

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

YES 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

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 NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

YES 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. []

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

Indicate by check mark if the registrant is an emerging growth company and has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange act.

YES NO

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

YES NO

The aggregate market value on June 30, 2018, the last business day of the registrant's most recently completed second quarter, of the voting shares held by non-affiliates of the registrant was \$9,417,452 thousand.

At February 1, 2019, the number of shares outstanding of the registrant's common shares was 40,675,221.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required by Items 10, 11, 12, 13 and 14 of Form 10-K is incorporated by reference into Part III hereof from the registrant's proxy statement for the 2018 Annual General Meeting of Shareholders, which will be filed with the Securities and Exchange Commission within 120 days of the close of the registrant's fiscal year ended December 31, 2018.

EVEREST RE GROUP, LTD

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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, “Group” means Everest Re Group, Ltd.; “Holdings Ireland” means Everest Underwriting Group (Ireland) Limited; “Ireland Re” means Everest Reinsurance Company (Ireland), designated activity company; “Holdings” means Everest Reinsurance Holdings, Inc.; “Everest Re” means Everest Reinsurance Company and its subsidiaries (unless the context otherwise requires); and the “Company”, “we”, “us”, and “our” means Everest Re Group, Ltd. and its subsidiaries.

ITEM 1. BUSINESS

The Company.

Group, a Bermuda company, was established in 1999 as a wholly-owned subsidiary of Holdings. On February 24, 2000, a corporate restructuring was completed and Group became the new parent holding company of Holdings. Holdings continues to be the holding company for the Company’s U.S. based operations. Holders of shares of common stock of Holdings automatically became holders of the same number of common shares of Group. Prior to the restructuring, Group had no significant assets or capitalization and had not engaged in any business or prior activities other than in connection with the restructuring.

In connection with the February 24, 2000 restructuring, Group established a Bermuda-based reinsurance subsidiary, Everest Reinsurance (Bermuda), Ltd. (“Bermuda Re”), which commenced business in the second half of 2000. Group also formed Everest Global Services, Inc., a Delaware subsidiary, to perform administrative functions for Group and its U.S. based and non-U.S. based subsidiaries.

On December 30, 2008, Group contributed Holdings to its 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. Effective July 1, 2016, the Company established a new Irish holding company, Everest Dublin Insurance Holdings Limited (Ireland) (“Everest Dublin Holdings”) and contributed Ireland Re to Everest Dublin Holdings.

Holdings, a Delaware corporation, was established in 1993 to serve as the parent holding company of Everest Re, a Delaware property and casualty reinsurer formed in 1973. Until October 6, 1995, Holdings was an indirect wholly-owned subsidiary of The Prudential Insurance Company of America (“The Prudential”). On October 6, 1995, The Prudential sold its entire interest in Holdings in an initial public offering.

During the fourth quarter of 2017, the Company established a new Irish insurance subsidiary, Everest Insurance Ireland, designated activity company (“Ireland Insurance”), which writes insurance business mainly in the European markets.

During the third quarter of 2016, the Company established domestic subsidiaries, Everest Premier Insurance Company (“Everest Premier”) and Everest Denali Insurance Company (“Everest Denali”), which are being used in the continued expansion of the Insurance operations.

Effective August 24, 2016, the Company sold its wholly-owned subsidiary, Heartland Crop Insurance Company (“Heartland”), a managing agent for crop insurance, to CGB Diversified Services, Inc. (“CGB”). The operating results of Heartland for the period owned are included within the Company’s financial statements.

The Company’s principal business, conducted through its operating segments, is the underwriting of reinsurance and insurance in the U.S., Bermuda and international markets. The Company had gross written premiums, in 2018, of \$8.5 billion with approximately 73% representing reinsurance and 27% representing insurance. Shareholders’ equity at December 31, 2018 was \$7.9 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 brokers, surplus lines brokers and general agent relationships. Group's active operating subsidiaries, other than Ireland Insurance which is not yet rated, are each rated A+ ("Superior") by

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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 principal operating subsidiaries:

Bermuda Re, a Bermuda insurance company and a direct subsidiary of Group, is registered in Bermuda as a Class 4 insurer and long-term insurer and is authorized to write property and casualty and life and annuity business. Bermuda Re commenced business in the second half of 2000. Bermuda Re’s UK branch writes property and casualty reinsurance to the United Kingdom and European markets. At December 31, 2018, Bermuda Re had shareholder’s equity of \$3.1 billion.

Everest International Reinsurance, Ltd. (“Everest International”), a Bermuda insurance company and a direct subsidiary of Group, is registered in Bermuda as a Class 4 insurer and is authorized to write property and casualty business. Through 2018, all of Everest International’s business has been inter-affiliate quota share reinsurance assumed from Everest Re, the UK branch of Bermuda Re, Ireland Re and Ireland Insurance. In 2015, Everest International issued additional capital as part of a capital restructuring initiative within the Company to support a planned increase in international business production, which includes supporting Group’s Lloyd’s of London Syndicate corporate member. At December 31, 2018, Everest International had shareholder’s equity of \$2.7 billion.

Ireland Re, an Ireland reinsurance company and an indirect subsidiary of Group, is licensed to write non-life reinsurance, both directly and through brokers, for the London and European markets.

Ireland Insurance, an Ireland insurance company and an indirect subsidiary of Group, is licensed to write insurance for the European markets.

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, Puerto Rico and Guam 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. At December 31, 2018, Everest Re had statutory surplus of \$3.7 billion.

Everest Insurance Company of Canada (“Everest Canada”), a Canadian insurance company and direct subsidiary of Holdings Ireland, is licensed to write property and casualty insurance in all Canadian provinces.

Everest National Insurance Company (“Everest National”), a Delaware insurance company and a direct subsidiary of Everest Re, is licensed in 50 states, the District of Columbia and Puerto Rico 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.

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 and is approved as an eligible surplus lines insurer in Delaware. The majority of Everest Security’s business is reinsured by its parent,

Everest Re.

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Everest International Assurance, Ltd. (“Everest Assurance”), a Bermuda company and a direct subsidiary of Holdings is registered in Bermuda as a Class 3A general business insurer and as a Class C long-term insurer. Everest Assurance has made a one-time election under section 953(d) of the U.S. Internal Revenue Code to be a U.S. income tax paying “Controlled Foreign Corporation.” By making this election, Everest Assurance is authorized to write life reinsurance and casualty reinsurance in both Bermuda and the U.S.

Everest Denali, a Delaware insurance company and a direct subsidiary of Everest Re, is licensed to write property and casualty insurance in 49 states and the District of Columbia.

Everest Premier, a Delaware insurance company and a direct subsidiary of Everest Re, is licensed to write property and casualty insurance in 49 states and the District of Columbia.

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. Effective August 24, 2016, the Company sold Heartland to CGB. The operating results of Heartland for the period owned are included within the Company’s financial statements.

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.

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 shareholders. 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 emphasizes 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. The Company believes that its existing strengths, including its broad underwriting expertise, global 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.

Commencing in 2015 the Company initiated a strategic build out of its insurance platform through the investment in key leadership hires which in turn has brought significant underwriting talent and stronger direction in achieving its insurance program strategic goals of increased premium volume and improved underwriting results. Recent growth is coming from highly diversified areas including newly launched lines of business, as well as product and geographic expansion in existing lines of business. The Company is building a world-class insurance platform capable of offering products across lines and geographies, complementing its leading global reinsurance franchise. As part of this initiative, the Company launched a new syndicate through Lloyd's of London and formed Ireland Insurance, providing access to additional international business and new product opportunities to further diversify and broaden its insurance portfolio going forward.

Marketing.

The Company writes business on a worldwide basis for many different customers and lines of business, thereby obtaining a broad spread of risk. The Company is not substantially dependent on any single customer, small group of customers, line of business or geographic area. For the 2018 calendar year, no single customer (ceding company or insured) generated more than 3% of the Company's gross written premiums. The

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Company believes that a reduction of business from any one customer would not have a material adverse effect on its future financial condition or results of operations.

Approximately 66%, 27% and 7% of the Company's 2018 gross written premiums were written in the broker reinsurance, insurance and direct reinsurance markets, respectively.

The broker reinsurance market consists of several substantial national and international brokers and a number of smaller specialized brokers. Brokers do not have the authority to bind the Company with respect to reinsurance agreements, nor does the Company commit in advance to accept any portion of a broker's submitted business. Reinsurance business from any ceding company, whether new or renewal, is subject to acceptance by the Company. Brokerage fees are generally paid by reinsurers. The Company's ten largest brokers accounted for an aggregate of approximately 52% of gross written premiums in 2018. The largest broker, Marsh and McLennan, accounted for approximately 20% of gross written premiums. The second largest broker, Aon Benfield Re, accounted for approximately 16% of gross written premiums. The Company believes that a reduction of business assumed from any one broker would not have a material adverse effect on the Company.

The direct reinsurance market remains an important distribution channel for reinsurance business written by the Company. Direct placement of reinsurance enables the Company to access clients who prefer to place their reinsurance directly with reinsurers based upon the reinsurer's in-depth understanding of the ceding company's needs.

The Company's insurance business writes direct business targeting commercial, property and casualty. It also writes business through brokers, surplus lines brokers and general agents. In 2018, Arrowhead General Insurance Agency accounted for approximately 3% of the Company's gross written premium. No other single general agent generated more than 2% of the Company's gross written premiums.

The Company continually evaluates each business relationship, including the underwriting expertise and experience brought to bear through the involved distribution channel, performs analyses to evaluate financial security, monitors performance and adjusts underwriting decisions accordingly.

Segment Results.

The U.S. Reinsurance operation writes property and casualty reinsurance and specialty lines of business, including Marine, Aviation, Surety and Accident and Health ("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 non-U.S. property and casualty reinsurance through Everest Re's branches in Canada and Singapore and through offices in Brazil, Miami and New Jersey. The Bermuda operation provides reinsurance and insurance to worldwide property and casualty markets through brokers and directly with ceding companies from its Bermuda office and reinsurance to the United Kingdom and European markets through its UK branch and Ireland Re. The Insurance operation writes property and casualty insurance directly and through brokers, surplus lines brokers and general agents within the U.S., Canada and Europe.

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 loss adjustment expenses ("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. The Company utilizes inter-affiliate reinsurance, although such reinsurance does not materially impact segment results, as business is

generally reported within the segment in which the business was first produced. For selected financial information regarding these segments, see ITEM 8, “Financial Statements and Supplementary Data” - Note 17 of Notes to Consolidated Financial Statements and ITEM 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operation - Segment Results”.

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Underwriting Operations.

The following five year table presents the distribution of the Company's gross written premiums by its segments: U.S. Reinsurance, International, Bermuda and Insurance. The premiums for each segment are further split between property and casualty business and, for reinsurance business, between pro rata or excess of loss business:

(Dollars in millions)	Gross Written Premiums by Segment Years Ended December 31, 2018											
	2018		2017		2016		2015		2014			
U.S. Reinsurance												
Property												
Pro Rata ⁽¹⁾	\$1,069.6	12.6 %	\$848.4	11.8 %	\$495.2	8.2 %	\$591.3	10.0 %	\$665.7	11.6 %		
Excess	1,031.9	12.2 %	1,085.2	15.1 %	1,054.2	17.5 %	1,065.3	18.1 %	887.6	15.4 %		
Casualty												
Pro Rata ⁽¹⁾	702.2	8.3 %	460.7	6.4 %	378.2	6.3 %	319.9	5.4 %	382.4	6.6 %		
Excess	210.6	2.5 %	198.7	2.8 %	198.2	3.3 %	171.3	2.9 %	218.8	3.8 %		
Total ⁽²⁾	3,014.3	35.6 %	2,593.0	36.1 %	2,125.8	35.2 %	2,147.9	36.5 %	2,154.5	37.4 %		
International												
Property												
Pro Rata ⁽¹⁾	\$679.8	8.0 %	\$577.5	8.1 %	671.9	11.1 %	699.3	11.9 %	846.0	14.7 %		
Excess	424.7	5.0 %	377.9	5.3 %	337.4	5.6 %	411.2	7.0 %	488.1	8.5 %		
Casualty												
Pro Rata ⁽¹⁾	281.0	3.3 %	236.4	3.3 %	111.7	1.9 %	113.4	1.9 %	152.9	2.7 %		
Excess	158.4	1.9 %	125.0	1.7 %	109.7	1.8 %	110.4	1.9 %	116.5	2.0 %		
Total ⁽²⁾	1,543.9	18.2 %	1,316.7	18.4 %	1,230.7	20.4 %	1,334.2	22.6 %	1,603.6	27.8 %		
Bermuda												
Property												
Pro Rata ⁽¹⁾	\$422.6	5.0 %	\$294.0	4.1 %	261.1	4.3 %	265.8	4.5 %	252.4	4.4 %		
Excess	229.4	2.7 %	222.0	3.1 %	175.5	2.9 %	165.3	2.8 %	183.8	3.2 %		
Casualty												
Pro Rata ⁽¹⁾	773.7	9.1 %	407.7	5.7 %	318.6	5.3 %	281.0	4.8 %	178.5	3.1 %		
Excess	240.6	2.8 %	281.2	3.9 %	135.2	2.2 %	165.2	2.8 %	171.7	3.0 %		
Total ⁽²⁾	1,666.3	19.7 %	1,205.0	16.8 %	890.4	14.8 %	877.3	14.9 %	786.4	13.7 %		
Total Reinsurance												
Property												
Pro Rata ⁽¹⁾	\$2,172.0	25.6 %	\$1,719.9	24.0 %	1,428.2	23.7 %	1,556.4	26.4 %	1,764.1	30.6 %		
Excess	1,686.0	19.9 %	1,685.1	23.5 %	1,567.1	26.0 %	1,641.8	27.9 %	1,559.5	27.1 %		
Casualty												
Pro Rata ⁽¹⁾	1,756.9	20.7 %	1,104.8	15.4 %	808.5	13.4 %	714.3	12.1 %	713.8	12.4 %		
Excess	609.7	7.2 %	604.9	8.4 %	443.1	7.3 %	446.9	7.6 %	507.0	8.8 %		
Total ⁽²⁾	6,224.6	73.4 %	5,114.7	71.3 %	4,246.9	70.4 %	4,359.4	74.0 %	4,544.5	78.9 %		
Insurance												
Property												
Pro Rata ⁽¹⁾	\$645.9	7.6 %	\$725.1	10.1 %	716.4	11.9 %	592.2	10.1 %	414.0	7.2 %		
Excess	-	0.0 %	-	0.0 %	-	0.0 %	-	0.0 %	-	0.0 %		
Casualty												

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Pro Rata ⁽¹⁾	1,604.6	18.9 %	1,334.1	18.6 %	1,070.6	17.7 %	940.1	16.0 %	804.4	14.0 %
Excess	-	0.0 %	-	0.0 %	-	0.0 %	-	0.0 %	-	0.0 %
Total ⁽²⁾	2,250.6	26.6 %	2,059.2	28.7 %	1,787.0	29.6 %	1,532.3	26.0 %	1,218.4	21.1 %
Total Company										
Property										
Pro Rata ⁽¹⁾	\$2,818.0	33.2 %	\$2,445.1	34.1 %	2,144.6	35.5 %	2,148.6	36.5 %	2,178.1	37.8 %
Excess	1,686.0	19.9 %	1,685.1	23.5 %	1,567.1	26.0 %	1,641.8	27.9 %	1,559.5	27.1 %
Casualty										
Pro Rata ⁽¹⁾	3,361.5	39.7 %	2,438.9	34.0 %	1,879.1	31.1 %	1,654.3	28.1 %	1,518.2	26.3 %
Excess	609.7	7.2 %	604.9	8.4 %	443.1	7.3 %	446.9	7.6 %	507.0	8.8 %
Total ⁽²⁾	8,475.2	100.0 %	7,173.9	100.0 %	\$6,033.9	100.0 %	\$5,891.7	100.0 %	\$5,762.9	100.0 %

(1) For purposes of the presentation above, pro rata includes all insurance and reinsurance attaching to the first dollar of loss incurred by the ceding company.

(2) Certain totals and subtotals may not reconcile due to rounding.

U.S. Reinsurance Segment. The Company's U.S. Reinsurance segment 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 within the U.S. The marine and aviation business is written primarily through brokers and contains a significant international component. Surety business consists mainly of reinsurance of contract surety bonds. The Company targets certain brokers and, through the broker market, specialty companies and small to medium sized standard lines companies. The Company also targets companies that place their business predominantly in the direct market, including small to medium sized regional ceding companies, and seeks to develop long-term relationships with those companies. In addition, the U.S. Reinsurance segment writes portions of reinsurance programs for large, national insurance companies.

In 2018, \$1,970.0 million of gross written premiums were attributable to U.S. treaty property business, of which 52.2% was written on a pro rata basis and 47.8% was written on an excess of loss basis. The Company's property underwriters utilize sophisticated underwriting methods to analyze and price property business. The Company manages its exposures to catastrophe and other large losses by limiting exposures on individual contracts and limiting aggregate exposures to catastrophes in any particular zone and across contiguous zones.

U.S. treaty casualty business accounted for \$734.4 million of gross written premiums in 2018, of which 85.6% was written on a pro rata basis and 14.4% was written on an excess of loss basis. The treaty casualty business consists of professional liability, D&O liability, workers' compensation, financial lines, excess and surplus lines and other liability coverages. As a result of the complex technical nature of most of these risks, the Company's casualty underwriters tend to specialize by line of business and work closely with the Company's pricing actuaries.

The Company's facultative unit conducts business both through brokers and directly with ceding companies, and consists of three underwriting units representing property, casualty, and national brokerage lines of business. Business is written from a facultative headquarters office in New York and satellite offices in Chicago and Oakland. In 2018, \$92.7 million, \$39.1 million and \$15.5 million of gross written premiums were attributable to the casualty, property and national brokerage lines of business, respectively.

The marine and aviation unit's 2018 gross written premiums totaled \$86.2 million, all of which was written on a treaty basis and primarily sourced through reinsurance brokers. Of the marine and aviation gross written premiums in 2018, marine treaties represented 59.0% and consisted mainly of hull and cargo coverage. In 2018, the marine unit's premiums were written 65.3% on an excess of loss basis and 34.7% on a pro rata basis. Of the marine and aviation gross written premiums in 2018, aviation premiums accounted for 41.0% and included reinsurance of airline and general aviation risks. In 2018, the aviation unit's premiums were written 89.5% on a pro rata basis and 10.5% on an excess of loss basis.

In 2018, gross written premiums of the surety unit totaled \$50.3 million, 81.1% of which was written on a pro rata basis. Most of the portfolio is reinsurance of contract surety bonds written directly with ceding companies, with the remainder being trade credit reinsurance, mostly in international markets.

In 2018, gross written premium of the A&H reinsurance unit totaled \$15.5 million, of which 74.5% was written through brokers.

The Company writes assumed business with the segregated cells of Mt. Logan Re Ltd. (Bermuda) ("Mt. Logan Re") which represents a diversified set of catastrophe exposures, diversified by risk/peril and across different geographical regions globally. In 2018, gross written premium totaled \$10.6 million, which was all on a property excess of loss basis.

In 2018, 95.9% and 4.1% of the U.S. Reinsurance segment's gross written premiums were written in the broker reinsurance and direct reinsurance markets, respectively.

International Segment. The Company's International segment focuses on opportunities in the international reinsurance markets. The Company targets several international markets, including: Canada, with a branch in Toronto; Asia, with a branch in Singapore and its Lloyd's Syndicate; and Latin America, Brazil, Africa and the

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Middle East, which business is serviced from Everest Re's Miami and New Jersey offices. The Company also writes from New Jersey "home-foreign" business, which provides reinsurance on the international portfolios of U.S. insurers. Of the Company's 2018 international gross written premiums, 71.5% represented property business, while 28.5% represented casualty business. As with its U.S. operations, the Company's International segment focuses on financially sound companies that have strong management and underwriting discipline and expertise. Of the Company's international business, 70.9% was written through brokers, with 29.1% written directly with ceding companies.

Gross written premiums of the Company's Canadian branch totaled \$173.5 million in 2018 and consisted of 35.0% of excess property business, 25.5% of pro rata casualty business, 21.5% of excess casualty business, and 18.0% of pro rata property business. Of the Canadian gross written premiums, 75.2% consisted of treaty reinsurance, while 24.8% was facultative reinsurance.

The Company's Singapore branch covers the Asian markets and accounted for \$199.8 million of gross written premiums in 2018 and consisted of 50.8% of excess property business, 36.8% of pro rata property business, 9.5% of pro rata casualty business and 2.9% of excess casualty business.

Gross written premium of the Company's Singapore Lloyd's Syndicate totaled \$4.1 million primarily on property business.

International business written out of Everest Re's Miami and New Jersey offices accounted for \$1,166.5 million of gross written premiums in 2018 and consisted of 45.9% of pro rata treaty property business, 19.4% of excess treaty property business, 18.4% of pro rata treaty casualty business, 13.3% of facultative property and casualty business and 3.0% of excess treaty casualty business. Of this international business, 60.5% was sourced from Latin America, 22.0% was sourced from the Middle East, 11.0% was home-foreign business and 6.5% was sourced from Africa.

Bermuda Segment. The Company's Bermuda segment writes property and casualty reinsurance through Bermuda Re and property and casualty reinsurance through its UK branch as well as through Ireland Re. In 2018, Bermuda Re had gross written premiums of \$761.7 million, virtually all of which was treaty reinsurance.

In 2018, the UK branch of Bermuda Re wrote \$610.8 million of gross treaty reinsurance premium consisting of 59.8% of pro rata casualty business, 20.0% of excess casualty business, 11.1% of pro rata property business and 9.1% of excess property business.

In 2018, Ireland Re wrote \$293.8 million of gross treaty reinsurance premium consisting of 34.7% of pro rata casualty business, 28.0% of pro rata property business, 19.9% of excess property business, and 17.4% of excess casualty business.

Insurance Segment. The Insurance segment writes property and casualty insurance, including medical stop loss insurance, directly and through brokers, surplus lines brokers and general agents within the U.S., Canada and through the Company's Lloyd's Syndicate. In 2018, the Company's Insurance segment wrote \$2,250.6 million of gross written premiums, of which 71.0% was casualty and 29.0% was property, principally targeting commercial property and casualty business. Insurance business written directly through the Company's offices represented \$1,576.0 million or 70.0% of the segment's premium and \$674.6 million or 30% was written through program administrators.

The Everest Specialty Commercial unit wrote \$998.2 million in premium comprised of primary and excess casualty, and sports, leisure and entertainment business of \$579.0 million, direct monoline workers compensation writings of \$190.0 million and property business of \$229.2 million. Everest Underwriting Partners unit wrote \$458.8 million in premium comprised of \$210.8 million in workers compensation program business, \$46.3 million of non-standard auto business and \$201.7 million of other property and casualty business. A&H primary insurance wrote \$278.9 million in premium, Lloyd's Syndicate wrote \$151.4 million and our Canadian offices wrote \$77.2 million. The Everest

Specialty Underwriters unit wrote \$286.1 million in premium consisting primarily of management and professional liability coverages for financial institutions and other commercial enterprises.

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Geographic Areas. The Company conducts its business in Bermuda, the U.S. and a number of foreign countries. For select financial information about geographic areas, see ITEM 8, “Financial Statements and Supplementary Data” - Note 17 of Notes to the Consolidated Financial Statements. Risks attendant to the foreign operations of the Company parallel those attendant to the U.S. operations of the Company, with the primary exception of foreign exchange risks. For more information about the risks, see ITEM 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Safe Harbor Disclosure”.

Underwriting.

One of the Company’s strategies is to “lead” as many of the reinsurance treaties it underwrites as possible. The Company leads on approximately two-thirds of its treaty reinsurance business as measured by premium. The lead reinsurer on a treaty generally accepts one of the largest percentage shares of the treaty and is in the strongest position to negotiate price, terms and conditions. Management believes this strategy enables it to obtain more favorable terms and conditions on the treaties on which it participates. When the Company does not lead the treaty, it may still suggest changes to any aspect of the treaty. The Company may decline to participate on a treaty based upon its assessment of all relevant factors.

The Company’s treaty underwriting process involves a team approach among the Company’s underwriters, actuaries and claim staff. Treaties are reviewed for compliance with the Company’s general underwriting standards and most larger treaties are subjected to detailed actuarial analysis. The actuarial models used in such analyses are tailored in each case to the subject exposures and loss experience. The Company does not separately evaluate each of the individual risks assumed under its treaties. The Company does, however, evaluate the underwriting guidelines of its ceding companies to determine their adequacy prior to entering into a treaty. The Company may also conduct underwriting, operational and claim audits at the offices of ceding companies to monitor adherence to underwriting guidelines. Underwriting audits focus on the quality of the underwriting staff, pricing and risk selection and rate monitoring over time. Claim audits may be performed in order to evaluate the client’s claims handling abilities and practices.

The Company’s facultative underwriters operate within guidelines specifying acceptable types of risks, limits and maximum risk exposures. Specified classes of large premium U.S. risks are referred to Everest Re’s New York facultative headquarters for specific review before premium quotations are given to clients. In addition, the Company’s guidelines require certain types of risks to be submitted for review because of their aggregate limits, complexity or volatility, regardless of premium amount on the underlying contract. Non-U.S. risks exhibiting similar characteristics are reviewed by senior managers within the involved operations.

In addition to its own underwriting staff, the Company’s insurance operations write casualty coverages for homogeneous risks through select program managers. These programs are evaluated based upon actuarial analysis and the program manager’s capabilities. The Company’s rates, forms and underwriting guidelines are tailored to specific risk types. The Company’s underwriting, actuarial, claim and financial functions work closely with its program managers to establish appropriate underwriting and processing guidelines as well as appropriate performance monitoring mechanisms.

Risk Management of Underwriting and Reinsurance Arrangements

Underwriting Risk and Accumulation Controls. Each segment and business unit manages its underwriting risk in accordance with established guidelines. These guidelines place dollar limits on the amount of business that can be written based on a variety of factors, including (re)insured company profile, line of business, geographic location and risk hazards. In each case, the guidelines permit limited exceptions, which must be authorized by the Company’s senior management. Management regularly reviews and revises these guidelines in response to changes in business unit product offerings, market conditions, risk versus reward analyses and the Company’s enterprise and underwriting risk management processes.

The operating results and financial condition of the Company can be adversely affected by catastrophe and other large losses. The Company manages its exposure to catastrophes and other large losses by:

- selective underwriting practices;
- diversifying its risk portfolio by geographic area and by types and classes of business;
- limiting its aggregate catastrophe loss exposure in any particular geographic zone and contiguous zones;
- purchasing reinsurance and/or retrocessional protection to the extent that such coverage can be secured cost-effectively. See “Reinsurance and Retrocession Arrangements”.

Like other insurance and reinsurance companies, the Company is exposed to multiple insured losses arising out of a single occurrence, whether a natural event, such as a hurricane or an earthquake, or other catastrophe, such as an explosion at a major factory. A large catastrophic event can be expected to generate insured losses to multiple reinsurance treaties, facultative certificates and direct insurance policies across various lines of business.

The Company focuses on potential losses that could result from any single event or series of events as part of its evaluation and monitoring of its aggregate exposures to catastrophic events. Accordingly, the Company employs various techniques to estimate the amount of loss it could sustain from any single catastrophic event or series of events in various geographic areas. These techniques range from deterministic approaches, such as tracking aggregate limits exposed in catastrophe-prone zones and applying reasonable damage factors, to modeled approaches that attempt to scientifically measure catastrophe loss exposure using sophisticated Monte Carlo simulation techniques that forecast frequency and severity of potential losses on a probabilistic basis.

No single computer model, or group of models, is currently capable of projecting the amount and probability of loss in all global geographic regions in which the Company conducts business. In addition, the form, quality and granularity of underwriting exposure data furnished by (re)insureds is not uniformly compatible with the data requirements for the Company’s licensed models, which adds to the inherent imprecision in the potential loss projections. Further, the results from multiple models and analytical methods must be combined to estimate potential losses by and across business units. Also, while most models have been updated to incorporate claims information from recent catastrophic events, catastrophe model projections are still inherently imprecise. In addition, uncertainties with respect to future climatic patterns and cycles could add further uncertainty to loss projections from models based on historical data.

Nevertheless, when combined with traditional risk management techniques and sound underwriting judgment, catastrophe models are a useful tool for underwriters to price catastrophe exposed risks and for providing management with quantitative analyses with which to monitor and manage catastrophic risk exposures by zone and across zones for individual and multiple events.

Projected catastrophe losses are generally summarized in terms of the probable maximum loss (“PML”). The Company defines PML as its anticipated loss, taking into account contract terms and limits, caused by a single catastrophe affecting a broad contiguous geographic area, such as that caused by a hurricane or earthquake. The PML will vary depending upon the modeled simulated losses and the make-up of the in force book of business. The projected severity levels are described in terms of “return periods”, such as “100-year events” and “250-year events”. For example, a 100-year PML is the estimated loss to the current in-force portfolio from a single event which has a 1% probability of being exceeded in a twelve month period. In other words, it corresponds to a 99% probability that the loss from a single event will fall below the indicated PML. It is important to note that PMLs are estimates. Modeled events are hypothetical events produced by a stochastic model. As a result, there can be no assurance that any actual event will align with the modeled event or that actual losses from events similar to the modeled events will not vary materially

from the modeled event PML.

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From an enterprise risk management perspective, management sets limits on the levels of catastrophe loss exposure the Company may underwrite. The limits are revised periodically based on a variety of factors, including but not limited to the Company's financial resources and expected earnings and risk/reward analyses of the business being underwritten.

The Company may purchase reinsurance to cover specific business written or the potential accumulation or aggregation of exposures across some or all of its operations. Reinsurance purchasing decisions consider both the potential coverage and market conditions including the pricing, terms, conditions, availability and collectability of coverage, with the aim of securing cost effective protection from financially secure counterparties. The amount of reinsurance purchased has varied over time, reflecting the Company's view of its exposures and the cost of reinsurance.

Management estimates that the projected net economic loss from its largest 100-year event in a given zone represents approximately 10% of its December 31, 2018 shareholders' equity. Economic loss is the PML exposure, net of third party reinsurance, reduced by estimated reinstatement premiums to renew coverage and estimated income taxes. The impact of income taxes on the PML depends on the distribution of the losses by corporate entity, which is also affected by inter-affiliate reinsurance. Management also monitors and controls its largest PMLs at multiple points along the loss distribution curve, such as loss amounts at the 20, 50, 100, 250, 500 and 1,000 year return periods. This process enables management to identify and control exposure accumulations and to integrate such exposures into enterprise risk, underwriting and capital management decisions.

The Company's catastrophe loss projections, segmented by risk zones, are updated quarterly and reviewed as part of a formal risk management review process. The table below reflects the Company's PML exposure, net of third party reinsurance at various return periods for its top three zones/perils (as ranked by the largest 1 in 100 year economic loss) based on loss projection data as of January 1, 2019, adjusted to reflect Industry Loss Warranty (ILW) purchases at the same level the Company had available during 2018.

Return Periods (in years)	1 in 20	1 in 50	1 in 100	1 in 250	1 in 500	1 in 1,000
Exceeding Probability	5.0%	2.0%	1.0%	0.4%	0.2%	0.1%
(Dollars in millions)						
Zone/ Peril						
Southeast U.S., Wind	\$ 639	\$ 888	\$ 1,036	\$ 1,315	\$ 1,583	\$ 2,444
California, Earthquake	136	470	781	1,132	1,302	1,571
Texas, Wind	158	467	769	1,077	1,152	1,236

The projected net economic losses, defined as PML exposures, net of third party reinsurance, reinstatement premiums and estimated income taxes, for the top three zones/perils scheduled above are as follows:

Return Periods (in years)	1 in 20	1 in 50	1 in 100	1 in 250	1 in 500	1 in 1,000
Exceeding Probability	5.0%	2.0%	1.0%	0.4%	0.2%	0.1%
(Dollars in millions)						
Zone/ Peril						
Southeast U.S., Wind	\$ 440	\$ 636	\$ 759	\$ 986	\$ 1,198	\$ 1,883
California, Earthquake	111	374	626	903	1,045	1,255
Texas, Wind	121	354	578	809	871	941

The Company believes that its methods of monitoring, analyzing and managing catastrophe exposures provide a credible risk management framework, which is integrated with its enterprise risk management, underwriting and capital management plans. However, there is much uncertainty and imprecision inherent in the catastrophe models and the catastrophe loss estimation process generally. As a result, there can be no assurance that the Company will not experience losses from individual events that exceed the PML or other return period projections, perhaps by a material amount. Nor can there be assurance that the Company will not experience events impacting multiple zones, or multiple severe events that could, in the aggregate, exceed the Company's PML expectations by a significant amount.

Terrorism Risk. While the Company writes some reinsurance contracts covering terrorism, the Company's risk management philosophy is to limit the amount of exposure by geographic region, and to strictly manage coverage for properties in areas that may be considered a target for terrorists. Providing terrorism coverage on reinsurance contracts is negotiable, and many, but not all, treaties contain exclusions which limit much of this risk. While many property insurance policies are required to offer coverage for terrorism, this coverage is often not purchased. However, terrorism is typically covered by worker compensation policies. As a result, the Company is exposed to losses from terrorism on both its reinsurance and its insurance book of business, particularly its workers' compensation and property policies. However, the insurance book generally does not insure large corporations or corporate locations that represent large concentrations of risk.

The U.S. Terrorism Risk Insurance Program Reauthorization Act of 2015 provides some protection to the insurance book of business. It also provides indirect protection to exposed reinsurance treaties. However, the Company is still exposed to risk of loss from terrorism due to deductibles, co-pays and uncovered lines of business.

Reinsurance and Retrocession Arrangements. The Company may purchase reinsurance to cover specific business written or the potential accumulation or aggregation of exposures across some or all of its operations. Reinsurance purchasing decisions consider both the potential coverage and market conditions including the pricing, terms, conditions and availability of coverage, with the aim of securing cost effective protection. The amount of reinsurance purchased has varied over time, reflecting the Company's view of its exposures and the cost of reinsurance. In recent years, the Company has increased its use of reinsurance offered through capital market facilities.

The Company participates in "common account" retrocessional arrangements for certain reinsurance treaties whereby a ceding company purchases reinsurance for the benefit of itself and its reinsurers under one or more of its reinsurance treaties. Common account retrocessional arrangements reduce the effect of individual or aggregate losses to all participating companies, including the ceding company, with respect to the involved treaties.

All of the Company's reinsurance and retrocessional agreements transfer significant reinsurance risk and therefore, are accounted for as reinsurance in accordance with the Financial Accounting Standards Board ("FASB") guidance.

At December 31, 2018, the Company had \$1,787.6 million in reinsurance receivables with respect to both paid and unpaid losses ceded. Of this amount, \$683.8 million, or 38.3%, was receivable from Mt. Logan Re collateralized segregated accounts; \$125.5 million, or 7.0%, was receivable from Munich Reinsurance America, Inc. ("Munich Re"); \$122.1 million, or 6.8%, was receivable from Zurich Versicherungs Gesellschaft ("Zurich"); and \$103.1 million, or 5.8%, was receivable from Resolution Group Reinsurance (Barbados) Limited ("Resolution Group");. The receivables from Resolution Group are fully collateralized by an individual trust agreement. No other retrocessionaire accounted for more than 5% of our receivables. Although management carefully selects its reinsurers, the Company is subject to credit risk with respect to its reinsurance because the ceding of risk to reinsurers does not relieve the Company of its liability to insureds or ceding companies. See ITEM 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition".

Claims.

Reinsurance claims are managed by the Company's professional claims staff whose responsibilities include reviewing initial loss reports and coverage issues, monitoring claims handling activities of ceding companies, establishing and adjusting proper case reserves and approving payment of claims. In addition to claims assessment, processing and payment, the claims staff selectively conducts comprehensive claim audits of both specific claims and overall claim procedures at the offices of selected ceding companies. Insurance claims are generally handled by third party claims service providers who have limited authority and are subject to oversight by the Company's professional claims staff.

The Company intensively manages its asbestos and environmental (“A&E”) exposures through a dedicated, centrally managed claim staff with experienced claim and legal professionals who specialize in the handling of such exposures. They actively manage each individual insured and reinsured account, responding to claim developments with evaluations of the involved exposures and adjustment of reserves as appropriate. Specific or general claim developments that may have material implications for the Company are regularly communicated to senior management, actuarial, legal and financial areas. Senior management and claim management personnel meet at least quarterly to review the Company’s overall reserve positions and make changes, if appropriate. The Company continually reviews its internal processing, communications and analytics, seeking to enhance the management of its A&E exposures, in particular in regard to changes in asbestos claims and litigation.

Reserves for Unpaid Property and Casualty Losses and LAE.

Significant periods of time may elapse between the occurrence of an insured loss, the reporting of the loss to the insurer and the reinsurer and the payment of that loss by the insurer and subsequent payments to the insurer by the reinsurer. To recognize liabilities for unpaid losses and LAE, insurers and reinsurers establish reserves, which are balance sheet liabilities representing estimates of future amounts needed to pay reported and unreported claims and related expenses for losses that have already occurred. Actual losses and LAE paid may deviate, perhaps substantially, from such reserves. To the extent reserves prove to be insufficient to cover actual losses and LAE after taking into account available reinsurance coverage, the Company would have to recognize such reserve shortfalls and incur a charge to earnings, which could be material in the period such recognition takes place. See ITEM 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Loss and LAE Reserves”.

As part of the reserving process, insurers and reinsurers evaluate historical data and trends and make judgments as to the impact of various factors such as legislative and judicial developments that may affect future claim amounts, changes in social and political attitudes that may increase loss exposures and inflationary and general economic trends. While the reserving process is difficult and subjective for insurance companies, the inherent uncertainties of estimating such reserves are even greater for the reinsurer, due primarily to the longer time between the date of an occurrence and the reporting of any attendant claims to the reinsurer, the diversity of development patterns among different types of reinsurance treaties or facultative contracts, the necessary reliance on the ceding companies for information regarding reported claims and differing reserving practices among ceding companies. In addition, trends that have affected development of liabilities in the past may not necessarily occur or affect liability development in the same manner or to the same degree in the future. As a result, actual losses and LAE may deviate, perhaps substantially, from estimates of reserves reflected in the Company's consolidated financial statements.

The Company’s loss and LAE reserves represent management’s best estimate of the ultimate liability. While there can be no assurance that these reserves will not need to be increased in the future, management believes that the Company’s existing reserves and reserving methodologies reduce the likelihood that any such increases would have a material adverse effect on the Company’s financial condition, results of operations or cash flows. These statements regarding the Company’s loss reserves are forward looking statements within the meaning of the U.S. federal securities laws and are intended to be covered by the safe harbor provisions contained therein. See ITEM 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Safe Harbor Disclosure”.

Like many other property and casualty insurance and reinsurance companies, the Company has experienced loss development for prior accident years, which has impacted losses and LAE reserves and caused corresponding effects to income (loss) in the periods in which the adjustments were made. There can be no assurance that adverse development from prior years will not occur in the future or that such adverse development will not have a material adverse effect on net income (loss).

The following table presents a reconciliation of beginning and ending reserve balances for the periods indicated on a GAAP basis:

(Dollars in millions)	Years Ended December 31,		
	2018	2017	2016
Gross reserves at beginning of period	\$11,884.3	\$10,312.3	\$9,951.8
Incurred related to:			
Current year	5,264.3	4,816.0	3,434.9
Prior years	387.1	(293.4)	(295.3)
Total incurred losses	5,651.4	4,522.6	3,139.6
Paid related to:			
Current year	1,700.7	1,280.6	745.6
Prior years	3,011.2	2,062.6	2,043.0
Total paid losses	4,711.9	3,343.2	2,788.6
Foreign exchange/translation adjustment	(111.7)	170.9	(99.9)
Change in reinsurance receivables on unpaid losses and LAE	407.0	221.8	109.4
Gross reserves at end of period	\$13,119.1	\$11,884.3	\$10,312.3

(Some amounts may not reconcile due to rounding.)

Current year incurred losses were \$5,264.3 million, \$4,816.0 million and \$3,434.9 million at December 31, 2018, 2017 and 2016, respectively. The increase in current year incurred losses was primarily due to an increase in attritional losses due to a 16.7% increase in premiums earned. The \$407.0 million increase in reinsurance recoverables from December 31, 2018 to December 31, 2017 is primarily related to the additional catastrophe losses incurred in 2018 as well as a retroactive reinsurance transaction with a Mt. Logan Re segregated account effective in the second quarter of 2018.

Incurred prior years' reserves increased by \$387.1 million in 2018 and decreased by \$293.4 million and \$295.3 million in 2017 and 2016, respectively. The increase for 2018 was mainly due to \$561.2 million of adverse development on prior years catastrophe losses, primarily related to Hurricanes Harvey, Irma and Maria, as well as the 2017 California wildfires. The increase in loss estimates for Hurricanes Harvey, Irma and Maria was mostly driven by re-opened claims, loss inflation from higher than expected loss adjustment expenses and in particular, their impact on aggregate covers. This reserve increase was partially offset by \$174.1 million of favorable development on prior years attritional losses which mainly related to U.S. and international property and casualty reinsurance business, as well as favorable development in the Insurance segment which largely related to workers' compensation business.

The decrease for 2017 was attributable to favorable development in the reinsurance segments of \$238.4 million, related primarily to property and short-tail business in the U.S. and Bermuda as well as favorable development on prior year catastrophe losses, partially offset by \$37.1 million of adverse development on A&E reserves. The insurance segment also experienced favorable development on prior year reserves of \$55.0 million mainly on its workers compensation business, which is largely written in California.

The decrease for 2016 was attributable to favorable development in the reinsurance segments of \$468.7 million related primarily to property and short-tail business in the U.S., property business in Canada, Latin America, Middle East and Africa, as well as favorable development on prior year catastrophe losses, partially offset by \$53.9 million of adverse development on asbestos and environmental ("A&E") reserves. Part of the favorable development in the reinsurance segments related to the 2015 loss from the explosion at the Chinese port of Tianjin. In 2015, this loss was originally

estimated to be \$60.0 million. At December 31, 2016, this loss was projected to be \$16.7 million resulting in \$43.3 million of favorable development in 2016. The net favorable development in the reinsurance segments was partially offset by \$173.4 million of unfavorable development in the insurance segment primarily related to run-off construction liability and umbrella program business.

Since the Company has operations in many countries, part of the Company's loss and LAE reserves are in foreign currencies and translated to U.S. dollars for each reporting period. Fluctuations in the exchange rates for the currencies, period over period, affect the U.S. dollar amount of outstanding reserves. The translation adjustment line at the bottom of the table eliminates the impact of the exchange fluctuations from the reserve re-estimates.

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The Company's loss reserving methodologies continuously monitor the emergence of loss and loss development trends, seeking, on a timely basis, to both adjust reserves for the impact of trend shifts and to factor the impact of such shifts into the Company's underwriting and pricing on a prospective basis.

Reserves for Asbestos and Environmental Losses and LAE.

At December 31, 2018, the Company's gross reserves for A&E claims represented 2.6% of its total reserves. The Company's A&E liabilities stem from Mt. McKinley's direct insurance business and Everest Re's assumed reinsurance business. Liabilities related to Mt. McKinley's direct business, which had been ceded to Bermuda Re previously, were retroceded to an affiliate of Clearwater Insurance Company in July 2015, concurrent with the sale of Mt. McKinley to Clearwater Insurance Company. There are significant uncertainties in estimating the amount of the Company's potential losses from A&E claims and ultimate values cannot be estimated using traditional reserving techniques. See ITEM 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Asbestos and Environmental Exposures" and Item 8, "Financial Statements and Supplementary Data" - Note 3 of Notes to Consolidated Financial Statements.

The following table summarizes the composition of the Company's total reserves for A&E losses, gross and net of reinsurance, for the periods indicated:

(Dollars in millions)	Years Ended December 31,		
	2018	2017	2016
Gross reserves	\$347.5	\$449.0	\$441.1
Reinsurance receivable	(86.0)	(130.9)	(122.0)
Net reserves	\$261.5	\$318.1	\$319.1

(Some amounts may not reconcile due to rounding.)

On July 13, 2015, the Company sold Mt. McKinley to Clearwater Insurance Company. Concurrently with the closing, the Company entered into a retrocession treaty with an affiliate of Clearwater. Per the retrocession treaty, the Company retroceded 100% of the liabilities associated with certain Mt. McKinley policies, which had been reinsured by Bermuda Re. As consideration for entering into the retrocession treaty, Bermuda Re transferred cash of \$140.3 million, an amount equal to the net loss reserves as of the closing date. Of the \$140.3 million of net loss reserves retroceded, \$100.5 million were related to A&E business. The maximum liability retroceded under the retrocession treaty will be \$440.3 million, equal to the retrocession payment plus \$300.0 million. The Company will retain liability for any amounts exceeding the maximum liability retroceded under the retrocession treaty.

Additional losses, including those relating to latent injuries and other exposures, which are as yet unrecognized, the type or magnitude of which cannot be foreseen by either the Company or the industry, may emerge in the future. Such future emergence could have material adverse effects on the Company's future financial condition, results of operations and cash flows.

Future Policy Benefit Reserves.

The Company wrote a limited amount of life and annuity reinsurance in its Bermuda segment. Future policy benefit liabilities for annuities are reported at the accumulated fund balance of these contracts. Reserves for those liabilities include mortality provisions with respect to life and annuity claims, both reported and unreported. Actual experience in a particular period may be worse than assumed experience and, consequently, may adversely affect the Company's operating results for that period. See ITEM 8, "Financial Statements and Supplementary Data" - Note 1F of Notes to Consolidated Financial Statements.

Activity in the reserve for future policy benefits is summarized for the periods indicated:

(Dollars in millions)	At December 31,		
	2018	2017	2016
Balance at beginning of year	\$51.0	\$55.1	\$58.9
Liabilities assumed	0.1	0.1	0.2
Adjustments to reserves	0.8	(0.4)	0.3
Benefits paid in the current year	(5.1)	(3.7)	(4.3)
Balance at end of year	\$46.8	\$51.0	\$55.1

(Some amounts may not reconcile due to rounding.)

Investments.

The board of directors of each of the Company's operating subsidiaries is responsible for establishing investment policy and guidelines and, together with senior management, for overseeing their execution.

The Company's principal investment objectives are to ensure funds are available to meet its insurance and reinsurance obligations and to maximize after-tax investment income while maintaining a high quality diversified investment portfolio. Considering these objectives, the Company views its investment portfolio as having two components: 1) the investments needed to satisfy outstanding liabilities (its core fixed maturities portfolio) and 2) investments funded by the Company's shareholders' equity.

For the portion needed to satisfy global outstanding liabilities, the Company generally invests in taxable and tax-preferenced fixed income securities with an average credit quality of Aa3. For the U.S. portion of this portfolio, the Company's mix of taxable and tax-preferenced investments is adjusted periodically, consistent with the Company's current and projected U.S. operating results, market conditions and our tax position. This global fixed maturity securities portfolio is externally managed by independent, professional investment managers using portfolio guidelines approved by the Company.

Over the past several years, the Company has expanded the allocation of its investments funded by shareholders' equity to include: 1) a greater percentage of publicly traded equity securities, 2) emerging market fixed maturities through mutual fund structures, as well as individual holdings, 3) high yield fixed maturities, 4) bank and private loan securities and 5) private equity limited partnership investments. The objective of this portfolio diversification is to enhance the risk-adjusted total return of the investment portfolio by allocating a prudent portion of the portfolio to higher return asset classes, which are also less subject to changes in value with movements in interest rates. The Company limits its allocation to these asset classes because of 1) the potential for volatility in their values and 2) the impact of these investments on regulatory and rating agency capital adequacy models. The Company uses investment managers experienced in these markets and adjusts its allocation to these investments based upon market conditions. At December 31, 2018, the market value of investments in these investment market sectors, carried at both market and fair value, approximated 52% of shareholders' equity.

The duration of an investment is based on the maturity of the security but also reflects the payment of interest and the possibility of early prepayments. The Company's fixed income investment guidelines include a general duration guideline. This investment duration guideline is established and periodically revised by management, which considers economic and business factors, as well as the Company's average duration of potential liabilities, which, at December 31, 2018, is estimated at approximately 3.0 years, based on the estimated payouts of underwriting liabilities using standard duration calculations.

The duration of the fixed income portfolio at December 31, 2018 and 2017 was 3.0 years and 3.1 years, respectively. The Company shortened the duration of its portfolio in recent years in response to very low available yields, particularly on securities with longer maturities. As a result, the Company has focused on purchasing high quality, shorter duration investments and investments with floating rate yields. These investments will be less subject to decline in market value as interest rates rise in the future, as forecasted by most investment analysts.

For each currency in which the Company has established substantial loss and LAE reserves, the Company seeks to maintain invested assets denominated in such currency in an amount approximately equal to the

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estimated liabilities. Approximately 29% of the Company's consolidated reserves for losses and LAE and unearned premiums represent amounts payable in foreign currencies.

The Company's net investment income was \$581.2 million, \$542.9 million and \$473.1 million for the years ended December 31, 2018, 2017 and 2016, respectively. The increase from 2017 to 2018 was primarily due to higher income from the growing fixed income portfolio and an increase in limited partnership income, partially offset by lower dividend income from our equity portfolio. The increase from 2016 to 2017 was primarily due to an increase in limited partnership income and higher income from the growing fixed income portfolio, partially offset by lower dividend income from our equity portfolio.

The Company had net realized capital losses for 2018 of \$127.1 million. In 2018, the Company recorded \$67.3 million of net losses from fair value re-measurements, \$51.7 million of net realized capital losses from sales of investments and \$8.1 million of other-than-temporary impairments. In 2017, net realized capital gains were \$153.2 million due to \$139.0 million of net gains from fair value re-measurements and \$21.3 million of net realized capital gains from sales of investments, partially offset by \$7.1 million of other-than-temporary impairments. In 2016, net realized capital losses were \$7.2 million due to \$31.6 million of other-than-temporary impairments on fixed maturity securities, \$28.0 million of realized capital loss from the sale of its Heartland subsidiary and \$6.7 million of net realized capital losses from sales of investments, partially offset by \$59.1 million of gains due to fair value re-measurements.

The Company's cash and invested assets totaled \$18.4 billion at December 31, 2018, which consisted of 87.5% fixed maturities and cash, of which 91.8% were investment grade; 8.6% other invested assets and 3.9% equity securities. The average maturity of fixed maturity securities was 3.9 years at December 31, 2018, and their overall duration was 3.0 years.

As of December 31, 2018, the Company did not have any direct investments in commercial real estate or direct commercial mortgages or any material holdings of derivative investments (other than equity index put option contracts as discussed in ITEM 8, "Financial Statements and Supplementary Data" - Note 4 of Notes to Consolidated Financial Statements) or securities of issuers that are experiencing cash flow difficulty to an extent that the Company's management believes could threaten the issuer's ability to meet debt service payments, except where other-than-temporary impairments have been recognized.

The Company's investment portfolio includes structured commercial mortgage-backed securities ("CMBS") with a book value of \$329.9 million and a market value of \$326.7 million. CMBS securities comprising more than 97% of the December 31, 2018 market value are rated AAA by Standard & Poor's Financial Services LLC ("Standard & Poor's"). Furthermore, CMBS securities comprising more than 98% of the market value are rated investment grade by Standard & Poor's.

The following table reflects investment results for the Company for the periods indicated:

	December 31,				
	Average Investments (1)	Pre-tax Investment Income (2)	Pre-tax Effective Yield	Pre-tax Realized Net Capital (Losses) Gains (3)	Pre-tax Unrealized Net Capital Gains (Losses)
(Dollars in millions)					
2018	\$18,430.8	\$ 581.2	3.15 %	\$ (127.1)	\$ (250.9)
2017	17,840.2	542.9	3.04 %	153.2	(94.8)
2016	16,967.2	473.1	2.79 %	(7.2)	96.6

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2015	16,692.8	473.5	2.84	%	(184.1)	(194.0)
2014	16,487.5	530.5	3.22	%	84.0		20.3	

Average of the beginning and ending carrying values of investments and cash, less net funds held, future policy (1) benefit reserve, and non-interest bearing cash. Bonds, common stock and redeemable and non-redeemable preferred stocks are carried at market value. Common stock, which are actively managed, are carried at fair value.

(2) After investment expenses, excluding realized net capital gains (losses).

(3) Included in 2018, 2017, 2016, 2015 and 2014 are fair value re-measurements of (\$67.3) million, \$139.0 million, \$59.1 million, (\$45.6) million and \$121.7 million, respectively.

(Some amounts may not reconcile due to rounding.)

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The amortized cost, market value and gross unrealized appreciation and depreciation of available for sale, fixed maturity, equity security investments, carried at market value and other-than-temporary impairments (“OTTI”) in accumulated other comprehensive income (“AOCI”) are as follows for the periods indicated:

(Dollars in thousands)	At December 31, 2018				OTTI in
	Amortized Cost	Unrealized Appreciation	Unrealized Depreciation	Market Value	AOCI (a)
Fixed maturity securities					
U.S. Treasury securities and obligations of U.S. government agencies and corporations	\$2,629.5	\$ 16.8	\$ (15.2)	\$2,631.1	\$ -
Obligations of U.S. states and political subdivisions	490.0	12.9	(2.8)	500.1	0.4
Corporate securities	5,538.6	48.5	(141.6)	5,445.5	1.7
Asset-backed securities	545.4	0.2	(5.5)	540.1	-
Mortgage-backed securities					
Commercial	329.9	2.2	(5.4)	326.7	-
Agency residential	1,832.8	7.3	(43.8)	1,796.3	-
Non-agency residential	10.2	-	-	10.2	-
Foreign government securities	1,335.3	34.7	(55.8)	1,314.2	0.1
Foreign corporate securities	2,694.9	64.0	(97.8)	2,661.1	0.3
Total fixed maturity securities	\$15,406.6	\$ 186.6	\$ (367.9)	\$15,225.3	\$ 2.5
Equity securities	\$-	\$ -	\$ -	\$-	\$ -

(Some amounts may not reconcile due to rounding.)

(Dollars in thousands)	At December 31, 2017				OTTI in
	Amortized Cost	Unrealized Appreciation	Unrealized Depreciation	Market Value	AOCI (a)
Fixed maturity securities					
U.S. Treasury securities and obligations of U.S. government agencies and corporations	\$1,541.0	\$ 9.8	\$ (14.1)	\$1,536.7	\$ -
Obligations of U.S. states and political subdivisions	563.8	22.1	(0.4)	585.5	-
Corporate securities	5,658.4	81.8	(41.2)	5,699.0	2.5
Asset-backed securities	532.5	0.9	(2.0)	531.4	-
Mortgage-backed securities					
Commercial	235.8	0.6	(2.4)	234.0	-
Agency residential	2,236.3	10.4	(35.8)	2,210.9	-
Non-agency residential	0.5	-	(0.1)	0.4	-
Foreign government securities	1,305.1	43.8	(34.8)	1,314.1	0.2
Foreign corporate securities	2,616.2	77.0	(48.4)	2,644.8	0.9
Total fixed maturity securities	\$14,689.6	\$ 246.4	\$ (179.2)	\$14,756.8	\$ 3.6
Equity securities	\$130.3	\$ 2.6	\$ (3.4)	\$129.5	\$ -

(Some amounts may not reconcile due to rounding.)

(a) Represents the amount of OTTI recognized in AOCI. Amount includes unrealized gains and losses on impaired securities relating to changes in the value of such securities subsequent to the impairment measurement date.

The following table represents the credit quality distribution of the Company's fixed maturities for the periods indicated:

(Dollars in millions) Rating Agency Credit Quality Distribution:	At December 31, 2018		2017			
	Market Value	Percent of Total	Market Value	Percent of Total		
AAA	\$6,698.1	44.0	% \$5,909.1	40.0	%	
AA	2,345.0	15.4	% 2,544.9	17.2	%	
A	3,082.2	20.2	% 3,374.0	22.9	%	
BBB	1,783.7	11.7	% 1,637.0	11.1	%	
BB	609.0	4.0	% 640.0	4.3	%	
B	270.0	1.8	% 333.3	2.3	%	
Rated below B	18.6	0.1	% 29.9	0.2	%	
Other	418.7	2.8	% 288.6	2.0	%	
Total	\$15,225.3	100.0	% \$14,756.8	100.0	%	

(Some amounts may not reconcile due to rounding.)

The following table summarizes fixed maturities by contractual maturity for the periods indicated:

(Dollars in millions)	At December 31,					
	2018 Market Value	Percent of Total	2017 Market Value	Percent of Total		
Fixed maturity securities - available for sale						
Due in one year or less	\$ 1,330.5	8.7	% \$ 1,050.1	7.1	%	
Due after one year through five years	8,016.5	52.7	% 7,554.3	51.2	%	
Due after five years through ten years	2,413.9	15.9	% 2,231.5	15.1	%	
Due after ten years	791.1	5.2	% 944.2	6.4	%	
Asset-backed securities	540.1	3.5	% 531.4	3.6	%	
Mortgage-backed securities	2,133.2	14.0	% 2,445.3	16.6	%	
Total fixed maturity securities	\$ 15,225.3	100.0	% \$ 14,756.8	100.0	%	

(Some amounts may not reconcile due to rounding.)

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 and 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 January 29, 2019.

The Company believes that its ratings are important as they provide the Company's customers and its investors with an independent assessment of the Company's financial strength using a rating 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)
Bermuda Re	A+ (Superior)	A+ (Strong)	A1 (upper-medium)
Ireland Re	A+ (Superior)	A+ (Strong)	Not Rated
Everest National	A+ (Superior)	A+ (Strong)	Not Rated
Everest Indemnity	A+ (Superior)	A+ (Strong)	Not Rated
Everest Security	A+ (Superior)	Not Rated	Not Rated
Everest International Assurance, Ltd.	A+ (Superior)	A (Strong)	Not Rated
Everest Canada	A+ (Superior)	A+ (Strong)	Not Rated
Everest International	A+ (Superior)	Not Rated	Not Rated
Everest Denali	A+ (Superior)	Not Rated	Not Rated
Everest Premier	A+ (Superior)	Not Rated	Not Rated
Ireland Insurance	Not Rated	A+ (Strong)	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 March 16, 2018. Standard & Poor’s states that the “A+”/“A” ratings are 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 July 28, 2018. 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. Moody’s affirmed these ratings on September 26, 2018.

Subsidiaries other than Everest Re and Bermuda Re may not be rated by some or any rating agencies because such ratings are not considered essential by the individual subsidiary's customers, because of the limited nature of the subsidiary's operations or because the subsidiaries are newly established and have not yet been rated by the agencies.

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 June 1, 2044 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)

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, higher rates and stronger profits followed by periods of abundant capacity, lower 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., Bermuda 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, domestic and international underwriting operations, including underwriting syndicates at Lloyd's of London and certain government sponsored risk transfer vehicles. 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 recently, the 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 property catastrophe and casualty reinsurance lines of business. Generally, there was ample insurance and reinsurance capacity relative to demand, as well as, additional capital from the capital markets through insurance linked financial instruments. These financial instruments such as side cars, catastrophe bonds and collateralized reinsurance funds, provide capital markets with access to insurance and reinsurance risk exposure. The capital markets demand for these products is being primarily driven by the current low interest environment and the desire to achieve greater risk diversification and potentially higher returns on their investments. This increased competition is generally having a negative impact on rates, terms and conditions; however, the impact varies widely by market and coverage.

Rates tend to fluctuate by specific region and products, particularly areas recently impacted by large catastrophic events. There were numerous natural catastrophes in 2018, with total industry losses estimated to be \$90 billion. The costliest event was the Camp Wildfire in California, the deadliest and most destructive California fire on record. These

2018 catastrophe losses followed another record year of catastrophes in 2017 where total industry losses for the worldwide events were estimated at \$140 billion. These catastrophe losses included an unprecedented series of catastrophes in the third quarter of 2017 with Hurricanes Harvey, Irma and Maria, as well as a significant earthquake in Mexico City. Additional catastrophe events occurred in the

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fourth quarter of 2017 with the wildfires in California and Hurricanes Nate and Ophelia. During 2016, catastrophe losses included the Fort McMurray Canadian wildfire, Hurricane Matthew which affected a large area of the Caribbean and southeastern United States, storms and an earthquake in Ecuador. While the future impact on market conditions from these catastrophes cannot be determined at this time, there was some firming in the markets impacted by the 2016 catastrophes and as catastrophe losses increased in 2017, there is a growing industry consensus that there will be some firming of (re)insurance rates for the areas impacted by the catastrophes.

Commencing in 2015, the Company initiated a strategic build out of its insurance platform through the investment in key leadership hires which in turn has brought significant underwriting talent and stronger direction in achieving its insurance program strategic goals of increased premium volume and improved underwriting results. Recent growth is coming from highly diversified areas including newly launched lines of business, as well as, product and geographic expansion in existing lines of business. The Company is building a world-class insurance platform capable of offering products across lines and geographies, complementing its leading global reinsurance franchise. As part of this initiative, the Company launched a new syndicate through Lloyd's of London and formed Ireland Insurance, providing the Company access to additional international business and new product opportunities to further diversify and broaden its insurance portfolio.

Overall, the Company believes that given its size, strong ratings, distribution system, reputation, expertise and capital market vehicle activity the current marketplace conditions provide profit opportunities. 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, 2019, the Company employed 1,415 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.

Regulatory Matters.

The Company and its insurance subsidiaries are subject to regulation under the insurance statutes of the various jurisdictions in which they conduct business, including essentially all states of the U.S., Canada, Singapore, Brazil, the United Kingdom, Ireland and Bermuda. These regulations vary from jurisdiction to jurisdiction and are generally designed to protect ceding insurance companies and policyholders by regulating the Company's conduct of business, financial integrity and ability to meet its obligations. Many of these regulations require reporting of information designed to allow insurance regulators to closely monitor the Company's performance.

Insurance Holding Company Regulation. Under applicable U.S. laws and regulations, no person, corporation or other entity may acquire a controlling interest in the Company, unless such person, corporation or entity has obtained the prior approval for such acquisition from the insurance commissioners of Delaware and the other states in which the Company's insurance subsidiaries are domiciled or deemed domiciled, currently California and Georgia. Under these laws, "control" is presumed when any person acquires, directly or indirectly, 10% or more of the voting securities of an insurance company. To obtain the approval of any change in control, the proposed acquirer must file an application with the relevant insurance commissioner disclosing, among other things, the background of the acquirer and that of its directors and officers, the acquirer's financial condition and its proposed changes in the management and operations of the insurance company. U.S. state regulators also require prior notice or regulatory approval of material inter-affiliate transactions within the holding company structure.

The Insurance Companies Act of Canada requires prior approval by the Minister of Finance of anyone acquiring a significant interest in an insurance company authorized to do business in Canada. In addition, the Company is subject to regulation by the insurance regulators of other states and foreign jurisdictions in which it is authorized to do business. Certain of these states and foreign jurisdictions impose regulations regulating the ability of any person to

acquire control of an insurance company authorized to do business in that jurisdiction without appropriate regulatory approval similar to those described above.

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Dividends. Under Bermuda law, Group is prohibited from declaring or paying a dividend if such payment would reduce the realizable value of its assets to an amount less than the aggregate value of its liabilities and its issued share capital and share premium (additional paid-in capital) accounts. Group's ability to pay dividends and its operating expenses is partially dependent upon dividends from its subsidiaries. The payment of dividends by insurance subsidiaries is limited under Bermuda law as well as the laws of the various U.S. states in which Group's insurance and reinsurance subsidiaries are domiciled or deemed domiciled. The limitations are generally based upon net income (loss) and compliance with applicable policyholders' surplus or minimum solvency and liquidity requirements as determined in accordance with the relevant statutory accounting practices. Under Irish corporate and regulatory law, Holdings Ireland, Everest Dublin Holdings and their subsidiaries are limited as to the dividends they can pay based on retained earnings and net income (loss) and/or capital and minimum solvency requirements. As Holdings has outstanding debt obligations, it is dependent upon dividends and other permissible payments from its operating subsidiaries to enable it to meet its debt and operating expense obligations and to pay dividends.

Under Bermuda law, Bermuda Re, Everest International and Everest Assurance are unable to declare or make payment of a dividend if they fail to meet their minimum solvency margin or minimum liquidity ratio. As long term insurers, Bermuda Re and Everest Assurance are also unable to declare or pay a dividend to anyone who is not a policyholder unless, after payment of the dividend, the value of the assets in their long term business fund, as certified by their approved actuary, exceeds their liabilities for long term business by at least the \$250,000 minimum solvency margin. Prior approval of the Bermuda Monetary Authority is required if Bermuda Re's, Everest International's or Everest Assurance's dividend payments would exceed 25% of their prior year end statutory capital and surplus. At December 31, 2018, Bermuda Re, Everest International and Everest Assurance exceeded their solvency and liquidity requirements.

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 \$3,650.6 million at December 31, 2018, 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 the insurer's statutory surplus as of the end of the prior calendar year or (2) the insurer's statutory net income (loss), not including realized capital gains (losses), for the prior calendar year. Accordingly, the maximum amount that will be available for the payment of dividends by Everest Re in 2019 without triggering the requirement for prior approval of regulatory authorities in connection with a dividend is \$365.0 million.

Insurance Regulation. Bermuda Re and Everest International are not admitted to do business in any jurisdiction in the U.S. These entities conduct their insurance business from their offices in Bermuda, and in the case of Bermuda Re, its branch in the UK. Everest Assurance, by virtue of its one-time election under section 953(d) of the U.S. Internal Revenue Code to be a U.S. income tax paying "Controlled Foreign Corporation", is admitted to do business in the U.S. and Bermuda. In Bermuda, Bermuda Re, Everest International, Everest Assurance and Mt. Logan Re are regulated by the Insurance Act 1978 (as amended) and related regulations (the "Act"). The Act establishes solvency and liquidity standards and auditing and reporting requirements and subjects Bermuda Re, Everest International and Everest Assurance to the supervision, investigation and intervention powers of the Bermuda Monetary Authority. Under the Act, Bermuda Re and Everest International, as Class 4 insurers, are each required to maintain a principal office in Bermuda, to maintain a minimum of \$100 million in statutory capital and surplus, to have an independent auditor approved by the Bermuda Monetary Authority conduct an annual audit and report on their respective statutory and U.S. GAAP financial statements and filings and to have an appointed loss reserve specialist (also approved by the Bermuda Monetary Authority) review and report on their respective loss reserves annually. Under the Act, Everest Assurance is licensed as a Class 3A insurer for general business and as a Class C insurer for long-term business.

Bermuda Re is also registered under the Act as long term insurer and is thereby authorized to write life and annuity business. As a long term insurer, Bermuda Re is required to maintain \$250,000 in statutory capital separate from their Class 4 minimum statutory capital and surplus, to maintain long term business funds, to separately account for this business and to have an approved actuary prepare a certificate concerning their long term business assets and liabilities to be filed annually. Bermuda Re's operations in the United Kingdom and worldwide are subject to regulation by the Prudential Regulation Authority (the "PRA"). The PRA imposes solvency, capital adequacy, audit, financial reporting and other regulatory requirements on insurers transacting business in the United Kingdom. Bermuda Re presently meets or exceeds all of the PRA's solvency and capital requirements.

U.S. domestic property and casualty insurers, including reinsurers, are subject to regulation by their state of domicile and by those states in which they are licensed. The regulation of reinsurers is typically focused on financial condition, investments, management and operation. The rates and policy terms of reinsurance agreements are generally not subject to direct regulation by any governmental authority.

The operations of Everest Re's foreign branch offices in Canada and Singapore are subject to regulation by the insurance regulatory officials of those jurisdictions. Management believes that the Company is in compliance with applicable laws and regulations pertaining to its business and operations.

Everest Indemnity, Everest National, Everest Security, Everest Denali and Everest Premier are subject to regulations similar to the U.S. regulations applicable to Everest Re. In addition, these companies must comply with substantial regulatory requirements in each state where they conduct business. These additional requirements include, but are not limited to, rate and policy form requirements, requirements with regard to licensing, agent appointments, participation in residual markets and claim handling procedures. These regulations are primarily designed for the protection of policyholders.

Licenses. Everest Re is a licensed property and casualty insurer and/or reinsurer in all states, the District of Columbia, Puerto Rico and Guam. Such licensing enables U.S. domestic ceding company clients to take credit for uncollateralized reinsurance receivables from Everest Re in their statutory financial statements.

Everest Re is licensed as a property and casualty reinsurer in Canada. It is also authorized to conduct reinsurance business in Singapore and Brazil. Everest Re can also write reinsurance in other foreign countries. Because some jurisdictions require a reinsurer to register in order to be an acceptable market for local insurers, Everest Re is registered as a foreign insurer and/or reinsurer in the following countries: Argentina, Bolivia, Chile, Colombia, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Peru, Venezuela and the Philippines. Everest National is licensed in 50 states, the District of Columbia and Puerto Rico. Everest Indemnity is licensed in Delaware and is eligible to write insurance on a surplus lines basis in 49 states, the District of Columbia and Puerto Rico. Everest Security is licensed in Georgia and Alabama and is approved as an eligible surplus lines insurer in Delaware. Everest Denali is licensed in 49 states and the District of Columbia. Everest Premier is licensed in 49 states and the District of Columbia. Bermuda Re and Everest International are registered as Class 4 insurers in Bermuda, and Bermuda Re is also registered as a long term insurer in Bermuda. Bermuda Re is also an authorized reinsurer in the U.K. Everest Assurance is registered as a Class 3A general business insurer in Bermuda and a Class C long-term insurer in Bermuda. By virtue of its one-time election under section 953(d) of the U.S. Internal Revenue Code to be a U.S. income tax paying "Controlled Foreign Corporation," Everest Assurance may operate in both the U.S. and Bermuda. Ireland Re is licensed to write non-life reinsurance for the London and European markets. Ireland Insurance is licensed to write insurance for the European markets. Everest Canada is licensed to write property and casualty insurance in Canada.

Periodic Examinations. U.S. insurance companies are subject to periodic financial examination (usually every three to five years) of their affairs by the insurance departments of the states in which they are licensed, authorized or accredited. U.S. insurance companies are also subject to examinations by the various state insurance departments

where they are licensed concerning compliance with applicable conduct of business regulations. In addition, foreign insurance companies and foreign branch offices are subject to examination and review by regulators in their various jurisdictions. None of the reports of these examinations or reviews contained any material findings or recommendations.

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NAIC Risk-Based Capital Requirements. The U.S. National Association of Insurance Commissioners (“NAIC”) has developed a formula to measure the amount of capital appropriate for a property and casualty insurance company to support its overall business operations in light of its size and risk profile. The major categories of a company’s risk profile are its asset risk, credit risk, and underwriting risk. The standards are an effort by the NAIC to prevent insolvencies, to ward off other financial difficulties of insurance companies and to establish uniform regulatory standards among state insurance departments.

Under the approved formula, a company’s statutory surplus is compared to its risk based capital (“RBC”). If this ratio is above a minimum threshold, no action is necessary. Below this threshold are four distinct action levels at which an insurer’s domiciliary state regulator can intervene with increasing degrees of authority over an insurer as the ratio of surplus to RBC decreases. The mildest intervention requires an insurer to submit a plan of appropriate corrective actions. The most severe action requires an insurer to be rehabilitated or liquidated.

Based on their financial positions at December 31, 2018, Everest Re, Everest National, Everest Indemnity, Everest Security, Everest Denali and Everest Premier exceed the minimum thresholds.

Commencing in 2017, the regulatory targeted capital required by the State of Delaware, Department of Insurance was expanded to include a provision for catastrophe exposure. Various proposals to change the RBC formula arise from time to time. The Company is unable to predict whether any such proposal will be adopted, the form in which any such proposals would be adopted or the effect, if any, the adoption of any such proposal or change in the RBC calculations would have on the Company.

Tax Matters.

The following summary of the taxation of the Company is based on current law. There can be no assurance that legislative, judicial, or administrative changes will not be enacted that might materially affect this summary.

Bermuda. Under Bermuda law, no income, withholding or capital gains taxes are imposed upon Group and its Bermuda subsidiaries. Group and its Bermuda subsidiaries have received an undertaking from the Minister of Finance in Bermuda that, in the event of any taxes being imposed, Group and its Bermuda subsidiaries will be exempt from taxation in Bermuda until March 2035. Non-Bermuda branches of Bermuda subsidiaries are subject to local taxes in the jurisdictions in which they operate.

United States. On December 22, 2017, the Tax Cuts and Jobs Act (“TCJA”) was signed into law and in 2018 and early 2019, the Internal Revenue Service (“IRS”) and the United States Treasury Department (“U.S. Treasury”) issued additional proposed regulations related to the new law. Management continues to monitor such newly issued guidance to determine the impact on the Company. Group’s U.S. subsidiaries conduct business in and are subject to taxation in the U.S., including provisions in the TCJA which may require current taxation of the U.S. subsidiaries pro-rata share of earnings from its ownership in foreign operations. Non-U.S. branches of U.S. subsidiaries are subject to both local taxation in the jurisdictions in which they operate and U.S. income tax, subject to relief from double taxation through foreign tax credits. Should the U.S. subsidiaries distribute current or accumulated earnings and profits in the form of dividends or otherwise, the Company would be subject to withholding taxes. The cumulative amount that would be subject to withholding tax, if distributed, is not practicable to compute. Group and its Bermuda subsidiaries believe that they have operated and will continue to operate their businesses in a manner that will not cause them to generate income treated as effectively connected with the conduct of a trade or business within the U.S. On this basis, Group does not expect that it and its Bermuda subsidiaries will be required to pay U.S. corporate income taxes other than withholding taxes on certain investment income and premium excise taxes. If Group or its Bermuda subsidiaries were to become subject to U.S. income tax, there could be a material adverse effect on the Company’s financial condition, results of operations and cash flows.

United Kingdom. Bermuda Re's UK branch and the Company's Lloyd's Syndicate conduct business in the UK and are subject to taxation in the UK. Bermuda Re believes that it has operated and will continue to operate its Bermuda operation in a manner which will not cause them to be subject to UK taxation. If Bermuda Re's Bermuda operations were to become subject to UK income tax, there could be a material adverse impact on the Company's financial condition, results of operations and cash flow.

Ireland. Holdings Ireland, Everest Dublin Holdings, Ireland Re and Ireland Insurance conduct business in Ireland and are subject to taxation in Ireland.

Available Information.

The Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and amendments to those reports are available free of charge through the Company's internet website at <http://www.everestre.com> as soon as reasonably practicable after such reports are electronically filed with the Securities and Exchange Commission (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 an investment in our securities. 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 the trading price of our common shares could decline significantly.

RISKS RELATING TO OUR BUSINESS

Fluctuations in the financial markets could result in investment losses.

Prolonged and severe disruptions in the overall public and private 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. There could also be disruption in individual market sectors, such as occurred in the energy sector in recent years. 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. By way of illustration, during the past five calendar years, pre-tax catastrophe losses, net of reinsurance, were as follows:

Calendar year:	Pre-tax catastrophe losses
(Dollars in millions)	
2018	\$ 1,800.2
2017	1,472.6
2016	301.2
2015	53.8
2014	56.3

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 placement 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.

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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 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. During the past five calendar years, the reserve re-estimation process resulted in a decrease to our pre-tax net income in 2018 and an increase to our pre-tax income for all other years:

Calendar year:	Effect on pre-tax net income	
(Dollars in millions)		
2018	\$ 387.1	decrease
2017	293.4	increase
2016	295.3	increase
2015	65.1	increase
2014	39.7	increase

The difficulty in estimating our reserves is significantly more challenging as it relates to reserving for potential A&E liabilities. At year-end 2018, 2.6% 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 that have been rated carry an “A+” (“Superior”) rating from A.M. Best. Everest Re, Bermuda Re, Ireland Re, Everest National, Everest Indemnity, Everest Canada and Ireland Insurance hold an “A+” (“Strong”) rating from Standard & Poor’s and Everest Assurance holds an “A” (“Strong”) rating from this same agency. Everest Re and Bermuda Re hold an “A1” (“upper-medium grade”) 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 the reinsurance markets, 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. Historically, we generally purchased reinsurance from other third parties only when we expect a net benefit. With the expansion of the capital markets into insurance linked financial instruments, we increased our use of capital market products for catastrophe reinsurance. In addition, we have increased some of our quota share contracts with larger retrocessions. 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.

	2018	2017	2016	2015	2014
Percentage of ceded written premiums to gross written premiums	12.5%	13.0%	12.6%	12.0%	10.9%

Because we have purchased minimal reinsurance in recent years, our net income could be reduced following a large unreinsured event or adverse overall claims experience.

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, Bermuda 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 of London.

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 \$232.0 billion in 2017 according to data compiled by Standard & Poor's. The leaders in this market are Munich Re, Swiss Re, Berkshire Hathaway Re, Hannover Rueck SE, SCOR SE, and syndicates at Lloyd's of London. 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 Chairman, Joseph V. Taranto (age 69) and 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: President and Chief Executive Officer, Dominic J. Addesso (age 65), Executive Vice President and Chief Financial Officer, Craig Howie (age 55), Executive Vice President and Chief Executive Officer Reinsurance Division, John P. Doucette (age 53), Executive Vice President, General Counsel, Chief Compliance Officer, Secretary and Managing Director and Chief Executive Officer of Bermuda Re, Sanjoy Mukherjee (age 52) and Executive Vice President, President and Chief Executive Officer of the Everest Insurance[®] Division, Jonathan Zaffino (age 46). We currently have an agreement with Mr. Taranto to serve as a non-employee Director and Chairman of the Board through December 31, 2019, subject to Mr. Taranto's annual election to the Board by its shareholders during its Annual General Meetings that occur over the term of the agreement. We have employment contracts with Mr. Addesso, Mr. Howie, Mr. Doucette, Mr. Mukherjee and Mr. Zaffino which have been filed with the SEC and provide for terms of employment ending on December 31, 2019 for Mr. Addesso, April 1, 2019 for Mr. Howie, June 1, 2019 for Mr. Doucette, January 1, 2020 for Mr. Mukherjee and September 6, 2020 for Mr. Zaffino.

On January 7, 2019, the Company announced that Mr. Addesso has informed the Group's Board of Directors that he will retire at the end of his contract term on December 31, 2019. As a result, the Board is undertaking a search as part of its succession planning process which will include a review of internal and external candidates for the position.

The other officer agreements referenced above contain automatic renewal provisions that provide for the contracts to continue indefinitely unless sooner terminated in accordance with the contract or as otherwise may be agreed.

Special considerations apply to our Bermuda operations. Under Bermuda law, non-Bermudians, other than spouses of Bermudians and individuals holding permanent or working resident certificates, are not permitted to engage in any gainful occupation in Bermuda without a work permit issued by the Bermuda government. A work permit is only granted or extended if the employer can show that, after a proper public advertisement, no Bermudian, spouse of a Bermudian or individual holding a permanent or working resident certificate is available who meets the minimum standards reasonably required for the position. The Bermuda government places a six-year term limit on individuals

with work permits, subject to specified exemptions for persons deemed to be key employees of businesses with a significant physical presence in Bermuda. Currently, all our Bermuda-based professional employees who require work permits have been granted permits by the Bermuda

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government that expire at various times between January 2019 and April 2021. This includes Sanjoy Mukherjee, the chief executive officer of our Bermuda reinsurance operation.

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 shareholders' 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, 2018	% of Total	
Mortgage-backed securities:			
Commercial	\$ 326.7	1.8	%
Agency residential	1,796.3	9.7	%
Non-agency residential	10.2	0.1	%
Other asset-backed	540.1	2.9	%
Total asset-backed	2,673.3	14.5	%
Other fixed income	12,552.0	68.1	%
Total fixed income, at market value	15,225.3	82.6	%
Fixed maturities, at fair value	2.3	0.0	%
Equity securities, at fair value	716.6	3.9	%
Other invested assets	1,591.7	8.6	%
Cash and short-term investments	897.1	4.9	%
Total investments and cash	\$ 18,433.1	100.0	%

(Some amounts may not reconcile due to rounding.)

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

Through our Bermuda and international operations, we conduct business in a variety of foreign (non-U.S.) currencies, principally the Euro, the British pound, 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 reporting currency is the U.S. dollar, and exchange rate fluctuations, especially relative to the U.S. dollar, may materially impact our results and financial position. In 2018, we wrote approximately 23.6% of our coverages in non-U.S. currencies; as of December 31, 2018, we maintained approximately 14.4% of our investment portfolio in investments denominated in non-U.S. currencies. During 2018, 2017 and 2016, the impact on our quarterly pre-tax net income from exchange rate fluctuations ranged from a loss of \$43.2 million to a gain of \$22.7 million.

In June 2016, the United Kingdom approved a referendum to exit the European Union (commonly referred to as "Brexit") which resulted in volatility in global stock markets and currency exchange rates, and has increased political, economic and global market uncertainty. The formal negotiation process for the United Kingdom to exit the European Union will determine the timing and terms of such an exit. The Company has a Lloyd's of London Syndicate and Bermuda Re has a branch operation in the United Kingdom. The nature and extent of the impact of Brexit on regulation, interest rates, currency exchange rates and financial markets is still uncertain and may adversely affect our operations.

Changes in the method for determining LIBOR and the potential replacement of LIBOR may affect our cost of capital and net investment income.

On July 27, 2017, the UK Financial Conduct Authority announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021, which is expected to result in these widely used reference rates no longer being available. Potential changes to LIBOR, as well as uncertainty related to such potential changes and the establishment of any alternative reference rates, may adversely affect the market for LIBOR-based securities and could adversely impact the interest rate on our long term subordinate notes. In addition, the discontinuance of LIBOR or changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market for LIBOR-based securities or the value of our investment portfolio.

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.

The NAIC has adopted an Insurance Data Security Model Law, which, when adopted by the states will require insurers, insurance producers and other entities required to be licensed under state insurance laws to comply with certain requirements under state insurance laws, such as developing and maintaining a written information security program, conducting risk assessments and overseeing the data security practices of third-party vendors. In addition, certain state insurance regulators are developing or have developed regulations that may impose regulatory requirements relating to cybersecurity on insurance and reinsurance companies (potentially including insurance and reinsurance companies that are not domiciled, but are licensed, in the relevant state). For example, the New York State Department of Financial Services has adopted a regulation pertaining to cybersecurity for all banking and insurance entities under its jurisdiction, effective as of March 1, 2017, which applies to us. We cannot predict the

impact these laws and regulations will have on our business, financial condition or results of operations, but our insurance and reinsurance companies could incur additional costs resulting from compliance with such laws and regulations.

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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 previous dislocation of the financial markets, Congress and the previous Presidential administration in the United States implemented changes in the way the financial services industry is regulated. Some of these changes are also impacting the insurance industry. For example, the U.S. Treasury 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, several European regulatory bodies are in process of updating existing or developing new capital adequacy directives for insurers and reinsurers. The future impact of such initiatives or new initiatives from the current Government Administration, if any, on our operation, net income (loss) or financial condition cannot be determined at this time.

Bermuda introduced new economic substance legislation in December 2018, which came into force on January 1, 2019. Based on the European Union guidelines, the legislation requires Bermuda companies to be locally managed and directed, to carry on their core income generating activities in Bermuda and to have an adequate level of local full time qualified employees, local accommodation and local expenditure. There is no experience yet as to how the Bermuda authorities will interpret and enforce these new rules, and, accordingly, we are not able to predict their impact on our operations and net income.

Regulatory challenges in the United States could adversely affect the ability of Bermuda Re to conduct business.

Bermuda Re does not intend to be licensed or admitted as an insurer or reinsurer in any U.S. jurisdiction. Under current law, Bermuda Re generally will be permitted to reinsure U.S. risks from its office in Bermuda without obtaining those licenses. However, the insurance and reinsurance regulatory framework is subject to periodic legislative review and revision. In the past, there have been congressional and other initiatives in the United States regarding increased supervision and regulation of the insurance industry, including proposals to supervise and regulate reinsurers domiciled outside the United States. If Bermuda Re were to become subject to any insurance laws of the United States or any U.S. state at any time in the future, it might be required to post deposits or maintain minimum surplus levels and might be prohibited from engaging in lines of business or from writing some types of policies. Complying with those laws could have a material adverse effect on our ability to conduct business in Bermuda and

international markets.

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Bermuda Re may need to be licensed or admitted in additional jurisdictions to develop its business.

As Bermuda Re's business develops, it will monitor the need to obtain licenses in jurisdictions other than Bermuda and the U.K., where it has an authorized branch, in order to comply with applicable law or to be able to engage in additional insurance-related activities. In addition, Bermuda Re may be at a competitive disadvantage in jurisdictions where it is not licensed or does not enjoy an exemption from licensing relative to competitors that are so licensed or exempt from licensing. Bermuda Re may not be able to obtain any additional licenses that it determines are necessary or desirable. Furthermore, the process of obtaining those licenses is often costly and may take a long time.

Bermuda Re's ability to write reinsurance may be severely limited if it is unable to arrange for security to back its reinsurance.

Many jurisdictions do not permit insurance companies to take credit for reinsurance obtained from unlicensed or non-admitted insurers on their statutory financial statements without appropriate security. Bermuda Re's reinsurance clients typically require it to post a letter of credit or enter into other security arrangements. If Bermuda Re is unable to obtain or maintain a letter of credit facility on commercially acceptable terms or is unable to arrange for other types of security, its ability to operate its business may be severely limited. If Bermuda Re defaults on any letter of credit that it obtains, it may be required to prematurely liquidate a substantial portion of its investment portfolio and other assets pledged as collateral.

RISKS RELATING TO GROUP'S 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.

Group and Holdings are holding companies, each of whose most significant asset consists of the stock of its operating subsidiaries. As a result, each of Group's and Holdings' ability to pay dividends, interest or other payments on its 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 it. 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 Group and Holdings in the future, which could prevent us from paying dividends, interest or other payments on our securities.

Provisions in Group's bye-laws could have an anti-takeover effect, which could diminish the value of its common shares.

Group's bye-laws contain provisions that could delay or prevent a change of control that a shareholder might consider favorable. The effect of these provisions could be to prevent a shareholder from receiving the benefit from any premium over the market price of our common shares offered by a bidder in a potential takeover. Even in the absence of an attempt to effect a change in management or a takeover attempt, these provisions may adversely affect the prevailing market price of our common shares if they are viewed as discouraging takeover attempts in the future.

For example, Group's bye-laws contain the following provisions that could have an anti-takeover effect:

the total voting power of any shareholder owning more than 9.9% of the common shares will be reduced to 9.9% of the total voting power of the common shares;

the board of directors may decline to register any transfer of common shares if it has reason to believe that the transfer would result in:

- i.) any person that is not an investment company beneficially owning more than 5.0% of any class of the issued and outstanding share capital of Group,
- ii.) any person holding controlled shares in excess of 9.9% of any class of the issued and outstanding share capital of Group, or
- iii.) any adverse tax, regulatory or legal consequences to Group, any of its subsidiaries or any of its shareholders;

Group also has the option to redeem or purchase all or part of a shareholder's common shares to the extent the board of directors determines it is necessary or advisable to avoid or cure any adverse or potential adverse consequences if:

- i.) any person that is not an investment company beneficially owns more than 5.0% of any class of the issued and outstanding share capital of Group,
- ii.) any person holds controlled shares in excess of 9.9% of any class of the issued and outstanding share capital of Group, or
- iii.) share ownership by any person may result in adverse tax, regulatory or legal consequences to Group, any of its subsidiaries or any other shareholder.

The Board of Directors has indicated that it will apply these bye-law provisions in such manner that "passive institutional investors" will be treated similarly to investment companies. For this purpose, "passive institutional investors" include all persons who are eligible, pursuant to Rule 13d-1(b)(1) under the U.S. Securities Exchange Act of 1934, ("the Exchange Act") to file a short-form statement on Schedule 13G, other than an insurance company or any parent holding company or control person of an insurance company.

Applicable insurance laws may also have an anti-takeover effect.

Before a person can acquire control of a U.S. insurance company, prior written approval must be obtained from the insurance commissioner of the state where that insurance company is domiciled or deemed commercially domiciled. Prior to granting approval of an application to acquire control of a domestic insurance company, a state insurance commissioner will consider such factors as the financial strength of the applicant, the integrity and competence of the applicant's board of directors and executive officers, the acquiror's plans for the future operations of the insurance company and any anti-competitive results that may arise from the consummation of the acquisition of control. Because any person who acquired control of Group would thereby acquire indirect control of its insurance company subsidiaries in the U.S., the insurance change of control laws of Delaware, California and Georgia would apply to such a transaction. This could have the effect of delaying or even preventing such a change of control.

The ownership of common shares of Group by Everest International Reinsurance, Ltd., "Everest International" a direct subsidiary of Group may have an impact on securing approval of shareholder proposals that Group's management supports.

As of December 31, 2018, Everest International owned 9,719,971 or 19.3% of the outstanding common shares of Group. Under Group's bye-laws, the total voting power of any shareholder owning more than 9.9% of the common shares is reduced to 9.9% of the total voting power of the common shares. Nevertheless, Everest International, which is controlled by Group, has the ability to vote 9.9% of the total voting power of Group's common shares.

Investors in Group may have more difficulty in protecting their interests than investors in a U.S. corporation.

The Companies Act 1981 of Bermuda (the “Companies Act”), differs in material respects from the laws applicable to U.S. corporations and their shareholders. The following is a summary of material differences between the Companies Act, as modified in some instances by provisions of Group’s bye-laws, and Delaware corporate law that could make it more difficult for investors in Group to protect their interests than investors in a U.S. corporation. Because the following statements are summaries, they do not address all aspects of Bermuda law that may be relevant to Group and its shareholders.

Alternate Directors. Group’s bye-laws provide, as permitted by Bermuda law, that each director may appoint an alternate director, who shall have the power to attend and vote at any meeting of the board of directors or committee at which that director is not personally present and to sign written consents in place of that director. Delaware law permits a director to appoint another director as an alternate to attend any board committee meeting. However, Delaware law does not provide for the designation of alternate directors with authority to attend or vote at a meeting of the board of directors.

Committees of the Board of Directors. Group’s bye-laws provide, as permitted by Bermuda law, that the board of directors may delegate any of its powers to committees that the board appoints, and those committees may consist partly or entirely of non-directors. Delaware law allows the board of directors of a corporation to delegate many of its powers to committees, but those committees may consist only of directors.

Interested Directors. Bermuda law and Group’s bye-laws provide that if a director has a personal interest in a transaction to which the company is also a party and if the director discloses the nature of this personal interest at the first opportunity, either at a meeting of directors or in writing to the directors, then the company will not be able to declare the transaction void solely due to the existence of that personal interest and the director will not be liable to the company for any profit realized from the transaction. In addition, after a director has made the declaration of interest referred to above, he or she is allowed to be counted for purposes of determining whether a quorum is present and to vote on a transaction in which he or she has an interest, unless disqualified from doing so by the chairman of the relevant board meeting. Under Delaware law, an interested director could be held liable for a transaction in which that director derived an improper personal benefit. Additionally, under Delaware law, a corporation may be able to declare a transaction with an interested director to be void unless one of the following conditions is fulfilled:

- the material facts as to the interested director’s relationship or interests are disclosed or are known to the board of directors and the board in good faith authorizes the transaction by the affirmative vote of a majority of the disinterested directors;
- the material facts are disclosed or are known to the shareholders entitled to vote on the transaction and the transaction is specifically approved in good faith by the holders of a majority of the voting shares; or
- the transaction is fair to the corporation as of the time it is authorized, approved or ratified.

Transactions with Significant Shareholders. As a Bermuda company, Group may enter into business transactions with its significant shareholders, including asset sales, in which a significant shareholder receives, or could receive, a financial benefit that is greater than that received, or to be received, by other shareholders with prior approval from Group’s board of directors but without obtaining prior approval from the shareholders. In the case of an amalgamation, in which two or more companies join together and continue as a single company, a resolution of shareholders approved by a majority of at least 75% of the votes cast is required in addition to the approval of the board of directors, except in the case of an amalgamation with and between wholly-owned subsidiaries. If Group was a Delaware corporation, any business combination with an interested shareholder (which, for this purpose, would include mergers and asset sales of greater than 10% of Group’s assets that would otherwise be considered transactions

in the ordinary course of business) within a period of three years from the time the person became an interested shareholder would require prior approval from shareholders holding at least 66 2/3% of Group's outstanding common shares not owned by the interested shareholder, unless the transaction qualified for one of the exemptions in the relevant Delaware statute or Group opted out of the statute. For purposes of the Delaware statute, an "interested shareholder" is generally

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defined as a person who together with that person's affiliates and associates owns, or within the previous three years did own, 15% or more of a corporation's outstanding voting shares.

Takeovers. Under Bermuda law, if an acquiror makes an offer for shares of a company and, within four months of the offer, the holders of not less than 90% of the shares that are the subject of the offer tender their shares, the acquiror may give the nontendering shareholders notice requiring them to transfer their shares on the terms of the offer. Within one month of receiving the notice, dissenting shareholders may apply to the court objecting to the transfer. The burden is on the dissenting shareholders to show that the court should exercise its discretion to enjoin the transfer. The court will be unlikely to do this unless there is evidence of fraud or bad faith or collusion between the acquiror and the tendering shareholders aimed at unfairly forcing out minority shareholders. Under another provision of Bermuda law, the holders of 95% of the shares of a company (the "acquiring shareholders") may give notice to the remaining shareholders requiring them to sell their shares on the terms described in the notice. Within one month of receiving the notice, dissenting shareholders may apply to the court for an appraisal of their shares. Within one month of the court's appraisal, the acquiring shareholders are entitled either to acquire all shares involved at the price fixed by the court or cancel the notice given to the remaining shareholders. If shares were acquired under the notice at a price below the court's appraisal price, the acquiring shareholders must either pay the difference in price or cancel the notice and return the shares thus acquired to the shareholder, who must then refund the purchase price. There are no comparable provisions under Delaware law.

Inspection of Corporate Records. Members of the general public have the right to inspect the public documents of Group available at the office of the Registrar of Companies and Group's registered office, both in Bermuda. These documents include the memorandum of association, which describes Group's permitted purposes and powers, any amendments to the memorandum of association and documents relating to any increase or reduction in Group's authorized share capital. Shareholders of Group have the additional right to inspect Group's bye-laws, minutes of general meetings of shareholders and audited financial statements that must be presented to the annual general meeting of shareholders. The register of shareholders of Group also is open to inspection by shareholders and to members of the public without charge. Group is required to maintain its share register at its registered office in Bermuda. Group also maintains a branch register in the offices of its transfer agent in the U.S., which is open for public inspection as required under the Companies Act. Group is required to keep at its registered office a register of its directors and officers that is open for inspection by members of the public without charge. However, Bermuda law does not provide a general right for shareholders to inspect or obtain copies of any other corporate records. Under Delaware law, any shareholder may inspect or obtain copies of a corporation's shareholder list and its other books and records for any purpose reasonably related to that person's interest as a shareholder.

Shareholder's Suits. The rights of shareholders under Bermuda law are not as extensive as the rights of shareholders under legislation or judicial precedent in many U.S. jurisdictions. Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. However, the Bermuda courts ordinarily would be expected to follow English case law precedent, which would permit a shareholder to bring an action in the name of Group to remedy a wrong done to Group where the act complained of is alleged to be beyond the corporate power of Group or illegal or would result in the violation of Group's memorandum of association or bye-laws. Furthermore, the court would give consideration to acts that are alleged to constitute a fraud against the minority shareholders or where an act requires the approval of a greater percentage of Group's shareholders than actually approved it. The winning party in an action of this type generally would be able to recover a portion of attorneys' fees incurred in connection with the action. Under Delaware law, class actions and derivative actions generally are available to stockholders for breach of fiduciary duty, corporate waste and actions not taken in accordance with applicable law. In these types of actions, the court has discretion to permit the winning party to recover its attorneys' fees.

Limitation of Liability of Directors and Officers. Group's bye-laws provide that Group and its shareholders waive all claims or rights of action that they might have, individually or in the right of the Company, against any director or officer for any act or failure to act in the performance of that director's or officer's duties. However, this waiver does

not apply to claims or rights of action that arise out of fraud or dishonesty. This waiver may have the effect of barring claims arising under U.S. federal securities laws. Under Delaware law, a corporation may include in its certificate of incorporation provisions limiting the personal liability of its directors to the corporation or its stockholders for monetary damages for many types of breach of fiduciary duty. However,

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these provisions may not limit liability for any breach of the duty of loyalty, acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, the authorization of unlawful dividends, stock repurchases or stock redemptions, or any transaction from which a director derived an improper personal benefit. Moreover, Delaware provisions would not be likely to bar claims arising under U.S. federal securities laws.

Indemnification of Directors and Officers. Group's bye-laws provide that Group shall indemnify its directors or officers to the full extent permitted by law against all actions, costs, charges, liabilities, loss, damage or expense incurred or suffered by them by reason of any act done, concurred in or omitted in the conduct of Group's business or in the discharge of their duties. Under Bermuda law, this indemnification may not extend to any matter involving fraud or dishonesty of which a director or officer may be guilty in relation to the company, as determined in a final judgment or decree not subject to appeal. Under Delaware law, a corporation may indemnify a director or officer who becomes a party to an action, suit or proceeding because of his position as a director or officer if (1) the director or officer acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and (2) if the action or proceeding involves a criminal offense, the director or officer had no reasonable cause to believe his or her conduct was unlawful.

Enforcement of Civil Liabilities. Group is organized under the laws of Bermuda. Some of its directors and officers may reside outside the U.S. A substantial portion of our assets are or may be located in jurisdictions outside the U.S. As a result, a person may not be able to affect service of process within the U.S. on directors and officers of Group and those experts who reside outside the U.S. A person also may not be able to recover against them or Group on judgments of U.S. courts or to obtain original judgments against them or Group in Bermuda courts, including judgments predicated upon civil liability provisions of the U.S. federal securities laws.

Dividends. Bermuda law does not allow a company to declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that the company, after the payment is made, would be unable to pay its liabilities as they become due, or that the realizable value of the company's assets would be less, as a result of the payment, than the aggregate of its liabilities and its issued share capital and share premium accounts. The share capital account represents the aggregate par value of issued shares, and the share premium account represents the aggregate amount paid for issued shares over and above their par value. Under Delaware law, subject to any restrictions contained in a company's certificate of incorporation, a company may pay dividends out of the surplus or, if there is no surplus, out of net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Surplus is the amount by which the net assets of a corporation exceed its stated capital. Delaware law also provides that dividends may not be paid out of net profits at any time when stated capital is less than the capital represented by the outstanding stock of all classes having a preference upon the distribution of assets.

RISKS RELATING TO TAXATION

If U.S. tax law changes, our net income may be impacted.

The TCJA addresses what some members of Congress had expressed concern about for several years, which was U.S. corporations moving their place of incorporation to low-tax jurisdictions to obtain a competitive advantage over domestic corporations that are subject to the U.S. corporate tax rate of 21%. Specifically, it addressed their concern over a perceived competitive advantage that foreign-controlled insurers and reinsurers may have had over U.S. controlled insurers and reinsurers resulting from the purchase of reinsurance by U.S. insurers from affiliates operating in some foreign jurisdictions, including Bermuda. Such affiliated reinsurance transactions are now subject to a Base Erosion and Anti-abuse Tax ("BEAT") of 5% in 2018, 10% from 2019 to 2025 and 12.5% thereafter. In addition, new proposed regulations may further limit the ability of the Company to execute alternative capital balancing transactions with unrelated parties. This would further impact our net income and effective tax rate.

Group and/or Bermuda Re may be subject to U.S. corporate income tax, which would reduce our net income.

Bermuda Re. The income of Bermuda Re is a significant portion of our worldwide income from operations. We have established guidelines for the conduct of our operations that are designed to ensure that Bermuda Re is not engaged in the conduct of a trade or business in the U.S. Based on its compliance with those guidelines, we believe that Bermuda Re should not be required to pay U.S. corporate income tax, other than withholding tax on U.S. source dividend income. However, if the IRS were to successfully assert that Bermuda Re was engaged in a U.S. trade or business, Bermuda Re would be required to pay U.S. corporate income tax on all of its income and possibly the U.S. branch profits tax. However, if the IRS were to successfully assert that Bermuda Re was engaged in a U.S. trade or business, we believe the U.S.-Bermuda tax treaty would preclude the IRS from taxing Bermuda Re's income except to the extent that its income was attributable to a U.S. permanent establishment maintained by that subsidiary. We do not believe that Bermuda Re has a permanent establishment in the U.S. If the IRS were to successfully assert that Bermuda Re did have income attributable to a permanent establishment in the U.S., Bermuda Re would be subject to U.S. tax only on that income. This would reduce our net income.

Group. We conduct our operations in a manner designed to minimize our U.S. tax exposures. Based on our compliance with guidelines designed to ensure that we generate only immaterial amounts, if any, of income that is subject to the taxing jurisdiction of the U.S., we believe that we should be required to pay only immaterial amounts, if any, of U.S. corporate income tax, other than withholding tax on U.S. source dividend income. However, if the IRS successfully asserted that we had material amounts of income that was subject to the taxing jurisdiction of the U.S., we would be required to pay U.S. corporate income tax on that income, and possibly the U.S. branch profits tax. The imposition of such tax would reduce our net income.

If Bermuda Re became subject to U.S. income tax on its income, or if we became subject to U.S. income tax, our income could also be subject to the U.S. branch profits tax. In that event, Group and Bermuda Re would be subject to taxation at a higher combined effective rate than if they were organized as U.S. corporations. The combined effect of the 21% U.S. corporate income tax rate and the 30% branch profits tax rate is a net tax rate of 44.7%. The imposition of these taxes would reduce our net income.

Group and/or Bermuda Re may become subject to Bermuda tax, which would reduce our net income.

Group and Bermuda Re are not subject to income or profits tax, withholding tax or capital gains taxes in Bermuda. Both companies have received an assurance from the Bermuda Minister of Finance under The Exempted Undertakings Tax Protection Amendment Act of 2011 to the effect that if any legislation is enacted in Bermuda that imposes any tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then that tax will not apply to us or to any of our operations or our shares, debentures or other obligations until March 31, 2035. This assurance does not prevent the application of any of those taxes to persons ordinarily resident in Bermuda and does not prevent the imposition of any tax payable in accordance with the provisions of The Land Tax Act 1967 of Bermuda or otherwise payable in relation to any land leased to Group or Bermuda Re.

Our net income will be reduced if U.S. excise and withholding taxes are increased.

Bermuda Re is subject to federal excise tax on reinsurance and insurance premiums with respect to risks located in the U.S. In addition, Bermuda Re is subject to withholding tax on dividend income from U.S. sources. These taxes could increase and other taxes could be imposed in the future on Bermuda Re's business, which would reduce our net income.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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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. Bermuda Re’s corporate offices are located in approximately 12,300 total square feet of leased office space in Hamilton, Bermuda. The Company’s other 25 locations occupy a total of approximately 223,650 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 SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information.

The common shares of Group trade on the New York Stock Exchange under the symbol, “RE”. The quarterly high and low closing market prices of Group’s common shares for the periods indicated were:

	2018		2017	
	High	Low	High	Low
First Quarter	\$262.67	\$216.47	\$239.15	\$216.04
Second Quarter	260.00	224.72	258.12	230.63
Third Quarter	236.32	209.84	271.12	211.94
Fourth Quarter	230.17	205.03	240.51	210.36

Number of Holders of Common Shares.

The number of record holders of common shares as of February 1, 2019 was 443. That number does not include the beneficial owners of shares held in “street” name or held through participants in depositories, such as The Depository Trust Company.

Dividend History and Restrictions.

In 1995, the Board of Directors of the Company established a policy of declaring regular quarterly cash dividends and has paid a regular quarterly dividend in each quarter since the fourth quarter of 1995. The Company declared and paid its quarterly cash dividend of \$1.25 per share for the first three quarters of 2017. The Company declared and paid its quarterly cash dividend of \$1.30 per share for the fourth quarter of 2017 and for the first three quarters of 2018. The Company declared and paid its quarterly cash dividend of \$1.40 per share for the fourth quarter of 2018. On February 20, 2019, the Company's Board of Directors declared a dividend of \$1.40 per share, payable on or before March 20, 2019 to shareholders of record on March 6, 2019.

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 partially dependent on dividends and other permitted payments from its subsidiaries to pay cash dividends to its shareholders. The payment of dividends to Group by Holdings and to Holdings by Everest Re is subject to Delaware regulatory restrictions and the payment of dividends to Group by Bermuda Re is subject to Bermuda insurance regulatory restrictions. See "Regulatory Matters – Dividends" and ITEM 8, "Financial Statements and Supplementary Data" - Note 14 of Notes to Consolidated Financial Statements.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Issuer Purchases of Equity Securities

	(a)	(b)	(c)	(d)
Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (1)
January 1 - 31, 2018	0	\$ -	0	1,785,507
February 1 - 28, 2018	48,471	\$ 242.0134	0	1,785,507
March 1 - 31, 2018	0	\$ -	0	1,785,507
April 1 - 30, 2018	0	\$ -	0	1,785,507
May 1 - 31, 2018	67,877	\$ 224.1978	67,000	1,718,507
June 1 - 30, 2018	45,747	\$ 224.8436	45,747	1,672,760
July 1 - 31, 2018	232	\$ 234.6125	0	1,672,760
August 1 - 31, 2018	170,563	\$ 217.2371	170,338	1,502,422
September 1 - 30, 2018	60,132	\$ 219.8726	59,094	1,443,328
October 1 - 31, 2018	0	\$ -	0	1,443,328
November 1 - 30, 2018	493	\$ 217.5254	0	1,443,328
December 1 - 31, 2018	0	\$ -	0	1,443,328
Total	393,515	\$ -	342,179	1,443,328

(1) On September 21, 2004, the Company's board of directors approved an amended share repurchase program authorizing the Company and/or its subsidiary Holdings to purchase up to an aggregate of 5,000,000 of the Company's common shares through open market transactions, privately negotiated transactions or both. On July 21, 2008; February 24, 2010; February 22, 2012; May 15, 2013; and November 19, 2014, the Company's executive committee of the Board of Directors has approved subsequent amendments to the share repurchase program authorizing the

Company and/or its subsidiary Holdings, to purchase up to a current aggregate of 30,000,000 of the Company's shares (recognizing that the number of shares authorized for repurchase has been reduced by those shares that have already been purchased) in open market transactions, privately negotiated transactions or both.

Recent Sales of Unregistered Securities.

None.

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Performance Graph.

The following Performance Graph compares cumulative total shareholder returns on the Common Shares (assuming reinvestment of dividends) from December 31, 2013 through December 31, 2018, with the cumulative total return of the Standard & Poor's 500 Index and the Standard & Poor's Insurance (Property and Casualty) Index.

	12/13	12/14	12/15	12/16	12/17	12/18
Everest Re Group,	100.00	111.44	122.52	148.36	154.94	156.07

Ltd.						
S&P						
500	100.00	113.69	115.26	129.05	157.22	150.33
S&P						
Property						
&	100.00	115.74	126.77	146.68	179.52	171.10
Casualty						
Insurance						

*\$100 invested on 12/31/13 in stock or index, including reinvestment of dividends.

Fiscal year ending December 31.

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ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated GAAP financial data of the Company as of and for the years ended December 31, 2018, 2017, 2016, 2015 and 2014, were derived from the audited consolidated financial statements of the Company. The following financial data should be read in conjunction with the Consolidated Financial Statements and accompanying notes.

(Dollars in millions, except per share amounts)	Years Ended December 31,				
	2018	2017	2016	2015	2014
Operating data:					
Gross written premiums	\$8,475.2	\$7,173.9	\$6,033.9	\$5,891.7	\$5,762.9
Net written premiums	7,414.4	6,244.7	5,270.9	5,182.3	5,132.4
Premiums earned	6,931.7	5,937.8	5,320.5	5,292.8	5,043.7
Net investment income	581.2	542.9	473.1	473.5	530.5
Net realized capital gains (losses)	(127.1)	153.2	(7.2)	(184.1)	84.0
Incurred losses and loss adjustment expenses (including catastrophes)	5,651.4	4,522.6	3,139.6	3,064.7	2,875.9
Net catastrophe losses ⁽¹⁾	1,669.8	1,339.1	286.0	50.7	50.1
Commission, brokerage, taxes and fees	1,519.0	1,304.0	1,188.7	1,183.6	1,121.1
Other underwriting expenses	371.5	318.8	302.7	257.1	233.1
Corporate expenses	30.7	25.9	27.2	23.3	23.4
Interest, fees and bond issue cost amortization expense	31.0	31.6	36.2	36.2	38.5
Income (loss) before taxes	(226.5)	405.2	1,099.8	1,111.9	1,386.8
Income tax expense (benefit)	(330.0)	(63.8)	103.5	134.0	187.7
Net income (loss) ⁽²⁾	103.6	469.0	996.3	977.9	1,199.2
EARNINGS PER COMMON SHARE:					
Basic ⁽³⁾	\$2.54	\$11.43	\$23.85	\$22.29	\$26.16
Diluted ⁽⁴⁾	\$2.53	\$11.36	\$23.68	\$22.10	\$25.91
Dividends declared	\$5.30	\$5.05	\$4.70	\$4.00	\$3.20
Certain GAAP financial ratios: ⁽⁵⁾					
Loss ratio	81.5	% 76.2	% 59.0	% 57.9	% 57.0
Other underwriting expense ratio	27.3	% 27.3	% 28.0	% 27.2	% 26.8
Combined ratio ⁽²⁾	108.8	% 103.5	% 87.0	% 85.1	% 83.8
Balance sheet data (at end of period):					
Total investments and cash	\$18,433.1	\$18,626.5	\$17,483.1	\$16,676.4	\$16,880.8
Total assets	24,794.0	23,591.8	21,321.5	20,545.4	20,339.9
Loss and LAE reserves	13,119.1	11,884.3	10,312.3	9,951.8	9,720.8
Total debt	633.6	633.4	633.2	633.0	632.7
Total liabilities	16,890.2	15,222.6	13,246.1	12,936.8	12,888.8
Shareholders' equity	7,903.8	8,369.2	8,075.4	7,608.6	7,451.1
Book value per share ⁽⁶⁾	194.43	204.95	197.45	178.21	166.75

- Catastrophe losses are presented net of reinsurance and reinstatement premiums. Catastrophe insurance provides coverage for one event. When limits are exhausted, some contractual arrangements provide for the availability of additional coverage upon the payment of additional premium. This additional premium is referred to as reinstatement premium.
- (1) Catastrophe losses are presented net of reinsurance and reinstatement premiums. Catastrophe insurance provides coverage for one event. When limits are exhausted, some contractual arrangements provide for the availability of additional coverage upon the payment of additional premium. This additional premium is referred to as reinstatement premium.
- (2) Some amounts may not reconcile due to rounding.
- (3) Based on weighted average basic common shares outstanding of 40.4 million, 40.6 million, 41.3 million, 43.4 million and 45.4 million for 2018, 2017, 2016, 2015 and 2014, respectively.
- (4) Based on weighted average diluted common shares outstanding of 40.6 million, 40.8 million, 41.6 million, 43.8 million and 45.8 million for 2018, 2017, 2016, 2015 and 2014, respectively.
- (5) Loss ratio is the GAAP losses and LAE incurred as a percentage of GAAP net premiums earned. Underwriting expense ratio is the GAAP commissions, brokerage, taxes, fees and other underwriting expenses as a percentage of GAAP net premiums earned. Combined ratio is the sum of the loss ratio and underwriting expense ratio.
- (6) Based on 40.7 million, 40.8 million, 40.9 million, 42.7 million and 44.7 million common shares outstanding for December 31, 2018, 2017, 2016, 2015 and 2014, respectively.

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, higher rates and stronger profits followed by periods of abundant capacity, lower 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., Bermuda 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, domestic and international underwriting operations, including underwriting syndicates at Lloyd's of London and certain government sponsored risk transfer vehicles. 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 recently, the 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 property catastrophe and casualty reinsurance lines of business. Generally, there was ample insurance and reinsurance capacity relative to demand, as well as, additional capital from the capital markets through insurance linked financial instruments. These financial instruments such as side cars, catastrophe bonds and collateralized reinsurance funds, provide capital markets with access to insurance and reinsurance risk exposure. The capital markets demand for these products is being primarily driven by the current low interest environment and the desire to achieve greater risk diversification and potentially higher returns on their investments. This increased competition is generally having a negative impact on rates, terms and conditions; however, the impact varies widely by market and coverage.

Rates tend to fluctuate by specific region and products, particularly areas recently impacted by large catastrophic events. There were numerous natural catastrophes in 2018 with total industry losses estimated to be \$90 billion. The costliest event was the Camp Wildfire in California, the deadliest and most destructive California fire on record. These 2018 catastrophe losses followed another record year of catastrophes in 2017 where total industry losses for the worldwide events were estimated at \$140 billion. These catastrophe losses included an unprecedented series of catastrophes in the third quarter of 2017 with Hurricanes Harvey, Irma and Maria, as well as a significant earthquake in Mexico City. Additional catastrophe events occurred in the fourth quarter of 2017 with the wild fires in California and Hurricanes Nate and Ophelia. During 2016, catastrophe losses included the Fort McMurray Canadian wildfire, Hurricane Matthew which affected a large area of the Caribbean and southeastern United States, storms and an earthquake in Ecuador. While the future impact on market conditions from these catastrophes cannot be determined at this time, there was some firming in the markets impacted by the 2016 catastrophes and as catastrophe losses

increased in 2017, there is a growing industry consensus that there will be some firming of (re)insurance rates for the areas impacted by the catastrophes.

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Commencing in 2015, we initiated a strategic build out of our insurance platform through the investment in key leadership hires which in turn has brought significant underwriting talent and stronger direction in achieving our insurance program strategic goals of increased premium volume and improved underwriting results. Recent growth is coming from highly diversified areas including newly launched lines of business, as well as, product and geographic expansion in existing lines of business. We are building a world-class insurance platform capable of offering products across lines and geographies, complementing our leading global reinsurance franchise. As part of this initiative, we launched a new syndicate through Lloyd's of London and formed Ireland Insurance, providing us access to additional international business and new product opportunities to further diversify and broaden our insurance portfolio.

Overall, we believe that given our size, strong ratings, distribution system, reputation, expertise and capital market vehicle activity the current marketplace conditions provide profit opportunities. 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 shareholders' equity for the periods indicated.

(Dollars in millions)	Years Ended December 31,			Percentage Increase/(Decrease)				
	2018	2017	2016	2018/2017		2017/2016		
Gross written premiums	\$8,475.2	\$7,173.9	\$6,033.9	18.1	%	18.9	%	
Net written premiums	7,414.4	6,244.7	5,270.9	18.7	%	18.5	%	
REVENUES:								
Premiums earned	\$6,931.7	\$5,937.8	\$5,320.5	16.7	%	11.6	%	
Net investment income	581.2	542.9	473.1	7.1	%	14.8	%	
Net realized capital gains (losses)	(127.1)	153.2	(7.2)	-183.0	%	NM		
Net derivative gain (loss)	0.5	9.6	18.6	-94.6	%	-48.6	%	
Other income (expense)	(9.1)	(35.4)	(10.6)	-74.4	%	233.2	%	
Total revenues	7,377.2	6,608.1	5,794.3	11.6	%	14.0	%	
CLAIMS AND EXPENSES:								
Incurred losses and loss adjustment expenses	5,651.4	4,522.6	3,139.6	25.0	%	44.0	%	
Commission, brokerage, taxes and fees	1,519.0	1,304.0	1,188.7	16.5	%	9.7	%	
Other underwriting expenses	371.5	318.8	302.7	16.5	%	5.3	%	
Corporate expenses	30.7	25.9	27.2	18.3	%	-4.8	%	
Interest, fees and bond issue cost amortization expense	31.0	31.6	36.2	-1.8	%	-12.8	%	
Total claims and expenses	7,603.7	6,202.9	4,694.5	22.6	%	32.1	%	
INCOME (LOSS) BEFORE TAXES	(226.5)	405.2	1,099.8	-155.9	%	-63.2	%	
Income tax expense (benefit)	(330.0)	(63.8)	103.5	NM		-161.6	%	
NET INCOME (LOSS)	\$103.6	\$469.0	\$996.3	-77.9	%	-52.9	%	
RATIOS:								
Loss ratio	81.5	%	76.2	%	59.0	%	5.3	17.2
Commission and brokerage ratio	21.9	%	22.0	%	22.3	%	(0.1)	(0.3)
Other underwriting expense ratio	5.4	%	5.3	%	5.7	%	0.1	(0.4)

Combined ratio 108.8 % 103.5 % 87.0 % 5.3 16.5

(Dollars in millions, except per share amounts)	At December 31,			Percentage Increase/(Decrease)			
	2018	2017	2016	2018/2017	2017/2016		
Balance sheet data:							
Total investments and cash	\$18,433.1	\$18,626.5	\$17,483.1	-1.0	%	6.5	%
Total assets	24,794.0	23,591.8	21,321.5	5.1	%	10.6	%
Loss and loss adjustment expense reserves	13,119.1	11,884.3	10,312.3	10.4	%	15.2	%
Total debt	633.6	633.4	633.2	0.0	%	0.0	%
Total liabilities	16,890.2	15,222.6	13,246.1	11.0	%	14.9	%
Shareholders' equity	7,903.8	8,369.2	8,075.4	-5.6	%	3.6	%
Book value per share	194.43	204.95	197.45	-5.1	%	3.8	%

(NM, not meaningful)

(Some amounts may not reconcile due to rounding.)

Revenues.

Premiums. Gross written premiums increased by 18.1% to \$8,475.2 million in 2018, compared to \$7,173.9 million in 2017, reflecting a \$1,109.9 million, or 21.7%, increase in our reinsurance business and a \$191.3 million, or 9.3%, increase in our insurance business. The increase in reinsurance premiums was mainly due to increases in treaty property and treaty casualty writings, rise in mortgage business, growth in Latin American business, and increases in production from our U.K. branch and Ireland office. The rise in insurance premiums was primarily due to increases in many lines of business, including casualty, energy, accident and health and business written through the Lloyd's Syndicate. Net written premiums increased by 18.7% to \$7,414.4 million in 2018, compared to \$6,244.7 million in 2017. This change is consistent with the change in gross written premiums. Premiums earned increased by 16.7% to \$6,931.7 million in 2018, compared to \$5,937.8 million in 2017. 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 18.9% to \$7,173.9 million in 2017, compared to \$6,033.9 million in 2016, reflecting an \$867.8 million, or 20.4%, increase in our reinsurance business and a \$272.2 million, or 15.2%, increase in our insurance business. The increase in reinsurance premiums was mainly due to new crop reinsurance transactions, increases in treaty property and financial lines of business and the influx of reinstatement premiums related to multiple catastrophe events in the third quarter. The rise in insurance premiums was related to most lines of business, including property, retail casualty, accident and health and business written through the Lloyd's Syndicate, partially offset by the impact of the sale of Heartland. Net written premiums increased by 18.5% to \$6,244.7 million in 2017, compared to \$5,270.9 million in 2016. This change is consistent with the change in gross written premiums. Premiums earned increased by 11.6% to \$5,937.8 million in 2017, compared to \$5,320.5 million in 2016. 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.

Net Investment Income. Net investment income increased by 7.1% to \$581.2 million in 2018 compared with investment income of \$542.9 million in 2017. Net pre-tax investment income, as a percentage of average invested assets, was 3.2% in 2018 compared to 3.1% in 2017. The increases in both income and yield were primarily the result of higher income from our growing fixed maturity portfolio and higher income from our limited partnerships, partially offset by lower dividend income from our equity portfolio.

Net investment income increased by 14.8% to \$542.9 million in 2017 compared with investment income of \$473.1 million in 2016. Net pre-tax investment income, as a percentage of average invested assets, was 3.1% in 2017 compared to 2.8% in 2016. The increases in income and yield were primarily the result of higher income from our limited partnerships and higher income from the growing fixed income portfolio, partially offset by lower dividend income from our equity portfolio.

Net Realized Capital Gains (Losses). Net realized capital losses were \$127.1 million in 2018, net realized capital gains were \$153.2 million in 2017 and net realized capital losses were \$7.2 million in 2016. The net realized capital losses of \$127.1 million in 2018 were comprised of \$67.3 million of net losses from fair value re-measurements, \$51.7 million of net realized capital losses from sales of investments and \$8.1 million of other-than-temporary impairments. The net realized capital gains of \$153.2 million in 2017 were comprised of \$139.0 million of net gains from fair value re-measurements and \$21.3 million of net realized capital gains from sales of investments, partially offset by \$7.1 million of other-than-temporary impairments. The net realized capital losses of \$7.2 million in 2016 were comprised of \$31.6 million of other-than-temporary impairments, realized capital loss of \$28.0 million from the sale of our Heartland subsidiary and \$6.7 million of net realized capital losses from sales of investments, partially offset by \$59.1 million of net gains from fair value re-measurements.

Net Derivative Gain (Loss). In 2005 and prior, we sold seven equity index put option contracts, six of which remain outstanding. These contracts meet the definition of a derivative in accordance with FASB guidance and as such, are

fair valued each quarter with the change recorded as net derivative gain or loss in the consolidated statements of operations and comprehensive income (loss). As a result of these adjustments in value, we recognized net derivative gains of \$0.5 million, \$9.6 million and 18.6 million in 2018, 2017 and 2016, respectively. The change in the fair value of these equity index put option contracts is generally indicative of the change in the equity markets and interest rates over the same periods.

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Other Income (Expense). We recorded other expense of \$9.1 million, \$35.4 million and \$10.6 million in 2018, 2017 and 2016, respectively. The changes were primarily the result of fluctuations in foreign currency exchange rates, income related to Mt. Logan Re and changes in deferred gains related to any retroactive reinsurance transactions. We recognized foreign currency exchange income of \$18.1 million in 2018 and foreign currency exchange expense of \$25.5 million and \$21.2 million in 2017 and 2016, respectively.

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.

(Dollars in millions)	Years Ended December 31,					
	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2018						
Attrititional	\$ 4,025.4	58.0%	\$(174.1)	-2.5 %	\$3,851.2	55.5%
Catastrophes	1,239.0	17.9%	561.2	8.1 %	1,800.2	26.0%
Total segment	\$ 5,264.3	75.9%	\$387.1	5.6 %	\$5,651.4	81.5%
2017						
Attrititional	\$ 3,313.5	55.8%	\$(263.4)	-4.4 %	\$3,050.0	51.4%
Catastrophes	1,502.5	25.3%	(30.0)	-0.5 %	1,472.6	24.8%
Total segment	\$ 4,816.0	81.1%	\$(293.4)	-4.9 %	\$4,522.6	76.2%
2016						
Attrititional	\$ 3,047.1	57.2%	\$(208.7)	-3.9 %	\$2,838.4	53.3%
Catastrophes	387.9	7.3 %	(86.6)	-1.6 %	301.2	5.7 %
Total segment	\$ 3,435.0	64.5%	\$(295.3)	-5.5 %	\$3,139.6	59.0%
Variance 2018/2017						
Attrititional	\$ 711.9	2.2 pts	\$89.3	1.9 pts	\$801.2	4.1 pts
Catastrophes	(263.6)	(7.4) pts	591.2	8.6 pts	327.6	1.2 pts
Total segment	\$ 448.4	(5.2) pts	\$680.5	10.5 pts	\$1,128.8	5.3 pts
Variance 2017/2016						
Attrititional	\$ 266.4	(1.4) pts	\$(54.7)	(0.5) pts	\$211.6	(1.9) pts
Catastrophes	1,114.6	18.0 pts	56.6	1.1 pts	1,171.4	19.1 pts
Total segment	\$ 1,381.0	16.6 pts	\$1.9	0.6 pts	\$1,383.0	17.2 pts

(Some amounts may not reconcile due to rounding.)

Incurred losses and LAE increased by 25.0% to \$5,651.4 million in 2018, compared to \$4,522.6 million in 2017, primarily due to an increase in current year attrititional losses of \$711.9 million, mainly due to the impact of the increase in premiums earned and changes in the mix of business, and unfavorable development of \$561.2 million on prior years catastrophe losses, mainly related to Hurricanes Harvey, Irma and Maria and the California wildfires. The increase in loss estimates for Hurricanes Harvey, Irma and Maria was mostly driven by re-opened claims reported in the second quarter of 2018 and loss inflation from higher than expected loss adjustment expenses and in particular, their impact on aggregate covers. These increases were partially offset by a decrease of \$263.6 million in current year catastrophe losses. The current year catastrophe losses of \$1,239.0 million in 2018 related to Hurricane Michael

(\$462.0 million), Camp wildfire (\$322.0 million), Woolsey wildfire (\$154.0 million), Typhoon Jebi (\$80.0 million), Hurricane Florence (\$73.8 million), Cyclone Mekunu (\$43.7 million), Typhoon Trami (\$25.0 million), Australia Hailstorm (\$25.0 million), other 2018 California wildfires (\$24.6 million), Japan floods (\$20.5 million) and the U.S. winter storms (\$8.4 million). The \$1,502.5 million of current year catastrophe losses in 2017 related to Hurricane Irma (\$558.1 million), Hurricane Maria (\$361.7 million), Hurricane Harvey (\$316.7 million), the 2017 Northern California wildfires (\$149.9 million), the Mexico City earthquake (\$31.0 million), the South Africa Knysna fires (\$23.7 million), Cyclone Debbie in Australia (\$22.1 million), the Peru storms (\$14.9 million), the 2017 US Midwest storms (\$12.9 million) and the Southern California wildfires (\$11.6 million).

Incurred losses and LAE increased by 44.0% to \$4,522.6 million in 2017, compared to \$3,139.6 million in 2016, primarily due to an increase of \$1,114.6 million in current year catastrophe losses and an increase in current year attritional losses of \$266.4 million, mainly due to the impact of the increase in premiums earned and \$56.6 million of less favorable development on prior years catastrophe losses in 2017 compared to 2016. These increases were partially offset by an additional \$54.7 million of favorable development on prior years attritional losses in 2017 compared to 2016. The \$263.4 million of favorable

development on prior years attritional losses in 2017 was mainly comprised of \$207.1 million of favorable development on reinsurance business, primarily related to property and short tail business in the United States and Bermuda, and \$56.4 million of favorable development on insurance business, mainly related to workers compensation business. The \$1,502.5 million of current year catastrophe losses in 2017 is outlined above. The \$387.9 million of current year catastrophe losses in 2016 related to Hurricane Matthew (\$135.0 million), the Fort McMurray Canada wildfire (\$115.8 million), 2016 U.S. storms (\$51.6 million), the Ecuador earthquake (\$23.2 million), the 2016 New Zealand earthquake (\$18.9 million), the 2016 Taiwan earthquake (\$15.1 million), the Tennessee wildfire (\$14.7 million) and Hurricane Hermine (\$13.5 million).

Commission, Brokerage, Taxes and Fees. Commission, brokerage, taxes and fees increased by 16.5% to \$1,519.0 million for the year ended December 31, 2018 compared to \$1,304.0 million for the year ended December 31, 2017. The changes were primarily due to the impact of the increases in premiums earned and changes in the mix of business towards additional pro rata business.

Commission, brokerage, taxes and fees increased by 9.7% to \$1,304.0 million for the year ended December 31, 2017 compared to \$1,188.7 million for the year ended December 31, 2016. The change was primarily due to the impact of the increases in premiums earned and changes in the mix of business.

Other Underwriting Expenses. Other underwriting expenses were \$371.5 million, \$318.8 million and \$302.7 million in 2018, 2017 and 2016, respectively. The increases in other underwriting expenses were mainly due to the impact of the increases in premiums earned and costs incurred to support the continued expansion of the insurance business.

Corporate Expenses. Corporate expenses, which are general operating expenses that are not allocated to segments, were \$30.7 million, \$25.9 million and \$27.2 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Interest, Fees and Bond Issue Cost Amortization Expense. Interest, fees and other bond amortization expense was \$31.0 million, \$31.6 million and \$36.2 million in 2018, 2017 and 2016, respectively. The changes in expense were primarily due to the movements in the floating interest rate related to the long term subordinated notes, which is reset quarterly per the note agreement. The floating rate was 5.0% as of December 31, 2018.

Income Tax Expense (Benefit). We had an income tax benefit of \$330.0 million in 2018 and \$63.8 million in 2017, which included \$8.2 million of tax expense related to the enactment of the TCJA, and income tax expense of \$103.5 million in 2016, respectively. Income tax expense is primarily a function of the geographic location of the Company's pre-tax income and the statutory tax rates in those jurisdictions. The effective tax rate ("ETR") is primarily affected by tax-exempt investment income, foreign tax credits and dividends. Variations in the ETR generally result from changes in the relative levels of pre-tax income, including the impact of catastrophe losses and net capital gains (losses), among jurisdictions with different tax rates. The change in income tax expense (benefit) was primarily due to the increase in incurred losses, including catastrophe losses, and loss adjustment expenses from 2017 to 2018. In addition, the tax rate was lowered from 35% in 2017 to 21% in 2018 under the TCJA.

The TCJA caused the Company to record income tax expense of \$8.2 million in 2017. This income tax expense reflects the lower 21% tax benefit to be realized by the Company under the TCJA upon the reversal of the temporary differences in its deferred tax inventory account versus the 35% tax benefit that had been expected before the TCJA. In 2018, the Company recorded adjustments to the amount of tax expense it recorded in 2017 with respect to the TCJA as estimated amounts were finalized.

During 2018, the Company completed its accounting, including interpretation of the additional guidance issued by the IRS and U.S. Treasury, and recognized an income tax benefit of \$28.4 million primarily related to the 2017 tax return to tax provision true-up recorded in 2018.

Net Income (Loss).

Our net income was \$103.6 million, \$469.0 million and \$996.3 million in 2018, 2017 and 2016, respectively. The changes were primarily driven by the financial component fluctuations explained above.

Ratios.

Our combined ratio increased by 5.3 points to 108.8% in 2018, compared to 103.5% in 2017. The loss ratio component increased 5.3 points in 2018 over the same period last year mainly due to unfavorable development on prior years catastrophe losses. The commission and brokerage ratio components remained flat at 21.9% in 2018 compared to 22.0% in 2017. The other underwriting expense ratios also remained flat at 5.4% in 2018 compared to 5.3% in 2017.

Our combined ratio increased by 16.5 points to 103.5% in 2017, compared to 87.0% in 2016. The loss ratio component increased 17.2 points in 2017 over the same period last year. The change was mainly due to the increases in current year catastrophe losses. The commission and brokerage ratio components decreased to 22.0% in 2017 from 22.3% in 2016, reflecting changes in the mix of business and the impact from reinstatement premiums. The other underwriting expense ratios decreased to 5.3% in 2017 from 5.7% in 2016, mainly due to a reduction in variable compensation combined with the growth in premiums earned.

Shareholders' Equity.

Shareholders' equity decreased by \$465.4 million to \$7,903.8 million at December 31, 2018 from \$8,369.2 million at December 31, 2017, principally as a result of \$228.2 million of unrealized depreciation on investments net of tax, \$216.2 million of shareholder dividends, \$76.8 million of net foreign currency translation adjustments and the repurchase of 0.3 million common shares for \$75.3 million, partially offset by \$103.6 million of net income, \$23.0 million of share-based compensation transactions and \$4.5 million of net benefit plan obligation adjustments, net of tax.

Shareholders' equity increased by \$293.8 million to \$8,369.2 million at December 31, 2017 from \$8,075.4 million at December 31, 2016, principally as a result of \$469.0 million of net income, \$121.9 million of net foreign currency translation adjustments, \$25.0 million of share-based compensation transactions and \$6.5 million of net benefit plan obligation adjustments, partially offset by \$207.2 million of shareholder dividends, \$71.3 million of unrealized depreciation on investments, net of tax and repurchases of 0.2 million common shares for \$50.0 million.

Consolidated Investment Results

Net Investment Income.

Net investment income increased by 7.1% to \$581.2 million in 2018 compared with investment income of \$542.9 million in 2017. The increase was primarily due to higher income from our growing fixed maturity portfolio and an increase in limited partnership income, partially offset by lower dividend income from our equity portfolio.

Net investment income increased by 14.8% to \$542.9 million in 2017 compared with investment income of \$473.1 million in 2016. The increase was primarily due to an increase in limited partnership income and higher income from the growing fixed income portfolio, partially offset by lower dividend income from our equity portfolio.

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

(Dollars in millions)	Years Ended December 31,		
	2018	2017	2016
Fixed maturities	\$465.8	\$427.4	\$410.3
Equity securities	25.3	34.5	40.7
Short-term investments and cash	14.4	4.2	1.8
Other invested assets			
Limited partnerships	93.3	83.6	38.6
Other	17.0	10.1	2.9
Gross investment income before adjustments	615.8	559.8	494.3
Funds held interest income (expense)	6.3	11.9	7.9
Future policy benefit reserve income (expense)	(1.4)	(1.3)	(1.6)
Gross investment income	620.7	570.4	500.5
Investment expenses	(39.5)	(27.5)	(27.4)
Net investment income	\$581.2	\$542.9	\$473.1

(Some amounts may not reconcile due to rounding.)

The following tables show a comparison of various investment yields for the periods indicated.

	2018	2017	2016
Imbedded pre-tax yield of cash and invested assets at December 31	3.4%	3.0%	2.9%
Imbedded after-tax yield of cash and invested assets at December 31	3.0%	2.8%	2.4%
Annualized pre-tax yield on average cash and invested assets	3.2%	3.1%	2.8%
Annualized after-tax yield on average cash and invested assets	2.8%	2.5%	2.3%

	2018	2017	2016
Fixed income portfolio total return	1.3%	2.5%	3.1%
Barclay's Capital - U.S. aggregate index	0.0%	3.5%	2.7%
Common equity portfolio total return	-5.2%	14.6%	8.4%
S&P 500 index	-4.4%	21.8%	12.0%
Other invested asset portfolio total return	11.1%	8.4%	4.3%

The pre-tax equivalent total return for the bond portfolio was approximately 2.9%, 4.3% and 5.0%, respectively, in 2018, 2017 and 2016. The pre-tax equivalent return adjusts the yield on tax-exempt bonds to the fully taxable equivalent.

Our fixed income and equity portfolios have different compositions than the benchmark indexes. Our fixed income portfolios have a shorter duration because we align our investment portfolio with our liabilities. We also hold foreign securities to match our foreign liabilities while the index is comprised of only U.S. securities. Our equity portfolios reflect an emphasis on dividend yield and growth equities, while the index is comprised of the largest 500 equities by market capitalization.

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Net Realized Capital Gains (Losses).

The following table presents the composition of our net realized capital gains (losses) for the periods indicated.

(Dollars in millions)	Years Ended December 31,			2018/2017	2017/2016
	2018	2017	2016	Variance	Variance
<u>Gains (losses) from sales:</u>					
Fixed maturity securities, market value:					
Gains	\$ 34.0	\$ 58.6	\$ 52.8	\$ (24.6)	\$ 5.8
Losses	(55.7)	(40.9)	(45.9)	(14.8)	5.0
Total	(21.7)	17.7	6.9	(39.4)	10.8
Fixed maturity securities, fair value:					
Gains	-	-	0.3	-	(0.3)
Losses	(1.8)	-	(1.9)	(1.8)	1.9
Total	(1.8)	-	(1.6)	(1.8)	1.6
Equity securities, market value:					
Gains	-	-	1.4	-	(1.4)
Losses	-	(3.4)	-	3.4	(3.4)
Total	-	(3.4)	1.4	3.4	(4.8)
Equity securities, fair value:					
Gains	31.7	24.8	17.0	6.9	7.8
Losses	(61.7)	(17.8)	(30.5)	(43.9)	12.7
Total	(30.0)	7.0	(13.4)	(37.0)	20.4
Other Invested Assets					
Gains	1.8	-	-	1.8	-
Losses	-	-	-	-	-
Total	1.8	-	-	1.8	-
Total net realized capital gains (losses) from sales:					
Gains	67.5	83.4	71.6	(15.9)	11.8
Losses	(119.2)	(62.1)	(78.3)	(57.1)	16.2
Total	(51.7)	21.3	(6.7)	(73.0)	28.0
<u>Loss on sale of subsidiary:</u>					
	-	-	(28.0)	-	28.0
<u>Other-than-temporary impairments:</u>					
	(8.1)	(7.1)	(31.6)	(1.0)	24.5
<u>Gains (losses) from fair value adjustments:</u>					
Fixed maturities, fair value	1.5	-	1.4	1.5	(1.4)
Equity securities, fair value	(68.8)	139.0	57.7	(207.8)	81.3
Total	(67.3)	139.0	59.1	(206.3)	79.9
Total net realized capital gains (losses)	\$ (127.1)	\$ 153.2	\$ (7.2)	\$ (280.3)	\$ 160.4

(Some amounts may not reconcile due to rounding.)

Net realized capital losses were \$127.1 million in 2018, net realized capital gains were \$153.2 million in 2017 and net realized capital losses were \$7.2 million in 2016. In 2018, we recorded \$67.3 million of net losses from fair value re-measurements, \$51.7 million of net realized capital losses from sales of investments and \$8.1 million of other-than-temporary impairments. In 2017, we recorded \$139.0 million of net gains from fair value re-measurements and \$21.3 million of net realized capital gains from sales of investments, partially offset by \$7.1 million of other-than-temporary impairments. In 2016, we recorded \$31.6 million of other-than-temporary impairments, \$28.0 million of realized capital loss from the sale of our Heartland subsidiary and \$6.7 million of net realized capital losses from sales of investments, partially offset by \$59.1 million of net gains from fair value re-measurements. The fixed maturity and equity sales during these years related primarily to adjusting the portfolios for overall market changes and individual credit shifts.

Segment Results.

The U.S. Reinsurance operation writes property and casualty reinsurance and specialty lines of business, including Marine, Aviation, Surety and Accident and Health (“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 non-U.S. property and casualty reinsurance through Everest Re’s branches in Canada and Singapore and through offices in Brazil, Miami and New Jersey. The Bermuda operation provides reinsurance and insurance to worldwide property and casualty markets through brokers and directly with ceding companies from its Bermuda office and reinsurance to the United Kingdom and European markets through its UK branch and Ireland Re. The Insurance operation writes property and casualty insurance directly and through brokers, surplus lines brokers and general agents within the U.S., Canada and Europe.

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 loss adjustment expenses (“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.

For inter-affiliate reinsurance and business written through the Lloyd’s Syndicate, business is generally reported within the segment in which the business was first produced, consistent with how the business is managed.

The Company does not maintain separate balance sheet data for its operating segments. Accordingly, the Company does not review and evaluate the financial results of its operating segments based upon balance sheet data.

Our loss and LAE reserves are management’s 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 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.

(Dollars in millions)	Years Ended December 31,			2018/2017		2017/2016		
	2018	2017	2016	Variance	% Change	Variance	% Change	
Gross written premiums	\$3,014.3	\$2,593.0	\$2,125.8	\$421.4	16.3	% \$467.2	22.0	%
Net written premiums	2,642.2	2,245.4	1,970.6	396.8	17.7	% 274.8	13.9	%
Premiums earned	\$2,529.0	\$2,181.2	\$2,072.2	\$347.8	15.9	% \$109.0	5.3	%
Incurred losses and LAE	2,784.2	1,632.8	1,068.5	1,151.4	70.5	% 564.3	52.8	%
Commission and brokerage	568.4	462.5	466.0	105.9	22.9	% (3.5)	-0.7	%
Other underwriting expenses	60.3	55.9	54.1	4.4	7.8	% 1.8	3.3	%
Underwriting gain (loss)	\$(883.8)	\$30.0	\$483.6	\$(913.8)	NM	\$ (453.6)	-93.8	%
Loss ratio	110.1 %	74.9 %	51.6 %		Point Chg 35.2		Point Chg 23.3	
Commission and brokerage ratio	22.5 %	21.2 %	22.5 %		1.3		(1.3)	
Other underwriting expense ratio	2.3 %	2.5 %	2.6 %		(0.2)		(0.1)	
Combined ratio	134.9 %	98.6 %	76.7 %		36.3		21.9	

(NM, not meaningful)

(Some amounts may not reconcile due to rounding.)

Premiums. Gross written premiums increased by 16.3% to \$3,014.3 million in 2018 from \$2,593.0 million in 2017, primarily due to increases in treaty property and treaty casualty writings and growth in the mortgage business. Net written premiums increased by 17.7% to \$2,642.2 million in 2018 compared to \$2,245.4 million in 2017, which is consistent with the change in gross written premiums. Premiums earned increased by 15.9% to \$2,529.0 million in 2018, compared to \$2,181.2 million in 2017. 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 increased by 22.0% to \$2,593.0 million in 2017 from \$2,125.8 million in 2016, primarily due to an increase in the new crop reinsurance business, an increase in treaty property business and the influx of reinstatement premiums due to the catastrophe losses and an increase in mortgage business. Net written premiums increased by 13.9% to \$2,245.4 million in 2017 compared to \$1,970.6 million in 2016. The difference between the change in gross written premiums compared to the change in net written premiums is primarily due to varying utilization of reinsurance. Premiums earned increased by 5.3% to \$2,181.2 million in 2017, compared to \$2,072.2 million in 2016. The change in premiums earned relative to net written premiums is primarily the result of changes in the mix of business and timing; premiums are earned ratably over the coverage period whereas written premiums are recorded at the initiation of the coverage period.

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

(Dollars in millions)	Years Ended December 31,					
	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
<u>2018</u>						
Attritional	\$ 1,383.1	54.7%	\$(70.8)	-2.8 %	\$1,312.4	51.9 %
Catastrophes	952.2	37.7%	519.6	20.5 %	1,471.8	58.2 %
Total segment	\$ 2,335.3	92.4%	\$448.9	17.7%	\$2,784.2	110.1%
<u>2017</u>						
Attritional	\$ 1,103.7	50.6%	\$(165.5)	-7.5 %	\$938.3	43.1 %
Catastrophes	715.7	32.8%	(21.2)	-1.0 %	694.5	31.8 %
Total segment	\$ 1,819.4	83.4%	\$(186.6)	-8.5 %	\$1,632.8	74.9 %
<u>2016</u>						
Attritional	\$ 1,096.0	52.9%	\$(126.4)	-6.1 %	\$969.7	46.8 %
Catastrophes	134.1	6.5 %	(35.3)	-1.7 %	98.8	4.8 %
Total segment	\$ 1,230.1	59.4%	\$(161.6)	-7.8 %	\$1,068.5	51.6 %
<u>Variance 2018/2017</u>						
Attritional	\$ 279.4	4.1 pts	\$94.7	4.7 pts	\$374.1	8.8 pts
Catastrophes	236.5	4.9 pts	540.8	21.5 pts	777.3	26.4 pts
Total segment	\$ 515.9	9.0 pts	\$635.5	26.2 pts	\$1,151.4	35.2 pts
<u>Variance 2017/2016</u>						
Attritional	\$ 7.7	(2.3) pts	\$(39.1)	(1.4) pts	\$(31.4)	(3.7) pts
Catastrophes	581.6	26.3 pts	14.1	0.7 pts	595.7	27.0 pts
Total segment	\$ 589.3	24.0 pts	\$(25.1)	(0.7) pts	\$564.3	23.3 pts

(Some amounts may not reconcile due to rounding.)

Incurred losses increased by 70.5% to \$2,784.2 million in 2018, compared to \$1,632.8 million in 2017. The increase was primarily due to \$519.6 million of unfavorable development on prior years catastrophe losses in 2018, primarily related to Hurricanes Harvey, Irma and Maria and the 2017 California wildfires, an increase of \$279.4 million in current year attritional losses, mainly due to the impact of the increase in premiums earned and changes in the mix of business, and an increase of \$236.5 million in current year catastrophe losses. The increase in loss estimates for Hurricanes Harvey, Irma and Maria was mostly driven by re-opened claims reported in the second quarter of 2018 and loss inflation from higher than expected loss adjustment expenses and in particular, their impact on aggregate covers. The current year catastrophe losses of \$952.2 million in 2018 related primarily to Hurricane Michael (\$416.5 million), Camp wildfire (\$297.0 million), Woolsey wildfire (\$151.0 million), Hurricane Florence (\$49.3 million), other 2018 California wildfires (\$23.1 million), Typhoon Jebi (\$6.5 million), Japan floods (\$5.5 million), Typhoon Trami (\$2.0 million) and the U.S. winter storms (\$1.3 million). The \$715.7 million of current year catastrophe losses in 2017 related to Hurricane Irma (\$331.8 million), Hurricane Harvey (\$204.3 million), the Northern California wildfires (\$132.9 million), Hurricane Maria (\$31.2 million), the Southern California wildfires (\$9.6 million), and the 2017 US Midwest storms (\$6.9 million).

Incurring losses increased by 52.8% to \$1,632.8 million in 2017, compared to \$1,068.5 million in 2016, primarily due to an increase of \$581.6 million in current year catastrophe losses, partially offset by \$39.1 million of more favorable development on prior years attritional losses in 2017 compared to 2016. The \$165.5 million of favorable development on prior years attritional losses in 2017 was mainly related to property and short tail business. The \$715.7 million of current year catastrophe losses in 2017 are outlined above. The \$134.1 million of current year catastrophe losses in 2016 related to Hurricane Matthew (\$86.2 million), the 2016 U.S. storms (\$20.4 million), 2016 Tennessee wildfire (\$14.7 million) and Hurricane Hermine (\$13.5 million).

Segment Expenses. Commission and brokerage expense increased by 22.9% to \$568.4 million in 2018 compared to \$462.5 million in 2017. The increases are mainly due to the impact of the increases in premiums earned and changes in the mix of business towards additional pro rata business. Segment other underwriting expenses increased to \$60.3 million in 2018 from \$55.9 million in 2017. The increases were mainly due to the impact of the increase in premiums earned.

Commission and brokerage expenses decreased by 0.7% to \$462.5 million in 2017 compared to \$466.0 million in 2016. The decrease is mainly due to the impact of the new crop reinsurance contract which generally has a lower expense ratio and other changes in the mix of business. Segment other underwriting expenses increased slightly to \$55.9 million in 2017 from \$54.1 million in 2016.

International.

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

(Dollars in millions)	Years Ended December 31, 2018/2017					2017/2016				
	2018	2017	2016	Variance	% Change	Variance	% Change			
Gross written premiums		\$1,543.9	\$1,316.7	\$1,230.7	\$227.2	17.3	% \$86.0	7.0	%	
Net written premiums		1,458.7	1,229.6	1,082.7	229.1	18.6	% 146.9	13.6	%	
Premiums earned		\$1,439.9	\$1,202.0	\$1,119.1	\$237.8	19.8	% \$82.9	7.4	%	
Incurred losses and LAE		992.7	1,059.6	486.6	(66.9)	-6.3	% 573.1	117.8	%	
Commission and brokerage		364.0	287.7	283.4	76.3	26.5	% 4.2	1.5	%	
Other underwriting expenses		39.0	38.8	35.5	0.2	0.5	% 3.3	9.4	%	
Underwriting gain (loss)		\$44.1	\$(184.1)	\$313.6	\$228.3	-124.0	% \$(497.7)	-158.7	%	
								Point		Point
								Chg		Chg
Loss ratio		68.9	% 88.2	% 43.5	%	(19.3))	44.7		
Commission and brokerage ratio		25.3	% 23.9	% 25.3	%	1.4)	(1.4))	
Other underwriting expense ratio		2.7	% 3.2	% 3.2	%	(0.5))	-		
Combined ratio		96.9	% 115.3	% 72.0	%	(18.4))	43.3		

(Some amounts may not reconcile due to rounding.)

Premiums. Gross written premiums increased by 17.3% to \$1,543.9 million in 2018 compared to \$1,316.7 million in 2017, primarily due to the increases in Latin American business and business written through our Canada and Singapore branches, partially offset by a negative impact of \$20.6 million from the movement of foreign exchange rates. Net written premiums increased by 18.6% to \$1,458.7 million in 2018 compared to \$1,229.6 million in 2017. The change is consistent with the change in gross written premiums. Premiums earned increased 19.8% to \$1,439.9 million in 2018 compared to \$1,202.0 million in 2017. 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 increased by 7.0% to \$1,316.7 million in 2017 compared to \$1,230.7 million in 2016, primarily due to the increases in Middle East and Asian business and a positive impact of \$22.0 million from the movement of foreign exchange rates, partially offset by a decline in Latin American business. Net written premiums increased by 13.6% to \$1,229.6 million in 2017 compared to \$1,082.7 million in 2016. The difference between the change in gross written premiums compared to the change in net written premiums is primarily due to varying

utilization of reinsurance related to the quota share contracts. Premiums earned increased 7.4% to \$1,202.0 million in 2017 compared to \$1,119.1 million in 2016. 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.

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

(Dollars in millions)	Years Ended December 31,					
	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
<u>2018</u>						
Attritional	\$ 760.2	52.7 %	\$(27.4)	-1.9 %	\$732.8	50.8 %
Catastrophes	165.3	11.5 %	94.7	6.6 %	260.0	18.1 %
Total segment	\$ 925.5	64.2 %	\$67.2	4.7 %	\$992.7	68.9 %
<u>2017</u>						
Attritional	\$ 605.3	50.4 %	\$0.2	0.0 %	\$605.6	50.4 %
Catastrophes	456.3	38.0 %	(2.3)	-0.2 %	454.0	37.8 %
Total segment	\$ 1,061.6	88.4 %	\$(2.1)	-0.2 %	\$1,059.6	88.2 %
<u>2016</u>						
Attritional	\$ 576.2	51.5 %	\$(224.8)	-20.1 %	\$351.4	31.4 %
Catastrophes	178.8	16.0 %	(43.7)	-3.9 %	135.2	12.1 %
Total segment	\$ 755.0	67.5 %	\$(268.5)	-24.0 %	\$486.6	43.5 %
<u>Variance 2018/2017</u>						
Attritional	\$ 154.9	2.3 pts	\$(27.6)	(1.9) pts	\$127.2	0.4 pts
Catastrophes	(291.0)	(26.5) pts	97.0	6.8 pts	(194.1)	(19.7) pts
Total segment	\$ (136.1)	(24.2) pts	\$69.3	4.9 pts	\$(66.9)	(19.3) pts
<u>Variance 2017/2016</u>						
Attritional	\$ 29.1	(1.1) pts	\$225.0	20.1 pts	\$254.2	19.0 pts
Catastrophes	277.5	22.0 pts	41.4	3.7 pts	318.8	25.7 pts
Total segment	\$ 306.6	20.9 pts	\$266.4	23.8 pts	\$573.1	44.7 pts

(Some amounts may not reconcile due to rounding.)

Incurred losses and LAE decreased by 6.3% to \$992.7 million in 2018 compared to \$1,059.6 million in 2017, primarily due to a decrease of \$291.0 million on current year catastrophe losses and \$27.4 million of favorable development on prior years attritional losses. These decreases were partially offset by an increase of \$154.9 million on current year attritional losses, primarily due to the impact of the increase in premiums earned, and \$94.7 million of unfavorable development on prior years catastrophe losses, mainly related to Hurricanes Harvey, Irma and Maria as well as the 2017 Mexico earthquake. The current year catastrophe losses of \$165.3 million in 2018 related primarily to Typhoon Jebi (\$60.1 million), Cyclone Mekunu (\$43.7 million), Australia hailstorm (\$24.0 million), Typhoon Trami (\$23.0 million), Japan floods (\$9.5 million), Hurricane Michael (\$3.0 million) and Hurricane Florence (\$2.0 million). The \$456.3 million of current year catastrophe losses in 2017 related to Hurricane Maria (\$263.2 million), Hurricane Irma (\$107.6 million), the Mexico City earthquake (\$25.6 million), the South Africa Knysna fires (\$24.0 million), Cyclone Debbie in Australia (\$17.1 million), the Peru storms (\$15.2 million) and Hurricane Harvey (\$3.7 million).

Incurred losses and LAE increased by 117.8% to \$1,059.6 million in 2017 compared to \$486.6 million in 2016, primarily due to an increase of \$277.5 million in current year catastrophe losses, favorable development of \$224.8 million on prior years attritional losses in 2016 mainly related to property business which did not recur in 2017 and

favorable development of \$43.7 million on prior years catastrophe losses in 2016 which did not recur in 2017. The \$456.3 million of current year catastrophe losses in 2017 are outlined above. The \$178.8 million of current year catastrophe losses in 2016 were due to the Fort McMurray Canada wildfire (\$97.5 million), Hurricane Matthew (\$27.4 million), the Ecuador earthquake (\$23.6 million), the 2016 Taiwan earthquake (\$15.2 million) and the New Zealand earthquake (\$14.0 million).

Segment Expenses. Commission and brokerage increased by 26.5% to \$364.0 million in 2018 compared to \$287.7 million in 2017. These increases are mainly due to the impact of the increases in premiums earned and changes in the mix of business. Segment other underwriting expenses increased slightly to \$39.0 million in 2018 compared to \$38.8 million in 2017.

Commission and brokerage increased by 1.5% to \$287.7 million in 2017 compared to \$283.4 million in 2016. Segment other underwriting expenses increased to \$38.8 million in 2017 compared to \$35.5 million in 2016. The increases were mainly due to the impact of the increase in premiums earned.

Bermuda.

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

(Dollars in millions)	Years Ended December 31, 2018/2017					2017/2016				
	2018	2017	2016	Variance	% Change	Variance	% Change			
Gross written premiums			\$1,666.3	\$1,205.0	\$890.4	\$461.3	38.3 %	\$314.6	35.3	%
Net written premiums			1,605.5	1,139.1	831.9	466.4	40.9 %	307.2	36.9	%
Premiums earned			\$1,324.2	\$1,093.3	\$838.0	\$230.9	21.1 %	\$255.3	30.5	%
Incurred losses and LAE			808.7	735.3	461.9	73.4	10.0 %	273.4	59.2	%
Commission and brokerage			319.2	303.7	234.0	15.5	5.1 %	69.7	29.8	%
Other underwriting expenses			43.6	38.0	36.3	5.6	14.6 %	1.7	4.6	%
Underwriting gain (loss)			\$152.7	\$16.2	\$105.7	\$136.5	NM	\$(89.5)	-84.6	%
							Point Chg		Point Chg	
Loss ratio			61.1 %	67.3 %	55.1 %		(6.2)		12.2	
Commission and brokerage ratio			24.1 %	27.8 %	27.9 %		(3.7)		(0.1)	
Other underwriting expense ratio			3.3 %	3.4 %	4.4 %		(0.1)		(1.0)	
Combined ratio			88.5 %	98.5 %	87.4 %		(10.0)		11.1	

(Some amounts may not reconcile due to rounding.)

Premiums. Gross written premiums increased by 38.3% to \$1,666.3 million in 2018 compared to \$1,205.0 million in 2017, primarily due to increased casualty and motor business written through the U.K. Branch and Ireland office, an increase in Bermuda property business and a positive impact of \$15.8 million from the movement of foreign exchange rates. Net written premiums increased by 40.9% to \$1,605.5 million in 2018 compared to \$1,139.1 million in 2017, which is consistent with the change in gross written premiums. Premiums earned increased 21.1% to \$1,324.2 million in 2018 compared to \$1,093.3 million in 2017. 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 35.3% to \$1,205.0 million in 2017 compared to \$890.4 million in 2016, primarily due to increased casualty and financial lines of business written through the Bermuda office and increased production from the U.K. and Ireland offices, partially offset by a negative impact of \$6.5 million from the movement of foreign exchange rates. Net written premiums increased by 36.9% to \$1,139.1 million in 2017 compared to \$831.9 million in 2016, which is consistent with the change in gross written premiums. Premiums earned increased 30.5% to \$1,093.3 million in 2017 compared to \$838.0 million in 2016. 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.

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

(Dollars in millions)	Years Ended December 31,					
	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
<u>2018</u>						
Attritional	\$ 797.3	60.3 %	\$(23.7)	-1.8 %	\$ 773.6	58.5 %
Catastrophes	78.4	5.9 %	(43.3)	-3.3 %	35.1	2.6 %
Total segment	\$ 875.7	66.2 %	\$(66.9)	-5.1 %	\$ 808.7	61.1 %
<u>2017</u>						
Attritional	\$ 625.1	57.2 %	\$(41.8)	-3.8 %	\$ 583.3	53.4 %
Catastrophes	159.9	14.6 %	(7.9)	-0.7 %	152.0	13.9 %
Total segment	\$ 785.0	71.8 %	\$(49.7)	-4.5 %	\$ 735.3	67.3 %
<u>2016</u>						
Attritional	\$ 475.1	56.7 %	\$(31.2)	-3.7 %	\$ 443.8	53.0 %
Catastrophes	25.5	3.0 %	(7.5)	-0.9 %	18.1	2.1 %
Total segment	\$ 500.6	59.7 %	\$(38.7)	-4.6 %	\$ 461.9	55.1 %
<u>Variance 2018/2017</u>						
Attritional	\$ 172.2	3.1 pts	\$18.1	2.0 pts	\$ 190.3	5.1 pts
Catastrophes	(81.5)	(8.7) pts	(35.4)	(2.6) pts	(116.9)	(11.3) pts
Total segment	\$ 90.7	(5.6) pts	\$(17.2)	(0.6) pts	\$ 73.4	(6.2) pts
<u>Variance 2017/2016</u>						
Attritional	\$ 150.0	0.5 pts	\$(10.6)	(0.1) pts	\$ 139.5	0.4 pts
Catastrophes	134.4	11.6 pts	(0.4)	0.2 pts	133.9	11.8 pts
Total segment	\$ 284.4	12.1 pts	\$(11.0)	0.1 pts	\$ 273.4	12.2 pts

(Some amounts may not reconcile due to rounding.)

Incurred losses and LAE increased by 10.0% to \$808.7 million in 2018 compared to \$735.3 million in 2017, primarily due to an increase of \$172.2 million of current year attritional losses, related primarily to the impact of the increase in premiums earned, partially offset by a decrease of \$81.5 million in current year catastrophe losses and \$43.3 million of favorable development on prior years catastrophe losses mainly related to Hurricanes Irma and Maria. The current year catastrophe losses of \$78.4 million in 2018 related primarily to Camp wildfire (\$25.0 million), Hurricane Michael (\$18.5 million), Typhoon Jebi (\$13.4 million), Hurricane Florence (\$13.0 million), Japan floods (\$5.4 million) and Woolsey wildfire (\$3.0 million). The \$159.9 million of current year catastrophe losses in 2017 primarily related to Hurricane Maria (\$53.4 million), Hurricane Irma (\$43.6 million), Hurricane Harvey (\$40.7 million), the Northern California wildfires (\$14.0 million), the Mexico City earthquake (\$4.9 million) and Cyclone Debbie in Australia (\$3.3 million).

Incurred losses and LAE increased by 59.2% to \$735.3 million in 2017 compared to \$461.9 million in 2016, primarily due to an increase of \$150.0 million in current year attritional losses related primarily to the impact of the increase in premiums earned and an increase of \$134.4 million in current year catastrophe losses. The \$159.9 million of current year catastrophe losses in 2017 are outlined above. The \$25.5 million of current year catastrophe losses in 2016 were

due to Hurricane Matthew (\$10.3 million), the Fort McMurray Canada wildfire (\$10.0 million) and the 2016 New Zealand earthquake (\$5.0 million).

Segment Expenses. Commission and brokerage increased by 5.1% to \$319.2 million in 2018 compared to \$303.7 million in 2017 mainly due to the impact of the increase in premiums earned, partially offset by lower contingent commissions. Segment other underwriting expenses increased to \$43.6 million in 2018 compared to \$38.0 million in 2017. The increases are mainly due to the impact of the increases in premiums earned.

Commission and brokerage increased by 29.8% to \$303.7 million in 2017 compared to \$234.0 million in 2016. The increase was mainly due to the impact of the increase in premiums earned and higher contingent commissions. Segment other underwriting expenses increased slightly to \$38.0 million in 2017 compared to \$36.3 million in 2016.

Insurance.

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

(Dollars in millions)	Years Ended December 31, 2018/2017					2017/2016				
	2018	2017	2016	Variance	% Change	Variance	% Change			
Gross written premiums		\$2,250.6	\$2,059.2	\$1,787.0	9.3	\$272.2	15.2	%		
Net written premiums		1,708.0	1,630.6	1,385.7	4.7	244.9	17.7	%		
Premiums earned		\$1,638.6	\$1,461.4	\$1,291.2	12.1	\$170.2	13.2	%		
Incurred losses and LAE		1,065.8	1,094.9	1,122.7	(29.1)	(27.8)	(2.5)	%		
Commission and brokerage		267.4	250.1	205.3	17.4	44.8	21.8	%		
Other underwriting expenses		228.7	186.1	176.8	42.6	9.3	5.3	%		
Underwriting gain (loss)		\$76.7	\$(69.6)	\$(213.5)	\$146.3	(210.1)	\$(143.9)	(67.4)	%	
									Point	Point
									Chg	Chg
Loss ratio		65.0	% 74.9	% 86.9		(9.9)			(12.0)	
Commission and brokerage ratio		16.3	% 17.1	% 15.9		(0.8)			1.2	
Other underwriting expense ratio		14.0	% 12.8	% 13.7		1.2			(0.9)	
Combined ratio		95.3	% 104.8	% 116.5		(9.5)			(11.7)	

(Some amounts may not reconcile due to rounding.)

Premiums. Gross written premiums increased by 9.3% to \$2,250.6 million in 2018 compared to \$2,059.2 million in 2017. This increase was related to most lines of business including casualty, energy, accident and health and premiums written through the Lloyd's Syndicate. Net written premiums increased by 4.7% to \$1,708.0 million in 2018 compared to \$1,630.6 million in 2017. The difference between the change in gross written premiums compared to the change in net written premiums was primarily due to varying utilization of reinsurance. Premiums earned increased 12.1% to \$1,638.6 million in 2018 compared to \$1,461.4 million in 2017. 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 15.2% to \$2,059.2 million in 2017 compared to \$1,787.0 million in 2016. Excluding the impact of the sale of Heartland, which accounted for \$230.4 million of gross written premiums in 2016, gross written premiums increased \$502.1 million. This increase was driven by expansion of various insurance lines of business including retail casualty, retail property, accident and health and premiums written through the Lloyd's Syndicate. Net written premiums increased by 17.7% to \$1,630.6 million in 2017 compared to \$1,385.7 million in 2016 which is consistent with the change in gross written premiums. Premiums earned increased 13.2% to \$1,461.4 million in 2017 compared to \$1,291.2 million in 2016. 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, as well as changes in the mix of business.

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

(Dollars in millions)	Years Ended December 31,					
	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
<u>2018</u>						
Attritional	\$ 1,084.8	66.2 %	\$(52.2)	-3.2 %	\$1,032.6	63.0 %
Catastrophes	43.1	2.6 %	(9.9)	-0.6 %	33.2	2.0 %
Total segment	\$ 1,127.9	68.8 %	\$(62.1)	-3.8 %	\$1,065.8	65.0 %
<u>2017</u>						
Attritional	\$ 979.3	67.0 %	\$(56.4)	-3.9 %	\$922.9	63.1 %
Catastrophes	170.6	11.7 %	1.4	0.1 %	172.0	11.8 %
Total segment	\$ 1,149.9	78.7 %	\$(55.0)	-3.8 %	\$1,094.9	74.9 %
<u>2016</u>						
Attritional	\$ 899.9	69.7 %	\$173.6	13.4 %	\$1,073.5	83.1 %
Catastrophes	49.4	3.8 %	(0.2)	0.0 %	49.2	3.8 %
Total segment	\$ 949.3	73.5 %	\$173.4	13.4 %	\$1,122.7	86.9 %
<u>Variance 2018/2017</u>						
Attritional	\$ 105.5	(0.8) pts	\$4.2	0.7 pts	\$109.7	(0.1) pts
Catastrophes	(127.5)	(9.1) pts	(11.3)	(0.7) pts	(138.8)	(9.8) pts
Total segment	\$ (22.0)	(9.9) pts	\$(7.1)	- pts	\$(29.1)	(9.9) pts
<u>Variance 2017/2016</u>						
Attritional	\$ 79.4	(2.7) pts	\$(230.0)	(17.3) pts	\$(150.6)	(20.0) pts
Catastrophes	121.2	7.9 pts	1.6	0.1 pts	122.8	8.0 pts
Total segment	\$ 200.6	5.2 pts	\$(228.4)	(17.2) pts	\$(27.8)	(12.0) pts

(Some amounts may not reconcile due to rounding.)

Incurred losses and LAE decreased by 2.7% to \$1,065.8 million in 2018 compared to \$1,094.9 million in 2017, mainly due to a decrease of \$127.5 million in current year catastrophe losses, partially offset by an increase in current year attritional losses of \$105.5 million, due mainly to the impact of the increase in premiums earned. The current year catastrophe losses of \$43.1 million in 2018 related primarily to Hurricane Michael (\$24.0 million), Hurricane Florence (\$9.5 million), the U.S. winter storms (\$7.1 million), other 2018 California wildfires (\$1.5 million) and Australia hailstorm (\$1.0 million). The \$170.6 million of current year catastrophe losses in 2017 were due to Hurricane Irma (\$75.1 million), Hurricane Harvey (\$68.0 million), Hurricane Maria (\$14.0 million), the 2017 US Midwest storms (\$6.0 million), the Northern California wildfires (\$3.0 million), the Southern California wildfires (\$2.0 million), the Mexico City earthquake (\$1.4 million) and Cyclone Debbie in Australia (\$1.1 million).

Incurred losses and LAE decreased by 2.5% to \$1,094.9 million in 2017 compared to \$1,122.7 million in 2016, mainly due to \$230.0 million of more favorable development on prior years attritional losses in 2017 compared to 2016, partially offset by an increase of \$121.2 million in current year catastrophe losses and an increase of \$79.4 million in current year attritional losses, primarily related to the increase in premiums earned. The \$56.4 million of favorable development on prior years attritional losses in 2017 mainly related to workers compensation business. The \$170.6 million of current year catastrophe losses in 2017 are outlined above. The \$49.4 million of current year

catastrophe losses in 2016 were due to the 2016 U.S. storms (\$30.0 million), Hurricane Matthew (\$11.0 million) and the Fort McMurray Canada wildfire (\$8.4 million).

Segment Expenses. Commission and brokerage increased by 7.0% to \$267.4 million in 2018 compared to \$250.1 million in 2017. The increase in 2018 was mainly due to the impact of the increase in premiums earned. Segment other underwriting expenses increased to \$228.7 million in 2018 compared to \$186.1 million in 2017. The increase was mainly due to the impact of the increase in premiums earned and increased expenses related to the continued build out of the insurance business.

Commission and brokerage increased by 21.8% to \$250.1 million in 2017 compared to \$205.3 million in 2016. The increase was mainly due to the impact of the increase in premiums earned and changes in the mix of business. Segment other underwriting expenses increased to \$186.1 million in 2017 compared to \$176.8 million in 2016. The increase was mainly due to the impact of the increase in premiums earned and increased expenses related to the continued build out of the insurance business.

Critical Accounting Policies

The following is a summary of the critical accounting policies related to accounting estimates that (1) require management to make assumptions about highly uncertain matters and (2) could materially impact the consolidated financial statements if management made different assumptions.

Loss and LAE Reserves. Our most critical accounting policy is the determination of our loss and LAE reserves. We maintain reserves equal to our estimated ultimate liability for losses and LAE for reported and unreported claims for our insurance and reinsurance businesses. Because reserves are based on estimates of ultimate losses and LAE by underwriting or accident year, we use a variety of statistical and actuarial techniques to monitor reserve adequacy over time, evaluate new information as it becomes known and adjust reserves whenever an adjustment appears warranted. We consider many factors when setting reserves including: (1) our exposure base and projected ultimate premiums earned; (2) our expected loss ratios by product and class of business, which are developed collaboratively by underwriters and actuaries; (3) actuarial methodologies which analyze our loss reporting and payment experience, reports from ceding companies and historical trends, such as reserving patterns, loss payments and product mix; (4) current legal interpretations of coverage and liability; (5) economic conditions; and (6) uncertainties discussed below regarding our liability for A&E claims. Our insurance and reinsurance loss and LAE reserves represent management's best estimate of our ultimate liability. Actual losses and LAE ultimately paid may deviate, perhaps substantially, from such reserves. Our net income (loss) will be impacted in a period in which the change in estimated ultimate losses and LAE is recorded. See also ITEM 8, "Financial Statements and Supplementary Data" - Note 1 of Notes to the Consolidated Financial Statements.

It is more difficult to accurately estimate loss reserves for reinsurance liabilities than for insurance liabilities. At December 31, 2018, we had reinsurance reserves of \$9,940.0 million and insurance loss reserves of \$3,179.0 million, of which \$272.3 million and \$75.2 million, respectively, were loss reserves for A&E liabilities. A detailed discussion of additional considerations related to A&E exposures follows later in this section.

The detailed data required to evaluate ultimate losses for our insurance business is accumulated from our underwriting and claim systems. Reserving for reinsurance requires evaluation of loss information received from ceding companies. Ceding companies report losses to us in many forms dependent on the type of contract and the agreed or contractual reporting requirements. Generally, proportional/quota share contracts require the submission of a monthly/quarterly account, which includes premium and loss activity for the period with corresponding reserves as established by the ceding company. This information is recorded into our records. For certain proportional contracts, we may require a detailed loss report for claims that exceed a certain dollar threshold or relate to a particular type of loss. Excess of loss and facultative contracts generally require individual loss reporting with precautionary notices provided when a loss reaches a significant percentage of the attachment point of the contract or when certain causes of loss or types of injury occur. Our experienced claims staff handles individual loss reports and supporting claim information. Based on our evaluation of a claim, we may establish additional case reserves (ACRs) in addition to the case reserves reported by the ceding company. To ensure ceding companies are submitting required and accurate data, the Underwriting, Claim, Reinsurance Accounting and Internal Audit departments of the Company perform various reviews of our ceding companies, particularly larger ceding companies, including on-site audits.

We sort both our reinsurance and insurance reserves into exposure groupings for actuarial analysis. We assign our business to exposure groupings so that the underlying exposures have reasonably homogeneous loss development

characteristics and are large enough to facilitate credible estimation of ultimate losses. We periodically review our exposure groupings and we may change our groupings over time as our business changes. We currently use over 200 exposure groupings to develop our reserve estimates. One of the key selection characteristics for the exposure groupings is the historical duration of the claims settlement

process. Business in which claims are reported and settled relatively quickly are commonly referred to as short tail lines, principally property lines. On the other hand, casualty claims tend to take longer to be reported and settled and casualty lines are generally referred to as long tail lines. Our estimates of ultimate losses for shorter tail lines, with the exception of loss estimates for large catastrophic events, generally exhibit less volatility than those for the longer tail lines.

We use similar actuarial methodologies, such as expected loss ratio, chain ladder reserving methods and Borhuetter Ferguson, supplemented by judgment where appropriate, to estimate our ultimate losses and LAE for each exposure group. Although we use similar actuarial methodologies for both short tail and long tail lines, the faster reporting of experience for the short tail lines allows us to have greater confidence in our estimates of ultimate losses for short tail lines at an earlier stage than for long tail lines. As a result, we utilize, as well, exposure-based methods to estimate our ultimate losses for longer tail lines, especially for immature accident years. For both short and long tail lines, we supplement these general approaches with analytically based judgments. We cannot estimate losses from widespread catastrophic events, such as hurricanes and earthquakes, using traditional actuarial methods. We estimate losses for these types of events based on information derived from catastrophe models, quantitative and qualitative exposure analyses, reports and communications from ceding companies and development patterns for historically similar events. Due to the inherent uncertainty in estimating such losses, these estimates are subject to variability, which increases with the severity and complexity of the underlying event.

Our key actuarial assumptions contain no explicit provisions for reserve uncertainty nor do we supplement the actuarially determined reserves for uncertainty.

Our carried reserves at each reporting date are management's best estimate of ultimate unpaid losses and LAE at that date. We complete detailed reserve studies for each exposure group annually for our reinsurance and insurance operations. The completed annual reinsurance reserve studies are "rolled forward" for each accounting period until the subsequent reserve study is completed. Analyzing the roll-forward process involves comparing actual reported losses to expected losses based on the most recent reserve study. We analyze significant variances between actual and expected losses and also consider recent market, underwriting and management criteria to determine management's best estimate of ultimate unpaid losses and LAE. As a result of these additional factors, in some instances the selected reserve level may be higher or lower than the actuarial indicated estimate.

Given the inherent variability in our loss reserves, we have developed an estimated range of possible gross reserve levels. A table of ranges by segment, accompanied by commentary on potential and historical variability, is included in "Financial Condition - Loss and LAE Reserves". The ranges are statistically developed using the exposure groups used in the reserve estimation process and aggregated to the segment level. For each exposure group, our actuaries calculate a range for each accident year based principally on two variables. The first is the historical changes in losses and LAE incurred but not reported ("IBNR") for each accident year over time; the second is volatility of each accident year's held reserves related to estimated ultimate losses, also over time. Both are measured at various ages from the end of the accident year through the final payout of the year's losses. Ranges are developed for the exposure groups using statistical methods to adjust for diversification; the ranges for the exposure groups are aggregated to the segment level, likewise, with an adjustment for diversification. Our estimates of our reserve variability may not be comparable to those of other companies because there are no consistently applied actuarial or accounting standards governing such presentations. Our recorded reserves reflect our best point estimate of our liabilities and our actuarial methodologies focus on developing such point estimates. We calculate the ranges subsequently, based on the historical variability of such reserves.

Asbestos and Environmental Exposures. We continue to receive claims under expired insurance and reinsurance contracts asserting injuries and/or damages relating to or resulting from environmental pollution and hazardous substances, including asbestos. Environmental claims typically assert liability for (a) the mitigation or remediation of environmental contamination or (b) bodily injury or property damage caused by the release of hazardous substances into the land, air or water. Asbestos claims typically assert liability for bodily injury from exposure to asbestos or for

property damage resulting from asbestos or products containing asbestos.

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Our reserves include an estimate of our ultimate liability for A&E claims. Our A&E liabilities emanate from Everest Re's assumed reinsurance business. Liabilities related to Mt. McKinley's direct business, which had been ceded to Bermuda Re previously, were retroceded to an affiliate of Clearwater Insurance Company in 2015, concurrent with the sale of Mt. McKinley to Clearwater Insurance Company. There are significant uncertainties surrounding our estimates of our potential losses from A&E claims. Among the uncertainties are: (a) potentially long waiting periods between exposure and manifestation of any bodily injury or property damage; (b) difficulty in identifying sources of asbestos or environmental contamination; (c) difficulty in properly allocating responsibility and/or liability for asbestos or environmental damage; (d) changes in underlying laws and judicial interpretation of those laws; (e) the potential for an asbestos or environmental claim to involve many insurance providers over many policy periods; (f) questions concerning interpretation and application of insurance and reinsurance coverage; and (g) uncertainty regarding the number and identity of insureds with potential asbestos or environmental exposure.

Due to the uncertainties discussed above, the ultimate losses attributable to A&E, and particularly asbestos, may be subject to more variability than are non-A&E reserves and such variation could have a material adverse effect on our financial condition, results of operations and/or cash flows. See also ITEM 8, "Financial Statements and Supplementary Data" - Notes 1 and 3 of Notes to the Consolidated Financial Statements.

Reinsurance Receivables. We have purchased reinsurance to reduce our exposure to adverse claim experience, large claims and catastrophic loss occurrences. Our ceded reinsurance provides for recovery from reinsurers of a portion of losses and loss expenses under certain circumstances. Such reinsurance does not relieve us of our obligation to our policyholders. In the event our reinsurers are unable to meet their obligations under these agreements or are able to successfully challenge losses ceded by us under the contracts, we will not be able to realize the full value of the reinsurance receivable balance. To minimize exposure from uncollectible reinsurance receivables, we have a reinsurance security committee that evaluates the financial strength of each reinsurer prior to our entering into a reinsurance arrangement. In some cases, we may hold full or partial collateral for the receivable, including letters of credit, trust assets and cash. Additionally, creditworthy foreign reinsurers of business written in the U.S., as well as capital markets' reinsurance mechanisms, are generally required to secure their obligations. We have established reserves for uncollectible balances based on our assessment of the collectability of the outstanding balances. As of December 31, 2018 and 2017, the reserve for uncollectible balances was \$15.0 million. Actual uncollectible amounts may vary, perhaps substantially, from such reserves, impacting income (loss) in the period in which the change in reserves is made. See also ITEM 8, "Financial Statements and Supplementary Data" - Note 11 of Notes to the Consolidated Financial Statements and "Financial Condition – Reinsurance Receivables" below.

Premiums Written and Earned. Premiums written by us are earned ratably over the coverage periods of the related insurance and reinsurance contracts. We establish unearned premium reserves to cover the unexpired portion of each contract. Such reserves, for assumed reinsurance, are computed using pro rata methods based on statistical data received from ceding companies. Premiums earned, and the related costs, which have not yet been reported to us, are estimated and accrued. Because of the inherent lag in the reporting of written and earned premiums by our ceding companies, we use standard accepted actuarial methodologies to estimate earned but not reported premium at each financial reporting date. These earned but not reported premiums are combined with reported earned premiums to comprise our total premiums earned for determination of our incurred losses and loss and LAE reserves. Commission expense and incurred losses related to the change in earned but not reported premium are included in current period company and segment financial results. See also ITEM 8, "Financial Statements and Supplementary Data" - Note 1 of Notes to the Consolidated Financial Statements.

The following table displays the estimated components of net earned but not reported premiums by segment for the periods indicated.

(Dollars in millions)	At December 31,		
	2018	2017	2016
U.S. Reinsurance	\$592.9	\$354.3	\$385.5
International	330.6	275.2	235.4
Bermuda	439.5	270.3	258.4
Total	\$1,362.9	\$899.8	\$879.3

(Some amounts may not reconcile due to rounding.)

Investment Valuation. Our fixed income investments are classified for accounting purposes as available for sale and are carried at market value or fair value in our consolidated balance sheets. Our equity securities are all carried at fair value, as of January 1, 2018, due to the adoption of ASU 2016-01. Most securities we own are traded on national exchanges where market values are readily available. Some of our commercial mortgage-backed securities (“CMBS”) are valued using cash flow models and risk-adjusted discount rates. We hold some privately placed securities, less than 2.9% of the portfolio, that are either valued by brokers or investment advisors. In most instances, values provided by an investment advisor are supported with opinions from qualified independent third parties. In limited circumstances when broker or investment advisor prices are not available for a private placement, we will value the securities using comparable market information. At December 31, 2018 and 2017, our investment portfolio included \$1,427.8 million and \$1,074.6 million, respectively, of limited partnership investments whose values are reported pursuant to the equity method of accounting. We carry these investments at values provided by the managements of the limited partnerships and due to inherent reporting lags, the carrying values are based on values with “as of” dates from one month to one quarter prior to our financial statement date.

At December 31, 2018, we had net unrealized losses, net of tax, of \$179.4 million compared to unrealized gains, net of tax, of \$50.0 million at December 31, 2017. Gains and losses from market fluctuations for investments held at market value are reflected as comprehensive income (loss) in the consolidated balance sheets. Gains and losses from market fluctuations for investments held at fair value are reflected as net realized capital gains and losses in the consolidated statements of operations and comprehensive income (loss). Market value declines for the fixed income portfolio, which are considered credit other-than-temporary impairments, are reflected in our consolidated statements of operations and comprehensive income (loss), as realized capital losses. We consider many factors when determining whether a market value decline is other-than-temporary, including: (1) we have no intent to sell and, more likely than not, will not be required to sell prior to recovery, (2) the length of time the market value has been below book value, (3) the credit strength of the issuer, (4) the issuer’s market sector, (5) the length of time to maturity and (6) for asset-backed securities, changes in prepayments, credit enhancements and underlying default rates. If management’s assessments change in the future, we may ultimately record a realized loss after management originally concluded that the decline in value was temporary. See also ITEM 8, “Financial Statements and Supplementary Data” - Note 1 of Notes to the Consolidated Financial Statements.

FINANCIAL CONDITION

Cash and Invested Assets. Aggregate invested assets, including cash and short-term investments, were \$18,433.1 million at December 31, 2018, a decrease of \$193.5 million compared to \$18,626.5 million at December 31, 2017. This decrease was primarily the result of \$329.4 million in fair value re-measurements, \$250.9 million of pre-tax unrealized depreciation, \$216.2 million paid out in dividends to shareholders, \$143.1 million due to fluctuations in foreign currencies, repurchases of 0.3 million common shares for \$75.3 million and \$8.1 million of other-than-temporary impairments, partially offset by \$610.1 million of cash flows from operations, \$102.1 million in

equity adjustments of our limited partnership investments, \$46.1 million of unsettled securities and \$29.3 million of amortization bond premium.

Our principal investment objectives are to ensure funds are available to meet our insurance and reinsurance obligations and to maximize after-tax investment income while maintaining a high quality diversified investment portfolio. Considering these objectives, we view our investment portfolio as having two components: 1) the investments needed to satisfy outstanding liabilities (our core fixed maturities portfolio) and 2) investments funded by our shareholders' equity.

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For the portion needed to satisfy global outstanding liabilities, we generally invest in taxable and tax-preferenced fixed income securities with an average credit quality of Aa3. For the U.S. portion of this portfolio, our mix of taxable and tax-preferenced investments is adjusted periodically, consistent with our current and projected U.S. operating results, market conditions and our tax position. This global fixed maturity securities portfolio is externally managed by independent, professional investment managers using portfolio guidelines approved by internal management.

Over the past several years, we have expanded the allocation of our investments funded by shareholders' equity to include: 1) a greater percentage of publicly traded equity securities, 2) emerging market fixed maturities through mutual fund structures, as well as individual holdings, 3) high yield fixed maturities, 4) bank and private loan securities and 5) private equity limited partnership investments. The objective of this portfolio diversification is to enhance the risk-adjusted total return of the investment portfolio by allocating a prudent portion of the portfolio to higher return asset classes, which are also less subject to changes in value with movements in interest rates. We limit our allocation to these asset classes because of 1) the potential for volatility in their values and 2) the impact of these investments on regulatory and rating agency capital adequacy models. We use investment managers experienced in these markets and adjust our allocation to these investments based upon market conditions. At December 31, 2018, the market value of investments in these investment market sectors, carried at both market and fair value, approximated 51.9% of shareholders' equity.

The Company's limited partnership investments are comprised of limited partnerships that invest in private equities. Generally, the limited partnerships are reported on a quarter lag. We receive annual audited financial statements for all of the limited partnerships which are prepared using fair value accounting in accordance with FASB guidance. For the quarterly reports, the Company's staff performs reviews of the financial reports for any unusual changes in carrying value. If the Company becomes aware of a significant decline in value during the lag reporting period, the loss will be recorded in the period in which the Company identifies the decline.

The tables below summarize the composition and characteristics of our investment portfolio as of the dates indicated.

(Dollars in millions)	At December 31,					
	2018		2017			
Fixed maturities, market value	\$15,225.3	82.6 %	\$14,756.8	79.2 %		
Fixed maturities, fair value	2.3	0.0 %				
Equity securities, market value	-	0.0 %	129.5	0.7 %		
Equity securities, fair value	716.6	3.9 %	963.6	5.2 %		
Short-term investments	241.0	1.3 %	509.7	2.7 %		
Other invested assets	1,591.7	8.6 %	1,631.9	8.8 %		
Cash	656.1	3.6 %	635.1	3.4 %		
Total investments and cash	\$18,433.1	100.0 %	\$18,626.5	100.0 %		

(Some amounts may not reconcile due to rounding.)

	At December 31,	
	2018	2017
Fixed income portfolio duration (years)	3.0	3.1
Fixed income composite credit quality	Aa3	Aa3
Imbedded end of period yield, pre-tax	3.4%	3.0%
Imbedded end of period yield, after-tax	3.0%	2.8%

Reinsurance Receivables.

Reinsurance receivables for both paid and recoverable on unpaid losses totaled \$1,787.6 million at December 31, 2018 and \$1,348.2 million at December 31, 2017. At December 31, 2018, \$683.8 million, or 38.3%, was receivable from Mt. Logan Re collateralized segregated accounts; \$125.5 million, or 7.0%, was receivable from Munich Re; \$122.1 million, or 6.8%, was receivable from Zurich; and \$103.1 million, or 5.8%, was receivable from Resolution Group. The receivables from Resolution Group are fully collateralized by an individual trust agreement. No other retrocessionaire accounted for more than 5% of our receivables.

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Loss and LAE Reserves. Gross loss and LAE reserves totaled \$13,119.1 million and \$11,884.3 million at December 31, 2018 and 2017, respectively.

The following tables summarize gross outstanding loss and LAE reserves by segment, classified by case reserves and IBNR reserves, for the periods indicated.

(Dollars in millions)	At December 31, 2018			
	Case Reserves	IBNR Reserves	Total Reserves	% of Total
U.S. Reinsurance	\$2,191.5	\$2,498.7	\$4,690.2	35.8 %
International	1,194.3	1,010.4	2,204.7	16.8 %
Bermuda	1,163.5	1,592.4	2,755.9	21.0 %
Insurance	1,082.0	2,038.9	3,120.9	23.8 %
Total excluding A&E	5,631.2	7,140.4	12,771.6	97.4 %
A&E	270.6	76.9	347.5	2.6 %
Total including A&E	\$5,901.9	\$7,217.3	\$13,119.1	100.0 %

(Some amounts may not reconcile due to rounding.)

(Dollars in millions)	At December 31, 2017			
	Case Reserves	IBNR Reserves	Total Reserves	% of Total
U.S. Reinsurance	\$1,719.6	\$2,041.0	\$3,760.6	31.6 %
International	1,147.6	1,022.9	2,170.5	18.3 %
Bermuda	1,037.8	1,417.0	2,454.8	20.7 %
Insurance	1,049.4	2,000.0	3,049.4	25.7 %
Total excluding A&E	4,954.3	6,481.0	11,435.3	96.2 %
A&E	306.0	143.0	449.0	3.8 %
Total including A&E	\$5,260.4	\$6,623.9	\$11,884.3	100.0 %

(Some amounts may not reconcile due to rounding.)

Changes in premiums earned and business mix, reserve re-estimations, catastrophe losses and changes in catastrophe loss reserves and claim settlement activity all impact loss and LAE reserves by segment and in total.

Our loss and LAE reserves represent management's best estimate of our ultimate liability for unpaid claims. We continuously re-evaluate our reserves, including re-estimates of prior period reserves, taking into consideration all available information and, in particular, newly reported loss and claim experience. Changes in reserves resulting from such re-evaluations are reflected in incurred losses in the period when the re-evaluation is made. Our analytical methods and processes operate at multiple levels including individual contracts, groupings of like contracts, classes and lines of business, internal business units, segments, legal entities, and in the aggregate. In order to set appropriate reserves, we make qualitative and quantitative analyses and judgments at these various levels. Additionally, the attribution of reserves, changes in reserves and incurred losses among accident years requires qualitative and quantitative adjustments and allocations at these various levels. We utilize actuarial science, business expertise and management judgment in a manner intended to ensure the accuracy and consistency of our reserving practices. Nevertheless, our reserves are estimates, which are subject to variation, which may be significant.

There can be no assurance that reserves for, and losses from, claim obligations will not increase in the future, possibly by a material amount. However, we believe that our existing reserves and reserving methodologies lessen the probability that any such increase would have a material adverse effect on our financial condition, results of operations or cash flows.

We have included ranges for loss reserve estimates determined by our actuaries, which have been developed through a combination of objective and subjective criteria. Our presentation of this information may not be directly comparable to similar presentations of other companies as there are no consistently applied actuarial or accounting standards governing such presentations. Our recorded reserves are an aggregation of our best point estimates for approximately 200 reserve groups and reflect our best point estimate of our liabilities. Our actuarial methodologies develop point estimates rather than ranges and the ranges are developed subsequently based upon historical and prospective variability measures.

The following table below represents the reserve levels and ranges for each of our business segments for the period indicated.

Outstanding Reserves and Ranges By Segment (1)						
At December 31, 2018						
(Dollars in millions)	As Reported	Low Range % (2)	Low Range (2)	High Range % (2)	High Range (2)	
Gross Reserves By Segment						
U.S. Reinsurance	\$ 4,690.2	-16.0	% \$ 3,940.7	16.0	%	