 2011, respectively. The movement in corporate expenses was primarily due to changes in employee benefit plan expenses.

Interest, Fees and Bond Issue Cost Amortization Expense. Interest, fees and other bond amortization expense was $45.5 million, $50.7 million and $50.8 million in 2013, 2012 and 2011, respectively. The decrease was primarily due to the redemption of the $329.9 million of trust preferred securities in May, 2013, partially offset by $7.3 million of amortization expense on remaining capitalized issuance costs related to the redeemed securities.

Income Tax Expense (Benefit). Income tax expense was $407.2 million and $173.0 million in 2013 and 2012, respectively, and income tax benefit of $170.7 million in 2011. Our income tax is primarily a function of the statutory tax rates coupled with the impact from tax-preferenced investment income. Variations in our effective tax rate generally result from changes in the relative levels of pre-tax income. The increases in tax expense/(benefit) between 2013 and 2012 as well as 2012 versus 2011 is primarily due to higher taxable income from improved underwriting margins and capital gains in each successive year. The 2012 income tax expense also reflects tax benefits of $17.5 million realized due to corrections of understatement in the deferred tax asset account and $31.9 million of tax benefits from a reduction in our reserve for uncertain tax positions due to the re-measurement of our exposure following the closing of an Internal Revenue Service (“IRS”) audit.

Net Income (Loss).
Our net income was $798.3 million and $520.3 million in 2013 and 2012, respectively. The variance was primarily driven by the financial component fluctuations explained above.

Our net income was $520.3 million and our net loss was $202.8 million in 2012 and 2011, respectively. The increase was primarily driven by the decline in catastrophe losses in 2012 compared to 2011.

Ratios.
Our combined ratio decreased by 9.9 points to 87.7% in 2013 compared to 97.6% in 2012. The loss ratio component decreased 7.1 points in 2013, over the same period last year primarily due to the $186.0 million decrease in current year catastrophe losses, which lowered the loss ratio by 10.9 points. The commission and brokerage ratio components decreased 2.9 points in 2013, due to an increase in excess of loss business which carries a lower commission than pro rata business and the impact from the Florida quota share reinsurance contract. The other underwriting expense ratio component remained relatively flat in 2013 over the same period last year.

Our combined ratio decreased by 34.6 points to 97.6% in 2012 compared to 132.2% in 2011. The loss ratio component decreased 34.2 points in 2012 over the same period last year primarily due to the decline in catastrophe losses in 2012 compared to 2011. The commission and brokerage ratio component decreased slightly over the same period last year due to an increase in excess of loss business which carries a lower commission than pro rata business, and growth in crop insurance on a direct distribution basis, which has lower acquisition costs, partially offset by the one-time effect of the non-renewal of the Florida quota share and the adoption of new accounting standards concerning the accounting for acquisition costs. The other underwriting expense ratio component increased slightly from the same period last year due to higher employee benefit costs.

Stockholder's Equity.
Stockholder's equity increased by $711.9 million to $4,190.5 million at December 31, 2013 from $3,478.6 million at December 31, 2012, principally as a result of $798.3 million of net income, $23.6 million of net benefit plan obligation adjustments and $10.8 million of share-based compensation transactions, partially offset by $101.7 million of net unrealized depreciation on investments, net of tax, and $19.1 million of net foreign currency translation adjustments.

Stockholder's equity increased by $537.2 million to $3,478.6 million at December 31, 2012 from $2,941.4 million at December 31, 2011, principally as a result of $520.3 million of net income, $10.0 million of unrealized appreciation on investments, net of tax, $7.0 million of net foreign currency translation adjustments, and $6.8 million of share-based compensation transactions, partially offset by $7.0 million of net benefit plan obligation adjustments.

Consolidated Investment Results

Net Investment Income.
Net investment income decreased 3.0% to $297.0 million in 2013 compared to $306.1 million in 2012. The decreases were primarily due to declines in income from our fixed maturities, reflective of declining reinvestment rates and from our limited partnership investments, partially offset by an increase in dividends from parent’s shares.

Net investment income decreased 2.2% to $306.1 million in 2012 compared to $312.9 million in 2011. The decrease was primarily due to a decline in income from our fixed maturities resulting from lower reinvestment rates, partially offset by additional dividend income from equity investments.

The following table shows the components of net investment income for the periods indicated:

	Years Ended December 31,		
(Dollars in millions)	2013	2012	2011
Fixed maturities	$ 210.4	$ 216.8	$ 232.3
Equity securities	36.3	39.3	29.7
Short-term investments and cash	1.1	1.1	1.1
Other invested assets			
Limited partnerships	36.7	39.7	42.3
Dividends from Parent's shares	21.3	18.7	18.6
Other	7.3	3.8	2.7
Gross investment income before adjustments	313.1	319.4	326.8
Funds held interest income (expense)	6.9	4.4	(1.1)
Gross investment income	320.1	323.7	325.7
Investment expenses	(23.1)	(17.6)	(12.7)
Net investment income	$ 297.0	$ 306.1	$ 312.9

(Some amounts may not reconcile due to rounding.)

The following table shows a comparison of various investment yields for the periods indicated:

	2013	2012	2011
Imbedded pre-tax yield of cash and invested assets at December 31	3.3%	3.4%	3.6%
Imbedded after-tax yield of cash and invested assets at December 31	2.4%	2.4%	2.7%
Annualized pre-tax yield on average cash and invested assets	3.6%	3.7%	3.9%
Annualized after-tax yield on average cash and invested assets	2.6%	2.7%	3.0%

Net Realized Capital Gains (Losses).
The following table presents the composition of our net realized capital gains (losses) for the periods indicated:

	Years Ended December 31,			2013/2012	2012/2011
(Dollars in millions)	2013	2012	2011	Variance	Variance
Gains (losses) from sales:					
Fixed maturity securities, market value					
Gains	$ 14.4	$ 14.8	$ 38.3	$ (0.4)	$ (23.5)
Losses	(10.7)	(9.1)	(55.0)	(1.6)	45.9
Total	3.8	5.7	(16.7)	(1.9)	22.4
Fixed maturity securities, fair value					
Gains	0.5	6.3	1.1	(5.8)	5.2
Losses	(0.3)	(0.6)	(2.0)	0.3	1.4
Total	0.2	5.7	(0.9)	(5.5)	6.6
Equity securities, market value					
Gains	-	-	0.2	-	(0.2)
Losses	-	-	(0.2)	-	0.2
Total	-	-	-	-	-
Equity securities, fair value					
Gains	40.5	40.8	15.7	(0.3)	25.1
Losses	(8.9)	(18.2)	(8.0)	9.3	(10.2)
Total	31.6	22.6	7.6	9.0	15.0
Total net realized gains (losses) from sales					
Gains	55.4	61.9	55.3	(6.5)	6.6
Losses	(19.8)	(28.0)	(65.2)	8.2	37.2
Total	35.6	33.9	(9.9)	1.7	43.8
Other than temporary impairments:	-	(6.6)	(14.5)	6.6	7.9
Gains (losses) from fair value adjustments:					
Fixed maturities, fair value	0.3	1.9	(15.5)	(1.6)	17.4
Equity securities, fair value	240.9	111.2	7.2	129.7	104.0
Other invested assets, fair value	446.3	251.4	(8.4)	194.9	259.8
Total	687.6	364.5	(16.7)	323.1	381.2
Total net realized gains (losses)	$ 723.1	$ 391.7	$ (41.1)	$ 331.4	$ 432.8

(Some amounts may not reconcile due to rounding)

Net realized capital gains were $723.1 million and $391.7 million and net realized capital losses were $41.1 million in 2013, 2012 and 2011, respectively. In 2013, we recorded $687.6 million of gains due to fair value re-measurements on fixed maturity, equity securities and other invested assets and $35.6 million of net realized capital gains from sales of fixed maturity and equity securities. The fixed maturity and equity sales in 2013 related primarily to adjusting the portfolios for overall market changes and individual credit shifts. In 2012, we recorded $364.5 million of gains due to fair value re-measurements on fixed maturity,

equity securities and other invested assets and $33.9 million of net realized capital gains from sales of fixed maturity and equity securities, partially offset by $6.6 million of other-than-temporary impairments on fixed maturity securities. The fixed maturity sales in 2012 related primarily to maintaining a balanced foreign currency exposure and the equity sales related primarily to reducing our equity exposure. In 2011, we recorded $16.7 million of losses due to fair value re-measurements on fixed maturity and equity securities and other invested assets, $14.5 million of other-than-temporary impairments on fixed maturity securities and $9.9 million of net realized capital losses from sales of fixed maturity and equity securities.

Segment Results.
The U.S. Reinsurance operation writes property and casualty reinsurance and specialty lines of business, including Marine, Aviation, Surety and A&H business, on both a treaty and facultative basis, through reinsurance brokers, as well as directly with ceding companies primarily within the U.S. The International operation writes foreign property and casualty reinsurance through Everest Re's branches in Canada, Singapore and through offices in Brazil, Miami and New Jersey. The Insurance operation writes property and casualty insurance, including medical stop loss insurance, directly and through general agents, brokers and surplus lines brokers within the U.S and Canada.

These segments are managed independently, but conform with corporate guidelines with respect to pricing, risk management, control of aggregate catastrophe exposures, capital, investments and support operations. Management generally monitors and evaluates the financial performance of these operating segments based upon their underwriting results.

Underwriting results include earned premium less losses and LAE incurred, commission and brokerage expenses and other underwriting expenses. We measure our underwriting results using ratios, in particular loss, commission and brokerage and other underwriting expense ratios, which respectively, divide incurred losses, commissions and brokerage and other underwriting expenses by premiums earned.

Our loss and LAE reserves are our best estimate of our ultimate liability for unpaid claims. We re-evaluate our estimates on an ongoing basis, including all prior period reserves, taking into consideration all available information and, in particular, recently reported loss claim experience and trends related to prior periods. Such re-evaluations are recorded in incurred losses in the period in which the re-evaluation is made.

The following discusses the underwriting results for each of our segments for the periods indicated:

U.S. Reinsurance.
The following table presents the underwriting results and ratios for the U.S. Reinsurance segment for the periods indicated.

	Years Ended December 31,			2013/2012		2012/2011	
(Dollars in millions)	2013	2012	2011	Variance	% Change	Variance	% Change
Gross written premiums	$ 1,826.0	$ 1,310.7	$ 1,346.8	$ 515.4	39.3 %	$ (36.1)	-2.7 %
Net written premiums	909.6	659.7	688.5	249.9	37.9 %	(28.8)	-4.2 %
Premiums earned	$ 842.3	$ 722.4	$ 697.7	$ 120.0	16.6 %	$ 24.6	3.5 %
Incurred losses and LAE	424.2	582.4	623.1	(158.3)	-27.2 %	(40.7)	-6.5 %
Commission and brokerage	159.7	168.6	156.0	(8.9)	-5.3 %	12.6	8.1 %
Other underwriting expenses	47.2	44.8	39.3	2.4	5.4 %	5.5	14.0 %
Underwriting gain (loss)	$ 211.2	$ (73.4)	$ (120.7)	$ 284.7	NM	$ 47.3	-39.2 %
					Point Chg		Point Chg
Loss ratio	50.4 %	80.6 %	89.3 %		(30.2)		(8.7)
Commission and brokerage ratio	19.0 %	23.3 %	22.4 %		(4.3)		0.9
Other underwriting expense ratio	5.5 %	6.3 %	5.6 %		(0.8)		0.7
Combined ratio	74.9 %	110.2 %	117.3 %		(35.3)		(7.1)

(NM, not meaningful)
(Some amounts may not reconcile due to rounding)

Premiums. Gross written premiums increased by 39.3% to $1,826.0 million in 2013 from $1,310.7 million in 2012, primarily due to the impact of a large Florida quota share reinsurance contract, new business opportunities, particularly for contracts with catastrophe exposed risks and higher subject premium on casualty quota share business as rates began to rise in these markets. Excluding the impact of the Florida quota share reinsurance contract, gross written premiums increased 18.9%. Net written premiums increased by 37.9% to $909.6 million in 2013 compared to $659.7 million in 2012, which is in line with the increase in gross written premiums. Premiums earned increased 16.6% to $842.3 million in 2013 compared to $722.4 million in 2012. Premiums earned were only minimally impacted by the Florida quota share reinsurance contract that affected written premiums. The change in premiums earned was relatively comparable to net written premiums, excluding the impact from the Florida quota share reinsurance contract.

Gross written premiums decreased by 2.7% to $1,310.7 million in 2012 from $1,346.8 million in 2011, primarily due to the non-renewal of a large Florida quota share reinsurance contract, partially offset by increased new business and higher premium rates on renewals, particularly for contracts with catastrophe exposed risks. Net written premiums decreased 4.2% to $659.7 million in 2012 compared to $688.5 million in 2011, which is in line with the decrease in gross written premiums. Premiums earned increased 3.5% to $722.4 million in 2012 compared to $697.7 million in

2011. The variance difference between premiums earned and net written premiums is primarily attributable to the non-renewal of the large Florida quota share reinsurance contract, which had a larger negative impact on gross and net written premiums, increases in new business, rate increases on renewals, particularly for catastrophe exposed contracts and changes in the mix of business.

Incurred Losses and LAE. The following table presents the incurred losses and LAE for the U.S. Reinsurance segment for the periods indicated.

	Years Ended December 31,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2013						
Attritional	$ 400.5	47.6 %	$ (21.0)	-2.5 %	$ 379.5	45.1 %
Catastrophes	25.9	3.1 %	18.8	2.2 %	44.7	5.3 %
Total segment	$ 426.4	50.6 %	$ (2.2)	-0.3 %	$ 424.2	50.4 %
2012						
Attritional	$ 349.6	48.4 %	$ 1.1	0.1 %	$ 350.6	48.5 %
Catastrophes	235.3	32.6 %	(3.6)	-0.5 %	231.7	32.1 %
Total segment	$ 584.9	81.0 %	$ (2.5)	-0.4 %	$ 582.4	80.6 %
2011						
Attritional	$ 399.5	57.2 %	$ 37.4	5.4 %	$ 436.9	62.6 %
Catastrophes	176.6	25.3 %	9.6	1.4 %	186.2	26.7 %
Total segment	$ 576.1	82.5 %	$ 47.0	6.8 %	$ 623.1	89.3 %
Variance 2013/2012						
Attritional	$ 50.9	(0.8) pts	$ (22.1)	(2.6) pts	$ 28.9	(3.4) pts
Catastrophes	(209.4)	(29.5) pts	22.4	2.7 pts	(187.0)	(26.8) pts
Total segment	$ (158.5)	(30.5) pts	$ 0.3	0.1 pts	$ (158.3)	(30.2) pts
Variance 2012/2011						
Attritional	$ (49.9)	(8.8) pts	$ (36.3)	(5.3) pts	$ (86.3)	(14.1) pts
Catastrophes	58.7	7.3 pts	(13.2)	(1.9) pts	45.5	5.4 pts
Total segment	$ 8.8	(1.5) pts	$ (49.5)	(7.2) pts	$ (40.7)	(8.7) pts

(Some amounts may not reconcile due to rounding.)

Incurred losses decreased by 27.2% to $424.2 million in 2013 compared to $582.4 million in 2012, primarily due to the decrease in current year catastrophe losses, partially offset by an increase of $50.9 million in current year attritional losses due to the impact of the increase in premiums earned. Current year catastrophe losses for 2013, were $25.9 million, mainly due to U.S. Storms ($22.4 million), the European floods ($2.5 million) and the Canadian Floods ($1.0 million), compared to $235.3 million of current year catastrophe losses for 2012, which related to Superstorm Sandy ($193.5 million), U.S. storms ($29.9 million) and Hurricane Isaac ($11.9 million). Despite the increase in current year attritional losses, the current year attritional loss ratio decreased 0.8 points due to the continued shift in business to excess of loss contracts which generally have lower attritional losses than pro rata contracts.

Incurred losses decreased 6.5% to $582.4 million in 2012 compared to $623.1 million in 2011, primarily due to a decrease in attritional losses of $86.3 million (14.1 points) partially offset by the $58.7 million (7.3 points) increase in current year catastrophe losses for 2012 (outlined above) compared to 2011. The current year attritional losses decreased $49.9 million due primarily to a shift in business to excess of loss contracts which generally have lower attritional losses than pro rata contracts and prior years' attritional losses decreased by $36.3 million due to less reserve development in 2012. The $176.6 million of current year catastrophe losses for 2011 related primarily to the Japanese

earthquake and tsunami ($48.3 million), the 2011 New Zealand earthquake ($42.4 million), U.S. storms ($39.6 million), Hurricane Irene ($18.4 million), the Thailand floods ($11.4 million) and the 2011 Australian floods ($3.9 million).

Segment Expenses. Commission and brokerage decreased 5.3% to $159.7 million in 2013 compared to $168.6 million in 2012. The year over year change was primarily due to the impact from the large Florida quota share reinsurance contract as well as the adoption of new accounting standards concerning the accounting for acquisition costs, which increased expenses in 2012, partially offset by the impact of the increase in premiums earned. Segment other underwriting expenses increased to $47.2 million in 2013 from $44.8 million in 2012, primarily due to increased compensation expenses and higher premiums earned.

Commission and brokerage expenses increased 8.1% to $168.6 million in 2012 compared to $156.0 million in 2011. These variances were primarily due to the increase in premiums earned and the effect resulting from commissions of the non-renewed Florida quota share contract. Segment other underwriting expenses increased to $44.8 million in 2012 compared to $39.3 million for the same period in 2011. These increases were primarily due to higher share-based compensation and employee benefit plan expenses.

International.
The following table presents the underwriting results and ratios for the International segment for the periods indicated.

	Years Ended December 31,			2013/2012		2012/2011	
(Dollars in millions)	2013	2012	2011	Variance	% Change	Variance	% Change
Gross written premiums	$ 1,370.6	$ 1,209.5	$ 1,242.6	$ 161.1	13.3 %	$ (33.1)	-2.7 %
Net written premiums	610.1	550.7	615.1	59.4	10.8 %	(64.3)	-10.5 %
Premiums earned	$ 591.7	$ 572.5	$ 636.7	$ 19.2	3.4 %	$ (64.2)	-10.1 %
Incurred losses and LAE	315.9	261.5	856.1	54.5	20.8 %	(594.7)	-69.5 %
Commission and brokerage	114.3	124.6	142.3	(10.2)	-8.2 %	(17.7)	-12.5 %
Other underwriting expenses	33.9	29.3	27.3	4.6	15.8 %	2.0	7.3 %
Underwriting gain (loss)	$ 127.5	$ 157.1	$ (389.0)	$ (29.6)	-18.8 %	$ 546.2	-140.4 %
					Point Chg		Point Chg
Loss ratio	53.4 %	45.7 %	134.5 %		7.7		(88.8)
Commission and brokerage ratio	19.3 %	21.8 %	22.3 %		(2.5)		(0.5)
Other underwriting expense ratio	5.7 %	5.0 %	4.3 %		0.7		0.7
Combined ratio	78.4 %	72.5 %	161.1 %		5.9		(88.6)

(Some amounts may not reconcile due to rounding)

Premiums. Gross written premiums increased by 13.3% to $1,370.6 million in 2013 compared to $1,209.5 million in 2012, primarily due to growth in Latin and South America business. Net written premiums increased by 10.8% to $610.1 million in 2013 compared to $550.7 million in 2012, which is consistent with the increase in gross written premiums. Premiums earned increased 3.4% to $591.7 million in 2013 compared to $572.5 million in 2012. The change in premiums earned relative to net written premiums is primarily the result of timing; premiums are earned ratably over the coverage period whereas written premiums are recorded at the initiation of the coverage period.

Gross written premiums decreased by 2.7% to $1,209.5 million in 2012 compared to $1,242.6 million in 2011, primarily due to a shift in the mix of business towards excess of loss business, which generates a lower premium rate commensurate with lower loss exposure, a $25.0 million decline due to the impact of foreign exchange rate movement and a lower level of reinstatement premiums in 2012. Net written premiums decreased by 10.5% to $550.7 million in 2012 compared to $615.1 million in 2011, primarily due to the decline in gross written premiums and the impact of changes in our affiliated quota share agreements. Premiums earned decreased by 10.1% to $572.5 million in 2012 compared to $636.7 million in 2011. The change in premiums earned is comparable to the change in net written

premiums.

Incurred Losses and LAE. The following table presents the incurred losses and LAE for the International segment for the periods indicated.

	Years Ended December 31,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2013						
Attritional	$ 307.3	51.9 %	$ (23.9)	-4.0 %	$ 283.4	47.9 %
Catastrophes	33.6	5.7 %	(1.1)	-0.2 %	32.5	5.5 %
Total segment	$ 340.9	57.6 %	$ (25.0)	-4.2 %	$ 315.9	53.4 %
2012						
Attritional	$ 270.4	47.3 %	$ (8.4)	-1.5 %	$ 262.0	45.9 %
Catastrophes	6.0	1.0 %	(6.5)	-1.1 %	(0.5)	-0.1 %
Total segment	$ 276.4	48.4 %	$ (14.9)	-2.6 %	$ 261.5	45.7 %
2011						
Attritional	$ 302.8	47.6 %	$ (56.8)	-8.9 %	$ 246.0	38.7 %
Catastrophes	610.5	95.9 %	(0.3)	-0.1 %	610.2	95.8 %
Total segment	$ 913.3	143.5 %	$ (57.1)	-9.0 %	$ 856.1	134.5 %
Variance 2013/2012						
Attritional	$ 36.9	4.6 pts	$ (15.5)	(2.5) pts	$ 21.4	2.0 pts
Catastrophes	27.6	4.7 pts	5.4	0.9 pts	33.0	5.6 pts
Total segment	$ 64.5	9.2 pts	$ (10.1)	(1.6) pts	$ 54.5	7.7 pts
Variance 2012/2011						
Attritional	$ (32.4)	(0.3) pts	$ 48.4	7.4 pts	$ 16.0	7.2 pts
Catastrophes	(604.5)	(94.9) pts	(6.2)	(1.0) pts	(610.7)	(95.9) pts
Total segment	$ (636.9)	(95.1) pts	$ 42.2	6.4 pts	$ (594.7)	(88.8) pts

(Some amounts may not reconcile due to rounding.)

Incurred losses and LAE increased by 20.8% to $315.9 million in 2013 compared to $261.5 million in 2012, representing 7.7 loss ratio points, due to increases in current year attritional losses and current year catastrophe losses. Current year catastrophe losses were $33.6 million in 2013, due to the Canadian floods ($19.0 million) and Typhoon Fitow ($14.6 million). The current year catastrophe losses of $6.0 million in 2012 related primarily to Superstorm Sandy ($5.9 million). The current year attritional losses increased by $36.9 million primarily due to the impact of the increase in premiums earned.

Incurred losses and LAE decreased 69.5% to $261.5 million in 2012 compared to $856.1 million in 2011, representing 88.8 loss ratio points. The decrease was principally due to a $604.5 million (94.9 points) decrease in current year catastrophes for 2012 (outlined above) compared to 2011. The $610.5 million of 2011 current year catastrophes related primarily to the Japanese earthquake and tsunami ($295.8 million), the 2011 New Zealand earthquake ($124.4 million), the Thailand floods ($119.8 million) and the 2011 Australian flood ($33.2 million). Attritional losses increased by $16.0 million (7.2 points) primarily due to less favorable reserve development in 2012 than in 2011.

Segment Expenses. Commission and brokerage decreased 8.2% to $114.3 million in 2013 compared to $124.6 million in 2012. This decrease was primarily due to the shift in the mix of business towards property catastrophe and excess of loss business, which have lower commission rates, partially offset by the impact of the increase in premiums earned. Segment other underwriting expenses increased to $33.9 million in 2013 compared to $29.3 million in 2012. These increases related primarily to the impact of higher premiums earned and higher compensation costs.

Commission and brokerage expenses decreased 12.5% to $124.6 million in 2012 compared to $142.3 million in 2011. This is consistent with the reduction in earned premium and a shift in the mix of business towards property catastrophe and excess of loss business which have lower commission rates. Segment other underwriting expenses increased to $29.3 million in 2012 compared to $27.3 million in 2011. The increases relate to higher personnel benefit costs.

Insurance.

The following table presents the underwriting results and ratios for the Insurance segment for the periods indicated.

	Years Ended December 31,			2013/2012		2012/2011	
					%		%
(Dollars in millions)	2013	2012	2011	Variance	Change	Variance	Change
Gross written premiums	$1,240.8	$1,049.2	$969.1	$191.6	18.3 %	$80.1	8.3 %
Net written premiums	597.7	481.2	450.4	116.6	24.2 %	30.8	6.8 %
Premiums earned	$572.3	$479.0	$459.4	$93.3	19.5 %	$19.6	4.3 %
Incurred losses and LAE	532.0	405.8	398.4	126.2	31.1 %	7.5	1.9 %
Commission and brokerage	19.8	17.5	40.4	2.3	13.1 %	(22.8)	-56.5 %
Other underwriting expenses	112.4	96.5	87.7	15.9	16.4 %	8.8	10.0 %
Underwriting gain (loss)	$(92.0)	$(40.9)	$(67.0)	$(51.1)	125.1 %	$26.2	-39.0 %
					Point Chg		Point Chg
Loss ratio	93.0 %	84.7 %	86.7 %		8.3		(2.0)
Commission and brokerage ratio	3.5 %	3.7 %	8.8 %		(0.2)		(5.1)
Other underwriting expense ratio	19.6 %	20.1 %	19.1 %		(0.5)		1.0
Combined ratio	116.1 %	108.5 %	114.6 %		7.6		(6.1)

(Some amounts may not reconcile due to rounding)

Premiums. Gross written premiums increased by 18.3% to $1,240.8 million in 2013 compared to $1,049.2 million in 2012. This increase was primarily driven by California workers' compensation, crop and non-standard auto business. Net written premiums increased by 24.2% to $597.7 million in 2013 compared to $481.2 million in 2012. The larger increase in net written premiums compared to gross written premiums is mainly due to less use of reinsurance, particularly on the crop business. Premiums earned increased 19.5% to $572.3 million in 2013 compared to $479.0 million in 2012. The change in premiums earned relative to net written premiums is the result of timing; premiums are earned ratably over the coverage period whereas written premiums are recorded at the initiation of the coverage period.

Gross written premiums increased by 8.3% to $1,049.2 million in 2012 compared to $969.1 million in 2011. This increase was primarily driven by crop and primary A&H medical stop loss business, partially offset by the termination and runoff of several large casualty programs. Net written premiums increased 6.8% to $481.2 million in 2012 compared to $450.4 million for 2011. The lower increase in net written premiums in comparison to gross written premiums is primarily attributable to a higher level of reinsurance employed for the crop business. Premiums earned increased 4.3% to $479.0 million in 2012 compared to $459.4 million in 2011. The change in premiums earned is relatively consistent with the increase in net written premiums.

Incurred Losses and LAE. The following table presents the incurred losses and LAE for the Insurance segment for the periods indicated.

	Years Ended December 31,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2013						
Attritional	$ 459.8	80.4 %	$ 72.9	12.7 %	$ 532.6	93.2 %
Catastrophes	0.5	0.1 %	(1.0)	-0.2 %	(0.6)	-0.1 %
Total segment	$ 460.2	80.5 %	$ 71.8	12.5 %	$ 532.0	93.0 %
2012						