EVEREST RE GROUP LTD
Form 10-Q
May 12, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED: March 31, 2014	Commission file number: 1-15731

EVEREST RE GROUP, LTD.
(Exact name of registrant as specified in its charter)

Bermuda	98-0365432
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Wessex House – 2nd Floor
45 Reid Street
PO Box HM 845
Hamilton HM DX, Bermuda
441-295-0006

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

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

YES X NO

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

YES X NO

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

Large accelerated filer	X	Accelerated filer

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

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

YES NO X

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Number of Shares Outstanding At May 1, 2014
Common Shares, $0.01 par value	46,107,042

EVEREST RE GROUP, LTD

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PART I

ITEM 1. FINANCIAL STATEMENTS

EVEREST RE GROUP, LTD.
CONSOLIDATED BALANCE SHEETS

(Dollars and share amounts in thousands, except par value per share)	March 31, 2014 (unaudited)	December 31, 2013
ASSETS:		
Fixed maturities - available for sale, at market value	$ 13,019,176	$ 12,636,907
(amortized cost: 2014, $12,708,891; 2013, $12,391,164)		
Fixed maturities - available for sale, at fair value	-	19,388
Equity securities - available for sale, at market value (cost: 2014, $156,000; 2013, $148,342)	153,822	144,081
Equity securities - available for sale, at fair value	1,398,430	1,462,079
Short-term investments	1,363,852	1,214,199
Other invested assets (cost: 2014, $485,771; 2013, $508,447)	485,771	508,447
Cash	385,404	611,382
Total investments and cash	16,806,455	16,596,483
Accrued investment income	116,910	119,058
Premiums receivable	1,427,171	1,453,114
Reinsurance receivables	653,109	540,883
Funds held by reinsureds	224,961	228,000
Deferred acquisition costs	375,393	363,721
Prepaid reinsurance premiums	78,305	81,779
Income taxes	136,513	178,334
Other assets	293,578	246,664
TOTAL ASSETS	$ 20,112,395	$ 19,808,036
LIABILITIES:		
Reserve for losses and loss adjustment expenses	$ 9,611,114	$ 9,673,240
Future policy benefit reserve	58,089	59,512
Unearned premium reserve	1,658,734	1,579,945
Funds held under reinsurance treaties	2,706	2,692
Commission reserves	57,312	66,160
Other net payable to reinsurers	116,883	116,387
Losses in course of payment	439,708	332,631
5.4% Senior notes due 10/15/2014	249,971	249,958
6.6% Long term notes due 5/1/2067	238,361	238,361
Accrued interest on debt and borrowings	12,092	4,781
Equity index put option liability	37,083	35,423
Unsettled securities payable	95,322	53,867
Other liabilities	182,341	333,425
Total liabilities	12,759,716	12,746,382

NONCONTROLLING INTERESTS:				
Redeemable noncontrolling interests - Mt. Logan Re		315,168		93,378
Commitments and contingencies (Note 9)				
SHAREHOLDERS' EQUITY:				
Preferred shares, par value: $0.01; 50,000 shares authorized;				
no shares issued and outstanding		-		-
Common shares, par value: $0.01; 200,000 shares authorized; (2014) 68,171				
and (2013) 67,965 outstanding before treasury shares		682		680
Additional paid-in capital		2,036,320		2,029,774
Accumulated other comprehensive income (loss), net of deferred income tax expense				
(benefit) of $65,137 at 2014 and $57,661 at 2013		211,207		157,728
Treasury shares, at cost; 22,114 shares (2014) and 20,422 shares (2013)		(2,235,856)		(1,985,873)
Retained earnings		7,025,158		6,765,967
Total shareholders' equity attributable to Everest Re Group		7,037,511		6,968,276
TOTAL LIABILITIES, NONCONTROLLING INTERESTS AND SHAREHOLDERS' EQUITY	$	20,112,395	$	19,808,036

The accompanying notes are an integral part of the consolidated financial statements.

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

	Three Months Ended March 31,	
(Dollars in thousands, except per share amounts)	2014	2013
	(unaudited)	
REVENUES:		
Premiums earned	$ 1,144,490	$ 1,088,759
Net investment income	123,157	145,781
Net realized capital gains (losses):		
Other-than-temporary impairments on fixed maturity securities	-	(191)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	-	-
Other net realized capital gains (losses)	21,126	126,926
Total net realized capital gains (losses)	21,126	126,735
Net derivative gain (loss)	(1,661)	15,285
Other income (expense)	(3,296)	(8,887)
Total revenues	1,283,816	1,367,673
CLAIMS AND EXPENSES:		
Incurred losses and loss adjustment expenses	619,409	592,644
Commission, brokerage, taxes and fees	246,002	233,046
Other underwriting expenses	50,638	52,946
Corporate expenses	4,945	5,717
Interest, fees and bond issue cost amortization expense	7,568	13,481
Total claims and expenses	928,562	897,834
INCOME (LOSS) BEFORE TAXES	355,254	469,839
Income tax expense (benefit)	53,232	85,496
NET INCOME (LOSS)	$ 302,022	$ 384,343
Net (income) loss attributable to noncontrolling interests	(8,089)	-
NET INCOME (LOSS) ATTRIBUTABLE TO EVEREST RE GROUP	$ 293,933	$ 384,343
Other comprehensive income (loss), net of tax:		
Unrealized appreciation (depreciation) ("URA(D)") on securities arising during the period	53,471	(46,802)
Reclassification adjustment for realized losses (gains) included in net income (loss)	1,874	(4,091)
Total URA(D) on securities arising during the period	55,345	(50,893)
Foreign currency translation adjustments	(2,637)	(21,066)
Benefit plan actuarial net gain (loss) for the period	-	-
	771	1,346

Reclassification adjustment for amortization of net (gain) loss included in net income (loss)				
Total benefit plan net gain (loss) for the period		771		1,346
Total other comprehensive income (loss), net of tax		53,479		(70,613)
Other comprehensive (income) loss attributable to noncontrolling interests		-		-
Total other comprehensive income (loss), net of tax attributable to Everest Re Group		53,479		(70,613)
COMPREHENSIVE INCOME (LOSS)	$	347,412	$	313,730
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO EVEREST RE GROUP:				
Basic	$	6.26	$	7.56
Diluted		6.21		7.50
Dividends declared		0.75		0.48

The accompanying notes are an integral part of the consolidated financial statements.

EVEREST RE GROUP, LTD.
CONSOLIDATED STATEMENTS OF
CHANGES IN SHAREHOLDERS' EQUITY

	Three Months Ended March 31,	
(Dollars in thousands, except share and dividends per share amounts)	2014	2013
	(unaudited)	
COMMON SHARES (shares outstanding):		
Balance, beginning of period	47,543,132	51,417,962
Issued during the period, net	206,071	498,157
Treasury shares acquired	(1,692,164)	(1,950,307)
Balance, end of period	46,057,039	49,965,812
COMMON SHARES (par value):		
Balance, beginning of period	$ 680	$ 671
Issued during the period, net	2	5
Balance, end of period	682	676
ADDITIONAL PAID-IN CAPITAL:		
Balance, beginning of period	2,029,774	1,946,439
Share-based compensation plans	6,546	32,527
Balance, end of period	2,036,320	1,978,966
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), NET OF DEFERRED INCOME TAXES:		
Balance, beginning of period	157,728	537,049
Net increase (decrease) during the period	53,479	(70,613)
Balance, end of period	211,207	466,436
RETAINED EARNINGS:		
Balance, beginning of period	6,765,967	5,613,266
Net income (loss) attributable to Everest Re Group	293,933	384,343
Dividends declared ($0.75 per share in 2014 and $0.48 per share in 2013)	(34,742)	(24,231)
Balance, end of period	7,025,158	5,973,378
TREASURY SHARES AT COST:		
Balance, beginning of period	(1,985,873)	(1,363,958)
Purchase of treasury shares	(249,983)	(238,632)
Balance, end of period	(2,235,856)	(1,602,590)
TOTAL SHAREHOLDERS' EQUITY, END OF PERIOD	$ 7,037,511	$ 6,816,866

The accompanying notes are an integral part of the consolidated financial statements.

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EVEREST RE GROUP, LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Three Months Ended March 31, 2014	2013
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 302,022	$ 384,343
Adjustments to reconcile net income to net cash provided by operating activities:		
Decrease (increase) in premiums receivable	25,533	(53,067)
Decrease (increase) in funds held by reinsureds, net	3,399	4,584
Decrease (increase) in reinsurance receivables	(114,898)	(92,736)
Decrease (increase) in income taxes	34,417	64,227
Decrease (increase) in prepaid reinsurance premiums	2,359	3,446
Increase (decrease) in reserve for losses and loss adjustment expenses	(56,348)	(127,942)
Increase (decrease) in future policy benefit reserve	(1,423)	(796)
Increase (decrease) in unearned premiums	80,016	54,323
Increase (decrease) in other net payable to reinsurers	1,176	4,188
Increase (decrease) in losses in course of payment	107,003	148,773
Change in equity adjustments in limited partnerships	2,313	(17,356)
Distribution of limited partnership income	8,600	33,686
Change in other assets and liabilities, net	(23,959)	(43,814)
Non-cash compensation expense	4,427	5,614
Amortization of bond premium (accrual of bond discount)	13,572	18,607
Amortization of underwriting discount on senior notes	14	13
Net realized capital (gains) losses	(21,126)	(126,735)
Net cash provided by (used in) operating activities	367,097	259,358
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from fixed maturities matured/called - available for sale, at market value	490,745	612,044
Proceeds from fixed maturities matured/called - available for sale, at fair value	875	3,000
Proceeds from fixed maturities sold - available for sale, at market value	328,709	254,496
Proceeds from fixed maturities sold - available for sale, at fair value	20,763	3,664
Proceeds from equity securities sold - available for sale, at market value	534	1,229
Proceeds from equity securities sold - available for sale, at fair value	178,598	106,175
Distributions from other invested assets	17,077	50,016
Cost of fixed maturities acquired - available for sale, at market value	(1,163,440)	(1,016,289)
Cost of fixed maturities acquired - available for sale, at fair value	(1,309)	(1,295)
Cost of equity securities acquired - available for sale, at market value	(8,546)	(1,566)
Cost of equity securities acquired - available for sale, at fair value	(92,329)	(122,617)
Cost of other invested assets acquired	(4,961)	(6,684)
Net change in short-term investments	(152,715)	78,507
Net change in unsettled securities transactions	1,564	(8,467)
Net cash provided by (used in) investing activities	(384,435)	(47,787)

CASH FLOWS FROM FINANCING ACTIVITIES:		
Common shares issued during the period, net	2,121	26,918
Purchase of treasury shares	(249,983)	(238,632)
Third party investment in redeemable noncontrolling interest	70,700	-
Dividends paid to shareholders	(34,742)	(24,231)
Net cash provided by (used in) financing activities	(211,904)	(235,945)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	3,264	11,460
Net increase (decrease) in cash	(225,978)	(12,914)
Cash, beginning of period	611,382	537,050
Cash, end of period	$ 385,404	$ 524,136
SUPPLEMENTAL CASH FLOW INFORMATION:		
Income taxes paid (recovered)	$ 16,260	$ 19,188
Interest paid	174	6,001

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the Three Months Ended March 31, 2014 and 2013

1. GENERAL

Everest Re Group, Ltd. ("Group"), a Bermuda company, through its subsidiaries, principally provides reinsurance and insurance in the U.S., Bermuda and international markets. As used in this document, "Company" means Group and its subsidiaries.

Effective February 27, 2013, the Company established a new subsidiary, Mt. Logan Re Ltd. ("Mt. Logan Re") and effective July 1, 2013, Mt. Logan Re established separate segregated accounts and issued non-voting redeemable preferred shares to capitalize the segregated accounts. Accordingly, the financial position and operating results for Mt. Logan Re are consolidated with the Company and the non-controlling interests in Mt. Logan Re's operating results and equity are presented as separate captions in the Company's financial statements.

2. BASIS OF PRESENTATION

The unaudited consolidated financial statements of the Company for the three months ended March 31, 2014 and 2013 include all adjustments, consisting of normal recurring accruals, which, in the opinion of management, are necessary for a fair statement of the results on an interim basis. Certain financial information, which is normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), has been omitted since it is not required for interim reporting purposes. The December 31, 2013 consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. The results for the three months ended March 31, 2014 and 2013 are not necessarily indicative of the results for a full year. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ended December 31, 2013, 2012 and 2011 included in the Company's most recent Form 10-K filing.

All intercompany accounts and transactions have been eliminated.

Certain reclassifications and format changes have been made to prior years' amounts to conform to the 2014 presentation. One reclassification relates to a correction in the manner in which the Company reports distributions received from limited partnership investments in the consolidated Statements of Cash Flows. Prior to the fourth quarter of 2013, the Company incorrectly reflected all distributions as cash flows from investing activities in its Consolidated Statements of Cash Flows. Starting with the fourth quarter of 2013, cash distributions from the limited partnerships that represent net investment income are reflected as cash flows from operating activities and distributions that represent the return of capital contributions are reflected as cash flows from investing activities. For the three months ended March 31, 2013, $33,686 thousand has been reclassified from "Distributions from other invested assets" included in cash flows from investing activities to "Distribution of limited partnership income" included in cash flows from operations. The Company has determined that this error is not material to the financial statements of any prior period.

Application of Recently Issued Accounting Standard Changes.

Presentation of Comprehensive Income. In June 2011, FASB issued amendments to existing guidance to provide two alternatives for the presentation of comprehensive income. Components of net income and comprehensive income can either be presented within a single, continuous financial statement or be presented in two separate but consecutive financial statements. The Company has chosen to present the components of net income and comprehensive income in a single, continuous financial statement. The guidance is effective for reporting periods beginning after December 15, 2011. The Company implemented this guidance as of January 1, 2012. In February, 2013, the FASB issued an additional amendment for the presentation of amounts reclassified out of accumulated other comprehensive income by component. The Company implemented the proposed guidance as of January 1, 2013.

Treatment of Insurance Contract Acquisition Costs. In October 2010, the FASB issued authoritative guidance for the accounting for costs associated with acquiring or renewing insurance contracts. The guidance identifies the incremental direct costs of contract acquisition and costs directly related to acquisition activities that should be capitalized. This guidance is effective for reporting periods beginning after December 15, 2011. The Company implemented this guidance as of January 1, 2012 and determined that $13,492 thousand of previously deferrable acquisition costs would be expensed, including $10,876 thousand and $2,616 thousand expensed in the years ended December 31, 2012 and 2013, respectively. No additional expense will be incurred related to this guidance implementation in future periods.

3. INVESTMENTS

The amortized cost, market value and gross unrealized appreciation and depreciation of available for sale, fixed maturity and equity security investments, carried at market value, are as follows for the periods indicated:

	At March 31, 2014			
(Dollars in thousands)	Amortized Cost	Unrealized Appreciation	Unrealized Depreciation	Market Value
Fixed maturity securities				
U.S. Treasury securities and obligations of				
U.S. government agencies and corporations	$ 161,235	$ 2,755	$ (1,711)	$ 162,279
Obligations of U.S. states and political				
subdivisions	927,315	43,571	(4,562)	966,324
Corporate securities	4,311,095	162,455	(19,196)	4,454,354
Asset-backed securities	181,005	3,273	(214)	184,064
Mortgage-backed securities				
Commercial	234,356	16,000	(1,022)	249,334
Agency residential	2,209,374	35,761	(30,791)	2,214,344
Non-agency residential	4,302	287	(184)	4,405
Foreign government securities	1,700,019	72,058	(23,806)	1,748,271
Foreign corporate securities	2,980,190	91,586	(35,975)	3,035,801
Total fixed maturity securities	$ 12,708,891	$ 427,746	$ (117,461)	$ 13,019,176
Equity securities	$ 156,000	$ 4,828	$ (7,006)	$ 153,822

	At December 31, 2013			
(Dollars in thousands)	Amortized Cost	Unrealized Appreciation	Unrealized Depreciation	Market Value
Fixed maturity securities				
U.S. Treasury securities and obligations of				
U.S. government agencies and corporations	$ 160,013	$ 2,690	$ (1,678)	$ 161,025
Obligations of U.S. states and political				
subdivisions	970,735	40,815	(9,022)	1,002,528
Corporate securities	3,950,887	155,619	(27,090)	4,079,416
Asset-backed securities	169,980	3,485	(422)	173,043
Mortgage-backed securities				
Commercial	254,765	16,683	(1,007)	270,441
Agency residential	2,294,719	34,509	(50,175)	2,279,053
Non-agency residential	4,816	229	(226)	4,819
Foreign government securities	1,740,337	69,779	(29,347)	1,780,769

Foreign corporate securities	2,844,912	86,529	(45,628)	2,885,813
Total fixed maturity securities	$ 12,391,164	$ 410,338	$ (164,595)	$ 12,636,907
Equity securities	$ 148,342	$ 4,336	$ (8,597)	$ 144,081

The $1,748,271 thousand of foreign government securities at March 31, 2014 included $796,804 thousand of European sovereign securities. Approximately 52.5%, 21.9%, 6.7% and 5.6% of European sovereign securities represented securities held in the governments of the United Kingdom, France, Austria and the Netherlands, respectively. No other countries represented more than 5% of the European sovereign securities. The Company held no sovereign securities of Portugal, Italy, Ireland, Greece or Spain at March 31, 2014.

In accordance with FASB guidance, the Company reclassified the non-credit portion of other-than-temporary impairments from retained earnings into accumulated other comprehensive income (loss), on April 1, 2009. The table below presents the pre-tax cumulative unrealized appreciation (depreciation) on those corporate securities, for the periods indicated:

(Dollars in thousands)	At March 31, 2014	At December 31, 2013
Pre-tax cumulative unrealized appreciation (depreciation)	$ 3,245	$ 3,169

The amortized cost and market value of fixed maturity securities are shown in the following table by contractual maturity. Mortgage-backed securities are generally more likely to be prepaid than other fixed maturity securities. As the stated maturity of such securities may not be indicative of actual maturities, the totals for mortgage-backed and asset-backed securities are shown separately.

	At March 31, 2014		At December 31, 2013	
(Dollars in thousands)	Amortized Cost	Market Value	Amortized Cost	Market Value
Fixed maturity securities – available for sale:				
Due in one year or less	$ 1,305,956	$ 1,316,967	$ 1,059,052	$ 1,067,799
Due after one year through five years	5,567,088	5,728,265	5,565,112	5,740,662
Due after five years through ten years	2,237,873	2,278,200	2,081,908	2,101,234
Due after ten years	968,937	1,043,597	960,812	999,856
Asset-backed securities	181,005	184,064	169,980	173,043
Mortgage-backed securities:				
Commercial	234,356	249,334	254,765	270,441
Agency residential	2,209,374	2,214,344	2,294,719	2,279,053
Non-agency residential	4,302	4,405	4,816	4,819
Total fixed maturity securities	$ 12,708,891	$ 13,019,176	$ 12,391,164	$ 12,636,907

The changes in net unrealized appreciation (depreciation) for the Company's investments are derived from the following sources for the periods indicated:

	Three Months Ended March 31,	
(Dollars in thousands)	2014	2013
Increase (decrease) during the period between the market value and cost of investments carried at market value, and deferred taxes thereon:		
Fixed maturity securities	$ 64,466	$ (47,947)
Fixed maturity securities, other-than-temporary impairment	76	(228)
Equity securities	2,083	(2,017)
Other invested assets	-	-
Change in unrealized appreciation (depreciation), pre-tax	66,625	(50,192)
Deferred tax benefit (expense)	(11,280)	(735)
Deferred tax benefit (expense), other-than-temporary impairment	-	34
Change in unrealized appreciation (depreciation), net of deferred taxes, included in shareholders' equity	$ 55,345	$ (50,893)

The Company frequently reviews all of its fixed maturity, available for sale securities for declines in market value and focuses its attention on securities whose fair value has fallen below 80% of their amortized cost at the time of review. The Company then assesses whether the decline in value is temporary or other-than-temporary. In making its assessment, the Company evaluates the current market and interest rate environment as well as specific issuer information. Generally, a change in a security's value caused by a change in the market, interest rate or foreign exchange environment does not constitute an other-than-temporary impairment, but rather a temporary decline in market value. Temporary declines in market value are recorded as unrealized losses in accumulated other comprehensive income (loss). If the Company determines that the decline is other-than-temporary and the Company does not have the intent to sell the security; and it is more likely than not that the Company will not have to sell the security before recovery of its cost basis, the carrying value of the investment is written down to fair value. The fair value adjustment that is credit or foreign exchange related is recorded in net realized capital gains (losses) in the Company's consolidated statements of operations and comprehensive income (loss). The fair value adjustment that is non-credit related is recorded as a component of other comprehensive income (loss), net of tax, and is included in accumulated other comprehensive income (loss) in the Company's consolidated balance sheets. The Company's assessments are based on the issuers current and expected future financial position, timeliness with respect to interest and/or principal payments, speed of repayments and any applicable credit enhancements or breakeven constant default rates on mortgage-backed and asset-backed securities, as well as relevant information provided by rating agencies, investment advisors and analysts.

The majority of the Company's equity securities available for sale at market value are primarily comprised of mutual fund investments whose underlying securities consist of fixed maturity securities. When a fund's value reflects an unrealized loss, the Company assesses whether the decline in value is temporary or other-than-temporary. In making its assessment, the Company considers the composition of its portfolios and their related markets, reports received from the portfolio managers and discussions with portfolio managers. If the Company determines that the declines are temporary and it has the ability and intent to continue to hold the investments, then the declines are recorded as unrealized losses in accumulated other comprehensive income (loss). If declines are deemed to be other-than-temporary, then the carrying value of the investment is written down to fair value and recorded in net realized capital gains (losses) in the Company's consolidated statements of operations and comprehensive income (loss).

Retrospective adjustments are employed to recalculate the values of asset-backed securities. All of the Company's asset-backed and mortgage-backed securities have a pass-through structure. Each acquisition lot is reviewed to recalculate the effective yield. The recalculated effective yield is used to derive a book value as if the new yield were applied at the time of acquisition. Outstanding principal factors from the time of acquisition to the adjustment date are used to calculate the prepayment history for all applicable securities. Conditional prepayment rates, computed with life to date factor histories and weighted average maturities, are used in the calculation of projected prepayments for pass-through security types.

The tables below display the aggregate market value and gross unrealized depreciation of fixed maturity and equity securities, by security type and contractual maturity, in each case subdivided according to length of time that individual securities had been in a continuous unrealized loss position for the periods indicated:

	Duration of Unrealized Loss at March 31, 2014 By Security Type					
	Less than 12 months		Greater than 12 months		Total	
(Dollars in thousands)	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
Fixed maturity securities - available for sale						
U.S. Treasury securities and obligations of						
U.S. government agencies and corporations	$ 54,900	$ (988)	$ 8,689	$ (723)	$ 63,589	$ (1,711)
Obligations of U.S. states and political subdivisions	35,182	(1,091)	68,552	(3,471)	103,734	(4,562)
Corporate securities	1,055,875	(14,522)	106,380	(4,674)	1,162,255	(19,196)
Asset-backed securities	22,658	(128)	119	(86)	22,777	(214)
Mortgage-backed securities						
Commercial	-	-	11,287	(1,022)	11,287	(1,022)
Agency residential	597,387	(10,129)	608,422	(20,662)	1,205,809	(30,791)

Non-agency residential	1,559	(11)	392	(173)	1,951	(184)
Foreign government securities	371,847	(12,538)	159,214	(11,268)	531,061	(23,806)
Foreign corporate securities	828,567	(21,720)	239,057	(14,255)	1,067,624	(35,975)
Total fixed maturity securities	$ 2,967,975	$ (61,127)	$ 1,202,112	$ (56,334)	$ 4,170,087	$ (117,461)
Equity securities	136,145	(7,006)	-	-	136,145	(7,006)
Total	$ 3,104,120	$ (68,133)	$ 1,202,112	$ (56,334)	$ 4,306,232	$ (124,467)

	Duration of Unrealized Loss at March 31, 2014 By Maturity					
	Less than 12 months		Greater than 12 months		Total	
(Dollars in thousands)	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
Fixed maturity securities						
Due in one year or less	$ 182,786	$ (5,312)	$ 46,643	$ (5,320)	$ 229,429	$ (10,632)
Due in one year through five years	1,331,340	(23,562)	288,624	(12,169)	1,619,964	(35,731)
Due in five years through ten years	740,585	(18,467)	124,208	(7,167)	864,793	(25,634)
Due after ten years	91,660	(3,518)	122,417	(9,735)	214,077	(13,253)
Asset-backed securities	22,658	(128)	119	(86)	22,777	(214)
Mortgage-backed securities	598,946	(10,140)	620,101	(21,857)	1,219,047	(31,997)
Total fixed maturity securities	$ 2,967,975	$ (61,127)	$ 1,202,112	$ (56,334)	$ 4,170,087	$ (117,461)

The aggregate market value and gross unrealized losses related to investments in an unrealized loss position at March 31, 2014 were $4,306,232 thousand and $124,467 thousand, respectively. The market value of securities for the single issuer whose securities comprised the largest unrealized loss position at March 31, 2014, did not exceed 0.5% of the overall market value of the Company's fixed maturity securities. In addition, as indicated on the above table, there was no significant concentration of unrealized losses in any one market sector. The $61,127 thousand of unrealized losses related to fixed maturity securities that have been in an unrealized loss position for less than one year were generally comprised of foreign and domestic corporate securities, foreign government securities and agency residential mortgage-backed securities. Of these unrealized losses, $55,242 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating organization. The $56,334 thousand of unrealized losses related to fixed maturity securities in an unrealized loss position for more than one year related primarily to agency residential mortgage-backed securities, domestic and foreign corporate securities, foreign government securities and municipal securities. Of these unrealized losses, $54,566 thousand related to securities that were rated investment grade by at least one nationally recognized statistical rating organization. The gross unrealized depreciation for mortgage-backed securities included $230 thousand related to sub-prime and alt-A loans. In all instances, there were no projected cash flow shortfalls to recover the full book value of the investments and the related interest obligations. The mortgage-backed securities still have excess credit coverage and are current on interest and principal payments.

The Company, given the size of its investment portfolio and capital position, does not have the intent to sell these securities; and it is more likely than not that the Company will not have to sell the security before recovery of its cost basis. In addition, all securities currently in an unrealized loss position are current with respect to principal and interest payments.

The tables below display the aggregate market value and gross unrealized depreciation of fixed maturity and equity securities, by security type and contractual maturity, in each case subdivided according to length of time that individual securities had been in a continuous unrealized loss position for the periods indicated:

	Duration of Unrealized Loss at December 31, 2013 By Security Type					
	Less than 12 months		Greater than 12 months		Total	
(Dollars in thousands)	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
Fixed maturity securities - available for sale						
U.S. Treasury securities and obligations of						
U.S. government agencies and corporations	$ 74,847	$ (1,033)	$ 8,751	$ (645)	$ 83,598	$ (1,678)
Obligations of U.S. states and political subdivisions	92,760	(4,852)	39,689	(4,170)	132,449	(9,022)
Corporate securities	959,396	(22,331)	75,946	(4,759)	1,035,342	(27,090)
Asset-backed securities	5,494	(6)	1,128	(416)	6,622	(422)
Mortgage-backed securities						
Commercial	51	-	11,353	(1,007)	11,404	(1,007)
Agency residential	1,220,845	(40,420)	264,640	(9,755)	1,485,485	(50,175)
Non-agency residential	1,758	(22)	1,541	(204)	3,299	(226)
Foreign government securities	409,252	(20,350)	85,029	(8,997)	494,281	(29,347)
Foreign corporate securities	872,907	(34,819)	151,748	(10,809)	1,024,655	(45,628)
Total fixed maturity securities	$ 3,637,310	$ (123,833)	$ 639,825	$ (40,762)	$ 4,277,135	$ (164,595)
Equity securities	127,030	(8,597)	-	-	127,030	(8,597)
Total	$ 3,764,340	$ (132,430)	$ 639,825	$ (40,762)	$ 4,404,165	$ (173,192)

	Duration of Unrealized Loss at December 31, 2013 By Maturity					
	Less than 12 months		Greater than 12 months		Total	
(Dollars in thousands)	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
Fixed maturity securities						
Due in one year or less	$ 143,098	$ (3,503)	$ 46,691	$ (5,330)	$ 189,789	$ (8,833)
Due in one year through five years	1,125,680	(25,365)	204,779	(11,279)	1,330,459	(36,644)
Due in five years through ten years	810,969	(35,169)	48,064	(3,844)	859,033	(39,013)
Due after ten years	329,415	(19,348)	61,629	(8,927)	391,044	(28,275)
Asset-backed securities	5,494	(6)	1,128	(416)	6,622	(422)
Mortgage-backed securities	1,222,654	(40,442)	277,534	(10,966)	1,500,188	(51,408)
	$ 3,637,310	$ (123,833)	$ 639,825	$ (40,762)	$ 4,277,135	$ (164,595)

Total fixed maturity securities	

The aggregate market value and gross unrealized losses related to investments in an unrealized loss position at December 31, 2013 were $4,404,165 thousand and $173,192 thousand, respectively. The market value of securities for the single issuer whose securities comprised the largest unrealized loss position at December 31, 2013, did not exceed 0.4% of the overall market value of the Company's fixed maturity securities. In addition, as indicated on the above table, there was no significant concentration of unrealized losses in any one market sector. The $123,833 thousand of unrealized losses related to fixed maturity securities that have been in an unrealized loss position for less than one year were generally comprised of domestic and foreign corporate securities, foreign government securities and agency residential mortgage-backed securities. Of these unrealized losses, $112,658 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating organization. The $40,762 thousand of unrealized losses related to fixed maturity securities in an unrealized loss position for more than one year related primarily to domestic and foreign corporate securities, foreign government securities, municipal securities and agency residential mortgage-backed securities. Of these unrealized losses, $38,964 thousand related to securities that were rated investment grade by at least one nationally recognized statistical rating organization. The gross unrealized depreciation for mortgage-backed securities included $273 thousand related to sub-prime and alt-A loans. In all instances, there were no projected cash flow shortfalls to recover the full book value of the investments and the related interest obligations. The mortgage-backed securities still have excess credit coverage and are current on interest and principal payments.

The components of net investment income are presented in the table below for the periods indicated:

	Three Months Ended March 31,	
(Dollars in thousands)	2014	2013
Fixed maturities	$ 116,253	$ 120,757
Equity securities	11,459	9,741
Short-term investments and cash	330	304
Other invested assets		
Limited partnerships	(2,258)	17,483
Other	2,021	2,321
Gross investment income before adjustments	127,805	150,606
Funds held interest income (expense)	3,017	4,429
Future policy benefit reserve income (expense)	(303)	(531)
Gross investment income	130,519	154,504
Investment expenses	(7,362)	(8,723)
Net investment income	$ 123,157	$ 145,781

(Some amounts may not reconcile due to rounding.)

The Company records results from limited partnership investments on the equity method of accounting with changes in value reported through net investment income. Due to the timing of receiving financial information from these partnerships, the results are generally reported on a one month or quarter lag. If the Company determines there has been a significant decline in value of a limited partnership during this lag period, a loss will be recorded in the period in which the Company identifies the decline.

The Company had contractual commitments to invest up to an additional $121,387 thousand in limited partnerships at March 31, 2014. These commitments will be funded when called in accordance with the partnership agreements, which have investment periods that expire, unless extended, through 2018.

The components of net realized capital gains (losses) are presented in the table below for the periods indicated:

	Three Months Ended March 31,	
(Dollars in thousands)	2014	2013
Fixed maturity securities, market value:		
Other-than-temporary impairments	$ -	$ (191)
Gains (losses) from sales	(1,948)	4,877
Fixed maturity securities, fair value:		
Gains (losses) from sales	940	(58)
Gains (losses) from fair value adjustments	-	84
Equity securities, market value:		
Gains (losses) from sales	(488)	233
Equity securities, fair value:		
Gains (losses) from sales	(1,415)	8,019
Gains (losses) from fair value adjustments	24,035	113,757
Short-term investments gain (loss)	2	14
Total net realized capital gains (losses)	$ 21,126	$ 126,735

The Company recorded as net realized capital gains (losses) in the consolidated statements of operations and comprehensive income (loss) both fair value re-measurements and write-downs in the value of securities deemed to be impaired on an other-than-temporary basis as displayed in the table above. The Company had no other-than-temporary impaired securities where the impairment had both a credit and non-credit component.

The proceeds and split between gross gains and losses, from sales of fixed maturity and equity securities, are presented in the table below for the periods indicated:

	Three Months Ended March 31,	
(Dollars in thousands)	2014	2013
Proceeds from sales of fixed maturity securities	$ 349,472	$ 258,160
Gross gains from sales	7,936	7,713
Gross losses from sales	(8,944)	(2,894)
Proceeds from sales of equity securities	$ 179,132	$ 107,404
Gross gains from sales	6,620	9,102
Gross losses from sales	(8,523)	(850)

4. DERIVATIVES

The Company sold seven equity index put option contracts, based on two indices, in 2001 and 2005, which remain outstanding. The Company sold these equity index put options as insurance products with the intent of achieving a profit. These equity index put option contracts meet the definition of a derivative under FASB guidance and the Company's position in these equity index put option contracts is unhedged. Accordingly, these equity index put option contracts are carried at fair value in the consolidated balance sheets with changes in fair value recorded in the consolidated statements of operations and comprehensive income (loss).

The Company sold six equity index put option contracts, based on the Standard & Poor's 500 ("S&P 500") index, for total consideration, net of commissions, of $22,530 thousand. At March 31, 2014, fair value for these equity index put option contracts was $30,516 thousand. These equity index put option contracts each have a single exercise date, with maturities ranging from 12 to 30 years and strike prices ranging from $1,141.21 to $1,540.63. No amounts will be payable under these equity index put option contracts if the S&P 500 index is at, or above, the strike prices on the exercise dates, which fall between June 2017 and March 2031. If the S&P 500 index is lower than the strike price on the applicable exercise date, the amount due would vary proportionately with the percentage by which the index is below the strike price. Based on historical index volatilities and trends and the March 31, 2014 S&P 500 index value, the Company estimates the probability that each equity index put option contract of the S&P 500 index falling below the strike price on the exercise date to be less than 25%. The theoretical maximum payouts under these six equity index put option contracts would occur if on each of the exercise dates the S&P 500 index value were zero. At March 31, 2014, the present value of these theoretical maximum payouts using a 3% discount factor was $410,762 thousand. Conversely, if the contracts had all expired on March 31, 2014, with the S&P index at $1,872.34, there would have been no settlement amount.

The Company sold one equity index put option contract based on the FTSE 100 index for total consideration, net of commissions, of $6,706 thousand. At March 31, 2014, fair value for this equity index put option contract was $6,567 thousand. This equity index put option contract has an exercise date of July 2020 and a strike price of 5,989.75. No amount will be payable under this equity index put option contract if the FTSE 100 index is at, or above, the strike price on the exercise date. If the FTSE 100 index is lower than the strike price on the exercise date, the amount due will vary proportionately with the percentage by which the index is below the strike price. Based on historical index volatilities and trends and the March 31, 2014 FTSE 100 index value, the Company estimates the probability that the equity index put option contract of the FTSE 100 index will fall below the strike price on the exercise date to be less than 41%. The theoretical maximum payout under the equity index put option contract would occur if on the exercise date the FTSE 100 index value was zero. At March 31, 2014, the present value of the theoretical maximum payout using a 3% discount factor and current exchange rate was $45,416 thousand. Conversely, if the contract had expired on March 31, 2014, with the FTSE index at 6,598.40, there would have been no settlement amount.

The fair value of the equity index put options can be found in the Company's consolidated balance sheets as follows:

(Dollars in thousands)

Derivatives not designated as hedging instruments	Location of fair value in balance sheets	At March 31, 2014	At December 31, 2013
Equity index put option contracts	Equity index put option liability	$ 37,083	$ 35,423
Total		$ 37,083	$ 35,423

The change in fair value of the equity index put option contracts can be found in the Company's statement of operations and comprehensive income (loss) as follows:

(Dollars in thousands)

Derivatives not designated as hedging instruments	Location of gain (loss) in statements of operations and comprehensive income (loss)	For the Three Months Ended March 31, 2014	2013
Equity index put option contracts	Net derivative gain (loss)	$ (1,661)	$ 15,285
Total		$ (1,661)	$ 15,285

The Company's equity index put option contracts contain provisions that require collateralization of the fair value, as calculated by the counterparty, above a specified threshold, which is based on the Company's financial strength ratings (Moody's Investors Service, Inc.) and/or debt ratings (Standard & Poor's Ratings Services). The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a liability position on March 31, 2014, was $37,083 thousand for which the Company had posted collateral with a market value of $30,014 thousand. If on March 31, 2014, the Company's ratings were such that the collateral threshold was zero, the Company's collateral requirement would increase by $55,000 thousand.

5. FAIR VALUE

The Company's fixed maturity and equity securities are primarily managed by third party investment asset managers. The investment asset managers obtain prices from nationally recognized pricing services. These services seek to utilize market data and observations in their evaluation process. They use pricing applications that vary by asset class and incorporate available market information and when fixed maturity securities do not trade on a daily basis the services will apply available information through processes such as benchmark curves, benchmarking of like securities, sector groupings and matrix pricing. In addition, they use model processes, such as the Option Adjusted Spread model to develop prepayment and interest rate scenarios for securities that have prepayment features.

In limited instances where prices are not provided by pricing services or in rare instances when a manager may not agree with the pricing service, price quotes on a non-binding basis are obtained from investment brokers. The investment asset managers do not make any changes to prices received from either the pricing services or the investment brokers. In addition, the investment asset managers have procedures in place to review the reasonableness of the prices from the service providers and may request verification of the prices. In addition, the Company continually performs analytical reviews of price changes and tests the prices on a random basis to an independent pricing source. No material variances were noted during these price validation procedures. In limited situations, where financial markets are inactive or illiquid, the Company may use its own assumptions about future cash flows and risk-adjusted discount rates to determine fair value. The Company made no such adjustments at March 31, 2014 and December 31, 2013.

The Company internally manages a small public equity portfolio which had a fair value at March 31, 2014 and December 31, 2013 of $184,175 thousand and $174,628 thousand, respectively, and all prices were obtained from publically published sources.

Equity securities in U.S. denominated currency are categorized as Level 1, Quoted Prices in Active Markets for Identical Assets, since the securities are actively traded on an exchange and prices are based on quoted prices from the exchange. Equity securities traded on foreign exchanges are categorized as Level 2 due to potential foreign exchange adjustments to fair or market value.

Fixed maturity securities are generally categorized as Level 2, Significant Other Observable Inputs, since a particular security may not have traded but the pricing services are able to use valuation models with observable market inputs such as interest rate yield curves and prices for similar fixed maturity securities in terms of issuer, maturity and seniority. Valuations that are derived from techniques in which one or more of the significant inputs are unobservable (including assumptions about risk) are categorized as Level 3, Significant Unobservable Inputs. These securities include broker priced securities and the Company's equity index put option contracts.

As of March 31, 2014 and December 31, 2013, all Level 3 fixed maturity securities, were priced using single non-binding broker quotes since prices for these securities were not provided by normal pricing service companies. The single broker quotes are provided by market makers or broker-dealers who are recognized as market participants in the markets in which they are providing the quotes. The prices received from brokers are reviewed for reasonableness by the third party asset managers and the Company.

The Company sold seven equity index put option contracts which meet the definition of a derivative. The Company's position in these contracts is unhedged. The Company records the change in fair value of equity index put option contracts in its consolidated statements of operations and comprehensive income (loss).

The fair value was calculated using an industry accepted option pricing model, Black-Scholes, which used the following assumptions:

	At March 31, 2014	
	Contracts based on S & P 500 Index	Contract based on FTSE 100 Index
Equity index	1,872.3	6,598.4
Interest rate	1.28% to 3.64%	2.52%
Time to maturity	3.1 to 17.0 yrs	6.3 yrs
Volatility	20.8% to 25.0%	23.2%

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The following table presents the fair value measurement levels for all assets and liabilities, which the Company has recorded at fair value (fair and market value) as of the periods indicated:

		Fair Value Measurement Using:		
(Dollars in thousands)	March 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Fixed maturities, market value				
U.S. Treasury securities and obligations of U.S. government agencies and corporations	$ 162,279	$ -	$ 162,279	$ -
Obligations of U.S. States and political subdivisions	966,324	-	966,324	-
Corporate securities	4,454,354	-	4,454,354	-
Asset-backed securities	184,064	-	180,392	3,672
Mortgage-backed securities				
Commercial	249,334	-	249,334	-
Agency residential	2,214,344	-	2,214,344	-
Non-agency residential	4,405	-	4,141	264
Foreign government securities	1,748,271	-	1,748,271	-
Foreign corporate securities	3,035,801	-	3,035,328	473
Total fixed maturities, market value	13,019,176	-	13,014,767	4,409
Fixed maturities, fair value	-	-	-	-
Equity securities, market value	153,822	136,145	17,677	-
Equity securities, fair value	1,398,430	1,282,347	116,083	-
Liabilities:				
Equity index put option contracts	$ 37,083	$ -	$ -	$ 37,083

There were no transfers between Level 1 and Level 2 for the three months ended March 31, 2014.

The following table presents the fair value measurement levels for all assets and liabilities, which the Company has recorded at fair value (fair and market value) as of the periods indicated:

(Dollars in thousands)	December 31, 2013	Fair Value Measurement Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Fixed maturities, market value				
U.S. Treasury securities and obligations of U.S. government agencies and corporations	$ 161,025	$ -	$ 161,025	$ -
Obligations of U.S. States and political subdivisions	1,002,528	-	1,002,528	-
Corporate securities	4,079,416	-	4,079,416	-
Asset-backed securities	173,043	-	167,744	5,299
Mortgage-backed securities				
Commercial	270,441	-	270,441	-
Agency residential	2,279,053	-	2,279,053	-
Non-agency residential	4,819	-	4,472	347
Foreign government securities	1,780,769	-	1,780,769	-
Foreign corporate securities	2,885,813	-	2,885,332	481
Total fixed maturities, market value	12,636,907	-	12,630,780	6,127
Fixed maturities, fair value	19,388	-	19,388	-
Equity securities, market value	144,081	127,030	17,051	-
Equity securities, fair value	1,462,079	1,342,278	119,801	-
Liabilities:				
Equity index put option contracts	$ 35,423	$ -	$ -	$ 35,423

The following tables present the activity under Level 3, fair value measurements using significant unobservable inputs by asset type, for the periods indicated:

	Three Months Ended March 31, 2014				Three Months Ended March 31, 2013				
(Dollars in thousands)	Asset-backed Securities	Foreign Corporate	Non-agency RMBS	Total	Asset-backed Securities	Foreign Corporate	Non-agency RMBS	Agency RMBS	Total
Beginning balance	$ 5,299	$ 481	$ 347	$ 6,127	$ 4,849	$ 11,913	$ 426	$ 34,842	$ 52,030
Total gains or (losses) (realized/unrealized)									
Included in earnings	18	1	138	157	(99)	-	57	-	(42)
Included in other comprehensive income (loss)	33	-	(21)	12	(190)	(123)	7	-	(306)

Purchases, issuances and settlements	(742)	(9)	(200)	(951)	126	743	(83)	-	786
Transfers in and/or (out) of Level 3	(936)	-	-	(936)	-	(10,254)	-	(34,842)	(45,096)
Ending balance	$ 3,672	$ 473	$ 264	$ 4,409	$ 4,686	$ 2,279	$ 407	$ -	$ 7,372
The amount of total gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

(Some amounts may not reconcile due to rounding.)

The transfers from level 3, fair value measurements using significant unobservable inputs, of $936 thousand and $45,096 thousand of investments for the three months ended March 31, 2014 and March 31, 2013, respectively, primarily relate to securities that were priced using single non-binding broker quotes as of December 31, 2013 and December 31, 2012, respectively. The securities were subsequently priced using a recognized pricing service as of March 31, 2014 and March 31, 2013, respectively, and were classified as level 2 as of those dates.

The following table presents the activity under Level 3, fair value measurements using significant unobservable inputs for equity index put option contracts, for the periods indicated:

	Three Months Ended March 31,	
(Dollars in thousands)	2014	2013
Liabilities:		
Balance, beginning of period	$ 35,423	$ 79,467
Total (gains) or losses (realized/unrealized)		
Included in earnings	1,661	(15,285)
Included in other comprehensive income (loss)	-	-
Purchases, issuances and settlements	-	-
Transfers in and/or (out) of Level 3	-	-
Balance, end of period	$ 37,083	$ 64,181
The amount of total gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to liabilities still held at the reporting date	$ -	$ -
(Some amounts may not reconcile due to rounding.)		

6. REDEEMABLE NONCONTROLLING INTEREST – MT. LOGAN RE

Mt. Logan Re is a Class 3 insurer registered in Bermuda effective February 27, 2013 under The Segregated Accounts Companies Act 2000 and 100% of the voting common shares are owned by Group. Separate segregated accounts have been established effective July 1, 2013 and non-voting, redeemable preferred shares have been issued to capitalize the segregated accounts. Each segregated account will invest in a diversified set of catastrophe exposures, diversified by risk/peril and across different geographic regions globally. The financial statements for Mt. Logan Re are consolidated with the Company with adjustments reflected for the third party noncontrolling interests reflected as separate captions in the Company's financial statements.

The following table presents the activity for redeemable noncontrolling interests in the consolidated balance sheets for the periods indicated:

(Dollars in thousands)	At March 31, 2014	At December 31, 2013
Redeemable noncontrolling interests - Mt. Logan Re, beginning of period	$ 93,378	$ -
Unaffiliated third party investments during period	213,700	87,500
Net income (loss) attributable to noncontrolling interests	8,089	5,878
Redeemable noncontrolling interests - Mt. Logan Re, end of period	$ 315,168	$ 93,378

(Some amounts may not reconcile due to rounding.)

In addition, the Company has invested $50,000 thousand in the segregated accounts from inception to date.

The Company expects its participation level in the segregated funds to fluctuate over time.

7. CAPITAL TRANSACTIONS

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

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8. EARNINGS PER COMMON SHARE

Basic earnings per share are calculated by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per share reflect the potential dilution that would occur if options granted under various share-based compensation plans were exercised resulting in the issuance of common shares that would participate in the earnings of the entity.

Net income (loss) attributable to Everest Re Group per common share has been computed as per below, based upon weighted average common basic and dilutive shares outstanding.

		Three Months Ended March 31,	
(Dollars in thousands, except per share amounts)		2014	2013
Net income (loss) attributable to Everest Re Group per share:			
	Numerator		
	Net income (loss) attributable to Everest Re Group	$ 293,933	$ 384,343
	Less: dividends declared-common shares and nonvested common shares	(34,742)	(24,231)
	Undistributed earnings	259,191	360,112
	Percentage allocated to common shareholders (1)	99.0 %	99.2 %
		256,717	357,222
	Add: dividends declared-common shareholders	34,391	24,019
	Numerator for basic and diluted earnings per common share	$ 291,108	$ 381,241
	Denominator		
	Denominator for basic earnings per weighted-average common shares	46,479	50,423
	Effect of dilutive securities:		
	Options	434	399
	Denominator for diluted earnings per adjusted weighted-average common shares	46,913	50,822
	Per common share net income (loss)		
	Basic	$ 6.26	$ 7.56
	Diluted	$ 6.21	$ 7.50
(1)	Basic weighted-average common shares outstanding	46,479	50,423
	Basic weighted-average common shares outstanding and nonvested common shares expected to vest	46,927	50,831
	Percentage allocated to common shareholders	99.0 %	99.2 %

(Some amounts may not reconcile due to rounding.)

The table below presents the options to purchase common shares that were outstanding, but were not included in the computation of earnings per diluted share as they were anti-dilutive, for the periods indicated:

Three Months Ended
March 31,

	2014	2013
Anti-dilutive options	-	454

All outstanding options expire on or between September 21, 2014 and September 19, 2022.

9. CONTINGENCIES

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.

In 1993 and prior, the Company had a business arrangement with The Prudential Insurance Company of America ("The Prudential") wherein, for a fee, the Company accepted settled claim payment obligations of certain property and casualty insurers, and, concurrently, became the owner of the annuity or assignee of the annuity proceeds funded by the property and casualty insurers specifically to fulfill these fully settled obligations. In these circumstances, the Company would be liable if The Prudential, which has an A+ (Superior) financial strength rating from A.M. Best Company ("A.M. Best"), was unable to make the annuity payments. The table below presents the estimated cost to replace all such annuities for which the Company was contingently liable for the periods indicated:

(Dollars in thousands)	At March 31, 2014	At December 31, 2013
	$ 144,411	$ 144,734

Prior to its 1995 initial public offering, the Company purchased annuities from an unaffiliated life insurance company with an A+ (Superior) financial strength rating from A.M. Best to settle certain claim liabilities of the company. Should the life insurance company become unable to make the annuity payments, the Company would be liable for those claim liabilities. The table below presents the estimated cost to replace all such annuities for which the Company was contingently liable for the periods indicated:

(Dollars in thousands)	At March 31, 2014	At December 31, 2013
	$ 30,123	$ 30,664

10. OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents the components of comprehensive income (loss) in the consolidated statements of operations for the periods indicated:

	Three Months Ended March 31, 2014			Three Months Ended March 31, 2013		
(Dollars in thousands)	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
Unrealized appreciation (depreciation) ("URA(D)") on securities - temporary	$ 64,113	$ (10,718)	$ 53,395	$ (45,045)	$ (1,563)	$ (46,608)
URA(D) on securities - OTTI	76	-	76	(228)	34	(194)

Reclassification of net realized losses (gains) included in net income (loss)	2,436	(562)	1,874	(4,919)	828	(4,091)
Foreign currency translation adjustments	(6,856)	4,219	(2,637)	(25,156)	4,090	(21,066)
Reclassification of benefit plan liability amortization included in net income (loss)	1,186	(415)	771	2,070	(724)	1,346
Total other comprehensive income (loss)	$ 60,955	$ (7,476)	$ 53,479	$ (73,278)	$ 2,665	$ (70,613)

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The following table presents details of the amounts reclassified from accumulated other comprehensive income ("AOCI") for the periods indicated:

AOCI component (Dollars in thousands)	Three months ended March 31, 2014	Three months ended March 31, 2013	Affected line item within the statements of operations and comprehensive income (loss)
URA(D) on securities	$ 2,436	$ (4,919)	Other net realized capital gains (losses)
	(562)	828	Income tax expense (benefit)
	$ 1,874	$ (4,091)	Net income (loss)
Benefit plan net gain (loss)	$ 1,186	$ 2,070	Other underwriting expenses
	(415)	(724)	Income tax expense (benefit)
	$ 771	$ 1,346	Net income (loss)

The following table presents the components of accumulated other comprehensive income (loss), net of tax, in the consolidated balance sheets for the periods indicated:

(Dollars in thousands)	At March 31, 2014	At December 31, 2013
Beginning balance of URA (D) on securities	$ 201,154	$ 603,928
Current period change in URA (D) of investments - temporary	55,269	(401,335)
Current period change in URA (D) of investments - non-credit OTTI	76	(1,439)
Ending balance of URA (D) on securities	256,499	201,154
Beginning balance of foreign currency translation adjustments	(4,530)	(4,368)
Current period change in foreign currency translation adjustments	(2,637)	(162)
Ending balance of foreign currency translation adjustments	(7,167)	(4,530)
Beginning balance of benefit plan net gain (loss)	(38,896)	(62,511)
Current period change in benefit plan net gain (loss)	771	23,615
Ending balance of benefit plan net gain (loss)	(38,125)	(38,896)
Ending balance of accumulated other comprehensive income (loss)	$ 211,207	$ 157,728

(Some amounts may not reconcile due to rounding.)

11. CREDIT FACILITIES

The Company has three credit facilities for a total commitment of up to $1,250,000 thousand, providing for the issuance of letters of credit and/or unsecured revolving credit lines. The following table presents the costs incurred in connection with the three credit facilities for the periods indicated:

Three Months Ended
March 31,

(Dollars in thousands)	2014	2013
Credit facility fees incurred	$ 174	$ 1,129

The terms and outstanding amounts for each facility are discussed below:

Group Credit Facility

Effective June 22, 2012, Group, Bermuda Re and Everest International entered into a four year, $800,000 thousand senior credit facility with a syndicate of lenders, which amended and restated in its entirety the July 27, 2007, five year, $850,000 thousand senior credit facility. Both the June 22, 2012 and July 27, 2007 senior credit facilities, which have similar terms, are referred to as the “Group Credit Facility”. Wells Fargo Corporation (“Wells Fargo Bank”) is the administrative agent for the Group Credit Facility, which consists of two tranches. Tranche one provides up to $200,000 thousand of unsecured revolving credit for liquidity and general corporate purposes, and for the issuance of unsecured standby letters of credit. The interest on the revolving loans shall, at the Company’s option, be either (1) the Base Rate (as defined below) or (2) an adjusted London Interbank Offered Rate ("LIBOR") plus a margin. The Base Rate is the higher of (a) the prime commercial lending rate established by Wells Fargo Bank, (b) the Federal Funds Rate plus 0.5% per annum or (c) the one month LIBOR Rate plus 1.0% per annum. The amount of margin and the fees payable for the Group Credit Facility depends on Group's senior unsecured debt rating. Tranche two exclusively provides up to $600,000 thousand for the issuance of standby letters of credit on a collateralized basis.

The Group Credit Facility requires Group to maintain a debt to capital ratio of not greater than 0.35 to 1 and to maintain a minimum net worth. Minimum net worth is an amount equal to the sum of $4,249,963 thousand plus 25% of consolidated net income for each of Group's fiscal quarters, for which statements are available ending on or after January 1, 2012 and for which consolidated net income is positive, plus 25% of any increase in consolidated net worth during such period attributable to the issuance of ordinary and preferred shares, which at March 31, 2014, was $4,881,367 thousand. As of March 31, 2014, the Company was in compliance with all Group Credit Facility covenants.

The following table summarizes the outstanding letters of credit and/or borrowings for the periods indicated:

(Dollars in thousands)		At March 31, 2014			At December 31, 2013		
Bank		Commitment	In Use	Date of Expiry	Commitment	In Use	Date of Expiry
Wells Fargo Bank Group Credit Facility	Tranche One	$ 200,000	$ -		$ 200,000	$ -	
	Tranche Two	600,000	501,853	12/31/2014	600,000	502,059	12/31/2014
Total Wells Fargo Bank Group Credit Facility		$ 800,000	$ 501,853		$ 800,000	$ 502,059	

Holdings Credit Facility

Effective August 15, 2011, the Company entered into a three year, $150,000 thousand unsecured revolving credit facility with a syndicate of lenders, referred to as the "Holdings Credit Facility". Citibank N.A. is the administrative agent for the Holdings Credit Facility. The Holdings Credit Facility may be used for liquidity and general corporate purposes. The Holdings Credit Facility provides for the borrowing of up to $150,000 thousand with interest at a rate selected by Holdings equal to either, (1) the Base Rate (as defined below) or (2) a periodic fixed rate equal to the Eurodollar Rate plus an applicable margin. The Base Rate means a fluctuating interest rate per annum in effect from time to time to be equal to the higher of (a) the rate of interest publicly announced by Citibank as its base rate, (b) 0.5% per annum above the Federal Funds Rate or (c) 1% above the one month London Interbank Offered Rate ("LIBOR"), in each case plus the applicable margin. The amount of margin and the fees payable for the Holdings Credit Facility depends upon Holdings' senior unsecured debt rating.

The Holdings Credit Facility requires Holdings to maintain a debt to capital ratio of not greater than 0.35 to 1 and Everest Re to maintain its statutory surplus at $1,875,000 thousand plus 25% of future aggregate net income and 25% of future aggregate capital contributions after December 31, 2010, which at March 31, 2014, was $2,155,750 thousand. As of March 31, 2014, Holdings was in compliance with all Holdings Credit Facility covenants.

There are certain regulatory and contractual restrictions on the ability of Holdings' operating subsidiaries to transfer funds to Holdings in the form of cash dividends, loans or advances. The insurance laws of the State of Delaware, where Holdings' direct insurance subsidiaries are domiciled, require regulatory approval before those subsidiaries can pay dividends or make loans or advances to Holdings that exceed certain statutory thresholds. At December 31, 2013, $2,294,461 thousand of the $3,136,782 thousand in net assets of Holdings' consolidated subsidiaries were subject to the foregoing regulatory restrictions.

The following table summarizes outstanding letters of credit and/or borrowings for the periods indicated:

(Dollars in thousands)	At March 31, 2014				At December 31, 2013			
Bank	Commitment	In Use	Date of Loan	Maturity/Expiry Date	Commitment	In Use	Date of Loan	Maturity/Expiry Date
Citibank Holdings Credit Facility	$ 150,000	$ -			$ 150,000	$ -		
Total revolving credit borrowings		-				-		
Total letters of credit		851		12/31/2014		851		12/31/2014
Total Citibank Holdings Credit Facility	$ 150,000	$ 851			$ 150,000	$ 851		

Bermuda Re Letter of Credit Facility

Bermuda Re has a $300,000 thousand letter of credit issuance facility with Citibank N.A. referred to as the "Bermuda Re Letter of Credit Facility", which commitment is reconfirmed annually with updated fees. The Bermuda Re Letter of Credit Facility provides for the issuance of up to $300,000 thousand of secured letters of credit to collateralize reinsurance obligations as a non-admitted reinsurer. The interest on drawn letters of credit shall be (A) 0.35% per annum of the principal amount of issued standard letters of credit (expiry of 15 months or less) and (B) 0.45% per annum of the principal amount of issued extended tenor letters of credit (expiry maximum of up to 60 months). The commitment fee on undrawn credit shall be 0.15% per annum.

The following table summarizes the outstanding letters of credit for the periods indicated:

(Dollars in thousands)	At March 31, 2014			At December 31, 2013		
Bank	Commitment	In Use	Date of Expiry	Commitment	In Use	Date of Expiry
Citibank Bilateral Letter of Credit Agreement	$ 300,000	$ 3,672	11/24/2014	$ 300,000	$ 119	8/30/2014
		79,214	12/31/2014		3,672	11/24/2014
		80	8/30/2015		79,336	12/31/2014
		4,105	12/31/2015		1,045	12/31/2015
		107,343	3/30/2018		22,800	12/31/2017
		39,650	6/30/2018		129,147	3/30/2018
Total Citibank Bilateral Agreement	$ 300,000	$ 234,064		$ 300,000	$ 236,119	

12. TRUST AGREEMENTS

Certain subsidiaries of Group have established trust agreements, which effectively use the Company's investments as collateral, as security for assumed losses payable to certain non-affiliated ceding companies. At March 31, 2014, the total amount on deposit in trust accounts was $262,583 thousand.

13. SENIOR NOTES

The table below displays Holdings' outstanding senior notes. Market value is based on quoted market prices, but due to limited trading activity, these senior notes are considered Level 2 in the fair value hierarchy.