EVEREST RE GROUP LTD
Form 10-Q
August 11, 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: June 30, 2014	Commission file number: 1-15731

EVERSEST 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 August 1, 2014
Common Shares, $0.01 par value	45,471,636

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)	June 30, 2014 (unaudited)	December 31, 2013
ASSETS:		
Fixed maturities - available for sale, at market value	$ 13,577,366	$ 12,636,907
(amortized cost: 2014, $13,173,675; 2013, $12,391,164)		
Fixed maturities - available for sale, at fair value	-	19,388
Equity securities - available for sale, at market value (cost: 2014, $149,024; 2013, $148,342)	151,377	144,081
Equity securities - available for sale, at fair value	1,424,792	1,462,079
Short-term investments	1,636,937	1,214,199
Other invested assets (cost: 2014, $509,396; 2013, $508,447)	509,396	508,447
Cash	341,570	611,382
Total investments and cash	17,641,438	16,596,483
Accrued investment income	120,559	119,058
Premiums receivable	1,551,615	1,453,114
Reinsurance receivables	685,643	540,883
Funds held by reinsureds	226,845	228,000
Deferred acquisition costs	368,117	363,721
Prepaid reinsurance premiums	150,206	81,779
Income taxes	141,887	178,334
Other assets	305,334	246,664
TOTAL ASSETS	$ 21,191,644	$ 19,808,036
LIABILITIES:		
Reserve for losses and loss adjustment expenses	$ 9,704,463	$ 9,673,240
Future policy benefit reserve	58,368	59,512
Unearned premium reserve	1,677,971	1,579,945
Funds held under reinsurance treaties	3,337	2,692
Commission reserves	54,073	66,160
Other net payable to reinsurers	217,041	116,387
Losses in course of payment	494,640	332,631
4.868% Senior notes due 6/1/2044	400,000	-
5.4% Senior notes due 10/15/2014	249,984	249,958
6.6% Long term notes due 5/1/2067	238,362	238,361
Accrued interest on debt and borrowings	6,133	4,781
Equity index put option liability	33,309	35,423
Unsettled securities payable	88,463	53,867
Other liabilities	266,724	333,425
Total liabilities	13,492,868	12,746,382

NONCONTROLLING INTERESTS:		
Redeemable noncontrolling interests - Mt. Logan Re	375,908	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) 68,280		
and (2013) 67,965 outstanding before treasury shares	683	680
Additional paid-in capital	2,052,682	2,029,774
Accumulated other comprehensive income (loss), net of deferred income tax expense		
(benefit) of $79,020 at 2014 and $57,661 at 2013	299,304	157,728
Treasury shares, at cost; 22,589 shares (2014) and 20,422 shares (2013)	(2,310,824)	(1,985,873)
Retained earnings	7,281,023	6,765,967
Total shareholders' equity attributable to Everest Re Group	7,322,868	6,968,276
TOTAL LIABILITIES, NONCONTROLLING INTERESTS AND SHAREHOLDERS' EQUITY	$ 21,191,644	$ 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 June 30,		Six Months Ended June 30,	
(Dollars in thousands, except per share amounts)	2014	2013	2014	2013
	(unaudited)		(unaudited)	
REVENUES:				
Premiums earned	$ 1,272,317	$ 1,151,533	$ 2,416,807	$ 2,240,292
Net investment income	131,224	148,729	254,381	294,510
Net realized capital gains (losses):				
Other-than-temporary impairments on fixed maturity securities	(389)	-	(389)	(191)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	-	-	-	-
Other net realized capital gains (losses)	59,405	33,905	80,531	160,831
Total net realized capital gains (losses)	59,016	33,905	80,142	160,640
Net derivative gain (loss)	3,774	12,081	2,113	27,366
Other income (expense)	(13,871)	8,295	(17,167)	(592)
Total revenues	1,452,460	1,354,543	2,736,276	2,722,216
CLAIMS AND EXPENSES:				
Incurred losses and loss adjustment expenses	735,697	711,590	1,355,106	1,304,234
Commission, brokerage, taxes and fees	283,687	242,067	529,689	475,113
Other underwriting expenses	58,414	54,901	109,052	107,847
Corporate expenses	3,899	6,168	8,844	11,885
Interest, fees and bond issue cost amortization expense	8,978	17,362	16,546	30,843
Total claims and expenses	1,090,675	1,032,088	2,019,237	1,929,922
INCOME (LOSS) BEFORE TAXES	361,785	322,455	717,039	792,294
Income tax expense (benefit)	63,860	46,813	117,092	132,309
NET INCOME (LOSS)	$ 297,925	$ 275,642	$ 599,947	$ 659,985
Net (income) loss attributable to noncontrolling interests	(7,741)	-	(15,830)	-
NET INCOME (LOSS) ATTRIBUTABLE TO EVEREST RE GROUP	$ 290,184	$ 275,642	$ 584,117	$ 659,985
Other comprehensive income (loss), net of tax:				
Unrealized appreciation (depreciation) ("URA(D)") on securities arising during the period	85,921	(272,540)	139,392	(319,342)
Reclassification adjustment for realized losses (gains) included in net income (loss)	2,169	(1,828)	4,043	(5,919)
Total URA(D) on securities arising during the period	88,090	(274,368)	143,435	(325,261)

Foreign currency translation adjustments	(763)	13,751	(3,400)	(7,315)
Benefit plan actuarial net gain (loss) for the period	-	-	-	-
Reclassification adjustment for amortization of net (gain) loss included in net income (loss)	770	1,345	1,541	2,691
Total benefit plan net gain (loss) for the period	770	1,345	1,541	2,691
Total other comprehensive income (loss), net of tax	88,097	(259,272)	141,576	(329,885)
Other comprehensive (income) loss attributable to noncontrolling interests	-	-	-	-
Total other comprehensive income (loss), net of tax attributable to Everest Re Group	88,097	(259,272)	141,576	(329,885)
COMPREHENSIVE INCOME (LOSS)	$ 378,281	$ 16,370	$ 725,693	$ 330,100
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO EVEREST RE GROUP:				
Basic	$ 6.32	$ 5.60	$ 12.58	$ 13.19
Diluted	6.26	5.56	12.46	13.09
Dividends declared	0.75	0.48	1.50	0.96

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

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

(Dollars in thousands, except share and dividends per share amounts)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
	(unaudited)		(unaudited)	
COMMON SHARES (shares outstanding):				
Balance, beginning of period	46,057,039	49,965,812	47,543,132	51,417,962
Issued during the period, net	109,068	208,935	315,139	707,092
Treasury shares acquired	(475,092)	(1,586,707)	(2,167,256)	(3,537,014)
Balance, end of period	45,691,015	48,588,040	45,691,015	48,588,040
COMMON SHARES (par value):				
Balance, beginning of period	$ 682	$ 676	$ 680	$ 671
Issued during the period, net	1	2	3	7
Balance, end of period	683	678	683	678
ADDITIONAL PAID-IN CAPITAL:				
Balance, beginning of period	2,036,320	1,978,966	2,029,774	1,946,439
Share-based compensation plans	16,362	24,200	22,908	56,727
Balance, end of period	2,052,682	2,003,166	2,052,682	2,003,166
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), NET OF DEFERRED INCOME TAXES:				
Balance, beginning of period	211,207	466,436	157,728	537,049
Net increase (decrease) during the period	88,097	(259,272)	141,576	(329,885)
Balance, end of period	299,304	207,164	299,304	207,164
RETAINED EARNINGS:				
Balance, beginning of period	7,025,158	5,973,378	6,765,967	5,613,266
Net income (loss) attributable to Everest Re Group	290,184	275,642	584,117	659,985
Dividends declared ($0.75 per share in second quarter 2014 and $1.50 year-to-date per share in 2014 and $0.48 per share in second quarter 2013 and $0.96 year-to-date per share in 2013)	(34,319)	(23,315)	(69,061)	(47,546)
Balance, end of period	7,281,023	6,225,705	7,281,023	6,225,705
TREASURY SHARES AT COST:				
Balance, beginning of period	(2,235,856)	(1,602,590)	(1,985,873)	(1,363,958)
Purchase of treasury shares	(74,968)	(211,323)	(324,951)	(449,955)
Balance, end of period	(2,310,824)	(1,813,913)	(2,310,824)	(1,813,913)

TOTAL SHAREHOLDERS' EQUITY, END OF PERIOD	$ 7,322,868	$ 6,622,800	$ 7,322,868	$ 6,622,800

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2014	2013	2014	2013
	(unaudited)		(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	$ 297,925	$ 275,642	$ 599,947	$ 659,985
Adjustments to reconcile net income to net cash provided by operating activities:				
Decrease (increase) in premiums receivable	(123,360)	(167,239)	(97,827)	(220,306)
Decrease (increase) in funds held by reinsureds, net	(1,251)	(16,828)	2,148	(12,244)
Decrease (increase) in reinsurance receivables	(22,179)	26,758	(137,077)	(65,978)
Decrease (increase) in income taxes	(19,160)	(7,498)	15,257	56,729
Decrease (increase) in prepaid reinsurance premiums	(70,705)	(10,354)	(68,346)	(6,908)
Increase (decrease) in reserve for losses and loss adjustment expenses	64,403	(47,200)	8,055	(175,142)
Increase (decrease) in future policy benefit reserve	279	229	(1,144)	(567)
Increase (decrease) in unearned premiums	16,787	72,212	96,803	126,535
Increase (decrease) in other net payable to reinsurers	99,370	25,577	100,546	29,765
Increase (decrease) in losses in course of payment	54,987	81,362	161,990	230,135
Change in equity adjustments in limited partnerships	(5,513)	(18,994)	(3,200)	(36,350)
Distribution of limited partnership income	4,830	9,409	13,430	43,095
Change in other assets and liabilities, net	(32,913)	(31,052)	(56,872)	(74,866)
Non-cash compensation expense	5,341	4,551	9,768	10,165
Amortization of bond premium (accrual of bond discount)	13,496	16,900	27,068	35,507
Amortization of underwriting discount on senior notes	14	14	28	27
Net realized capital (gains) losses	(59,016)	(33,905)	(80,142)	(160,640)
Net cash provided by (used in) operating activities	223,335	179,584	590,432	438,942
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from fixed maturities matured/called - available for sale, at market value	556,764	706,674	1,047,509	1,318,718
Proceeds from fixed maturities matured/called - available for sale, at fair value	-	4,213	875	7,213
	277,767	376,688	606,476	631,184

Proceeds from fixed maturities sold - available for sale, at market value				
Proceeds from fixed maturities sold - available for sale, at fair value	-	13,678	20,763	17,342
Proceeds from equity securities sold - available for sale, at market value	8,138	44,194	8,672	45,423
Proceeds from equity securities sold - available for sale, at fair value	126,294	252,594	304,892	358,769
Distributions from other invested assets	5,443	24,437	22,520	74,453
Cost of fixed maturities acquired - available for sale, at market value	(1,295,283)	(1,105,870)	(2,458,723)	(2,122,159)
Cost of fixed maturities acquired - available for sale, at fair value	-	(1,411)	(1,309)	(2,706)
Cost of equity securities acquired - available for sale, at market value	(2,073)	(51,921)	(10,619)	(53,487)
Cost of equity securities acquired - available for sale, at fair value	(90,985)	(121,327)	(183,314)	(243,944)
Cost of other invested assets acquired	(29,427)	(4,617)	(34,388)	(11,301)
Net change in short-term investments	(270,962)	53,629	(423,677)	132,136
Net change in unsettled securities transactions	19,069	64,135	20,633	55,668
Net cash provided by (used in) investing activities	(695,255)	255,096	(1,079,690)	207,309
CASH FLOWS FROM FINANCING ACTIVITIES:				
Common shares issued during the period, net	11,022	19,651	13,143	46,569
Purchase of treasury shares	(74,968)	(211,323)	(324,951)	(449,955)
Revolving credit borrowings	-	40,000	-	40,000
Net cost of junior subordinated debt securities redemption	-	(329,897)	-	(329,897)
Net proceeds from issuance of senior notes	400,000	-	400,000	-
Third party investment in redeemable noncontrolling interest	53,000	-	123,700	-
Subscription advances for third party redeemable noncontrolling interest	77,500	-	77,500	-
Dividends paid to shareholders	(34,319)	(23,315)	(69,061)	(47,546)
Net cash provided by (used in) financing activities	432,235	(504,884)	220,331	(740,829)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(4,149)	(14,796)	(885)	(3,336)
Net increase (decrease) in cash	(43,834)	(85,000)	(269,812)	(97,914)
Cash, beginning of period	385,404	524,136	611,382	537,050
Cash, end of period	$ 341,570	$ 439,136	$ 341,570	$ 439,136
SUPPLEMENTAL CASH FLOW INFORMATION:				
Income taxes paid (recovered)	$ 80,981	$ 47,550	$ 97,241	$ 66,738
Interest paid	14,844	17,280	15,018	23,281

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

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the Three and Six Months Ended June 30, 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 and six months ended June 30, 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 and six months ended June 30, 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 and six months ended June 30, 2013, $9,409 thousand and $43,095 thousand, respectively, have 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 June 30, 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	$ 521,496	$ 3,711	$ (930)	$ 524,277
Obligations of U.S. states and political subdivisions	881,697	44,770	(2,050)	924,417
Corporate securities	4,531,862	175,499	(14,021)	4,693,340
Asset-backed securities	265,436	3,383	(91)	268,728
Mortgage-backed securities				
Commercial	222,204	15,166	(681)	236,689
Agency residential	2,103,439	43,127	(15,815)	2,130,751
Non-agency residential	3,894	296	(157)	4,033
Foreign government securities	1,629,068	76,302	(13,176)	1,692,194
Foreign corporate securities	3,014,579	108,724	(20,366)	3,102,937
Total fixed maturity securities	$ 13,173,675	$ 470,978	$ (67,287)	$ 13,577,366
Equity securities	$ 149,024	$ 5,319	$ (2,966)	$ 151,377

	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 $1,692,194 thousand of foreign government securities at June 30, 2014 included $734,053 thousand of European sovereign securities. Approximately 57.5%, 19.0% and 5.9% of European sovereign securities represented securities held in the governments of the United Kingdom, France 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 June 30, 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 June 30, 2014	At December 31, 2013
Pre-tax cumulative unrealized appreciation (depreciation)	$ 3,250	$ 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 June 30, 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	$ 1,270,385	$ 1,279,390	$ 1,059,052	$ 1,067,799
Due after one year through five years	6,063,017	6,240,153	5,565,112	5,740,662
Due after five years through ten years	2,289,958	2,362,018	2,081,908	2,101,234
Due after ten years	955,342	1,055,604	960,812	999,856
Asset-backed securities	265,436	268,728	169,980	173,043
Mortgage-backed securities:				
Commercial	222,204	236,689	254,765	270,441
Agency residential	2,103,439	2,130,751	2,294,719	2,279,053
Non-agency residential	3,894	4,033	4,816	4,819
Total fixed maturity securities	$ 13,173,675	$ 13,577,366	$ 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 June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2014	2013	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	$ 93,403	$ (311,674)	$ 157,869	$ (359,621)
Fixed maturity securities, other-than-temporary impairment	5	(1,144)	81	(1,372)
Equity securities	4,531	(12,058)	6,614	(14,075)
Other invested assets	-	-	-	-
Change in unrealized appreciation (depreciation), pre-tax	97,939	(324,876)	164,564	(375,068)
Deferred tax benefit (expense)	(9,849)	50,402	(21,129)	49,667
Deferred tax benefit (expense), other-than-temporary impairment	-	106	-	140
Change in unrealized appreciation (depreciation), net of deferred taxes, included in shareholders' equity	$ 88,090	$ (274,368)	$ 143,435	$ (325,261)

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 June 30, 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	$ 143,260	$ (193)	$ 28,622	$ (737)	$ 171,882	$ (930)
Obligations of U.S. states and political subdivisions	-	-	92,739	(2,050)	92,739	(2,050)
Corporate securities	497,454	(5,184)	375,934	(8,837)	873,388	(14,021)
Asset-backed securities	17,510	(8)	112	(83)	17,622	(91)
Mortgage-backed securities						
Commercial	22	-	11,466	(681)	11,488	(681)
Agency residential	206,344	(730)	727,344	(15,085)	933,688	(15,815)
Non-agency residential	-	-	1,659	(157)	1,659	(157)

Foreign government securities	74,204	(2,662)	229,593	(10,514)	303,797	(13,176)
Foreign corporate securities	231,278	(6,024)	419,731	(14,342)	651,009	(20,366)
Total fixed maturity securities	$ 1,170,072	$ (14,801)	$ 1,887,200	$ (52,486)	$ 3,057,272	$ (67,287)
Equity securities	15	-	123,541	(2,966)	123,556	(2,966)
Total	$ 1,170,087	$ (14,801)	$ 2,010,741	$ (55,452)	$ 3,180,828	$ (70,253)

	Duration of Unrealized Loss at June 30, 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	$72,606	$ (3,776)	$61,122	$ (5,888)	$133,728	$ (9,664)
Due in one year through five years	604,549	(7,848)	632,014	(16,155)	1,236,563	(24,003)
Due in five years through ten years	263,090	(2,316)	301,212	(8,544)	564,302	(10,860)
Due after ten years	5,951	(123)	152,271	(5,893)	158,222	(6,016)
Asset-backed securities	17,510	(8)	112	(83)	17,622	(91)
Mortgage-backed securities	206,366	(730)	740,469	(15,923)	946,835	(16,653)
Total fixed maturity securities	$1,170,072	$ (14,801)	$1,887,200	$ (52,486)	$3,057,272	$ (67,287)

The aggregate market value and gross unrealized losses related to investments in an unrealized loss position at June 30, 2014 were $3,180,828 thousand and $70,253 thousand, respectively. The market value of securities for the single issuer whose securities comprised the largest unrealized loss position at June 30, 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 $14,801 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, $12,169 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating organization. The $52,486 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, $50,302 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 $199 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)
Total fixed maturity securities	$ 3,637,310	$ (123,833)	$ 639,825	$ (40,762)	$ 4,277,135	$ (164,595)

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 June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2014	2013	2014	2013
Fixed maturities	$ 117,562	$ 120,253	$ 233,815	$ 241,010
Equity securities	13,566	12,795	25,025	22,536
Short-term investments and cash	577	176	907	480
Other invested assets				
Limited partnerships	6,226	19,585	3,968	37,068
Other	330	1,935	2,351	4,256
Gross investment income before adjustments	138,261	154,744	266,066	305,350
Funds held interest income (expense)	2,041	1,847	5,058	6,276
Future policy benefit reserve income (expense)	(141)	(621)	(444)	(1,152)
Gross investment income	140,161	155,970	270,680	310,474
Investment expenses	(8,937)	(7,241)	(16,299)	(15,964)
Net investment income	$ 131,224	$ 148,729	$ 254,381	$ 294,510

(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 $214,891 thousand in limited partnerships at June 30, 2014. These commitments will be funded when called in accordance with the partnership agreements, which have investment periods that expire, unless extended, through 2017.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2014	2013	2014	2013
Fixed maturity securities, market value:				
Other-than-temporary impairments	$ (389)	$ -	$ (389)	$ (191)
Gains (losses) from sales	(1,695)	(304)	(3,643)	4,573
Fixed maturity securities, fair value:				
Gains (losses) from sales	-	148	940	90
Gains (losses) from fair value adjustments	-	(1,665)	-	(1,581)
Equity securities, market value:				
Gains (losses) from sales	(566)	2,418	(1,054)	2,651
Equity securities, fair value:				
Gains (losses) from sales	1,365	16,033	(50)	24,052
Gains (losses) from fair value adjustments	60,305	17,275	84,340	131,032
Short-term investments gain (loss)	(4)	-	(2)	14
Total net realized capital gains (losses)	$ 59,016	$ 33,905	$ 80,142	$ 160,640

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 June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2014	2013	2014	2013
Proceeds from sales of fixed maturity securities	$ 277,767	$ 390,366	$ 627,239	$ 648,526
Gross gains from sales	8,071	11,208	16,007	18,921
Gross losses from sales	(9,766)	(11,364)	(18,710)	(14,258)
Proceeds from sales of equity securities	$ 134,432	$ 296,788	$ 313,564	$ 404,192
Gross gains from sales	3,882	23,401	10,502	32,503
Gross losses from sales	(3,083)	(4,950)	(11,606)	(5,800)

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 June 30, 2014, fair value for these equity index put option contracts was $26,936 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 June 30, 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 22%. 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 June 30, 2014, the present value of these theoretical maximum payouts using a 3% discount factor was $413,800 thousand. Conversely, if the contracts had all expired on June 30, 2014, with the S&P index at $1,960.23, 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 June 30, 2014, fair value for this equity index put option contract was $6,374 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 June 30, 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 39%. 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 June 30, 2014, the present value of the theoretical maximum payout using a 3% discount factor and current exchange rate was $46,621 thousand. Conversely, if the contract had expired on June 30, 2014, with the FTSE index at 6,743.90, 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 June 30, 2014	At December 31, 2013
Equity index put option contracts	Equity index put option liability	$ 33,309	$ 35,423
Total		$ 33,309	$ 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 June 30, 2014	For the Three Months Ended June 30, 2013	For the Six Months Ended June 30, 2014	For the Six Months Ended June 30, 2013
Equity index put option contracts	Net derivative gain (loss)	$ 3,774	$ 12,081	$ 2,113	$ 27,366
Total		$ 3,774	$ 12,081	$ 2,113	$ 27,366

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 June 30, 2014, was $33,309 thousand for which the Company had posted collateral with a market value of $18,133 thousand. If on June 30, 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 June 30, 2014 and December 31, 2013.

The Company internally manages a small public equity portfolio which had a fair value at June 30, 2014 and December 31, 2013 of $186,171 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 June 30, 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 June 30, 2014	
	Contracts based on S & P 500 Index	Contract based on FTSE 100 Index
Equity index	1,960.2	6,743.9
Interest rate	1.14% to 3.57%	2.33%
Time to maturity	2.9 to 16.8 yrs	6.1 yrs
Volatility	20.6% to 24.9%	22.8%

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)	June 30, 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	$ 524,277	$ -	$ 524,277	$ -
Obligations of U.S. States and political subdivisions	924,417	-	924,417	-
Corporate securities	4,693,340	-	4,693,340	-
Asset-backed securities	268,728	-	265,728	3,000
Mortgage-backed securities				
Commercial	236,689	-	236,689	-
Agency residential	2,130,751	-	2,130,751	-
Non-agency residential	4,033	-	3,774	259
Foreign government securities	1,692,194	-	1,692,194	-
Foreign corporate securities	3,102,937	-	3,102,937	-
Total fixed maturities, market value	13,577,366	-	13,574,107	3,259
Fixed maturities, fair value	-	-	-	-
Equity securities, market value	151,377	133,693	17,684	-
Equity securities, fair value	1,424,792	1,302,956	121,836	-
Liabilities:				
Equity index put option contracts	$ 33,309	$ -	$ -	$ 33,309

There were no transfers between Level 1 and Level 2 for the six months ended June 30, 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:

		Fair Value Measurement Using:		
(Dollars in thousands)	December 31, 2013	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

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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 June 30, 2014				Six Months Ended June 30, 2014			
	Asset-backed	Foreign	Non-agency		Asset-backed	Foreign	Non-agency	
(Dollars in thousands)	Securities	Corporate	RMBS	Total	Securities	Corporate	RMBS	Total
Beginning balance	$3,672	$ 473	$ 264	$4,409	$5,299	$ 481	$ 347	$6,127
Total gains or (losses) (realized/unrealized)								
Included in earnings	38	17	4	59	56	18	142	216
Included in other comprehensive income (loss)	42	(20)	(3)	19	75	(20)	(24)	31
Purchases, issuances and settlements	(752)	(470)	(6)	(1,228)	(1,494)	(479)	(206)	(2,179)
Transfers in and/or (out) of Level 3	-	-	-	-	(936)	-	-	(936)
Ending balance	$3,000	$ -	$ 259	$3,259	$3,000	$ -	$ 259	$3,259
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.)

	Three Months Ended June 30, 2013					Six Months Ended June 30, 2013					
	Asset-backed	Foreign	Foreign	Non-agency		Asset-backed	Foreign	Foreign	Non-agency	Agency	
(Dollars in thousands)	Securities	Corporate	Government	RMBS	Total	Securities	Corporate	Government	RMBS	RMBS	Total
Beginning balance	$4,686	$2,279	$-	$407	$7,372	$4,849	$11,913	$-	$426	$34,842	$52,030
Total gains or (losses) (realized/unrealized)											
Included in earnings	115	(735)	(112)	34	(698)	16	(735)	(112)	91	-	(740
Included in other comprehensive income (loss)	(171)	(520)	(179)	(34)	(904)	(361)	(643)	(179)	(27)	-	(1,210
Purchases, issuances and settlements	(146)	3,872	516	(133)	4,109	(20)	4,615	516	(216)	-	4,895
Transfers in and/or (out) of Level 3	1,533	6,680	2,389	506	11,108	1,533	(3,574)	2,389	506	(34,842)	(33,988
Ending balance	$6,017	$11,576	$2,614	$780	$20,987	$6,017	$11,576	$2,614	$780	$-	$20,987

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 $33,988 thousand of investments for the six months ended June 30, 2014 and June 30, 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 June 30, 2014 and 2013, 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 June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2014	2013	2014	2013
Liabilities:				
Balance, beginning of period	$ 37,083	$ 64,181	$ 35,423	$ 79,467
Total (gains) or losses (realized/unrealized)				
Included in earnings	(3,774)	(12,081)	(2,113)	(27,366)
Included in other comprehensive income (loss)	-	-	-	-
Purchases, issuances and settlements	-	-	-	-
Transfers in and/or (out) of Level 3	-	-	-	-
Balance, end of period	$ 33,309	$ 52,101	$ 33,309	$ 52,101
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 June 30, 2014	At December 31, 2013
Redeemable noncontrolling interests - Mt. Logan Re, beginning of period	$ 93,378	$ -
Unaffiliated third party investments during period	266,700	87,500
Net income (loss) attributable to noncontrolling interests	15,830	5,878
Redeemable noncontrolling interests - Mt. Logan Re, end of period	$ 375,908	$ 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 July 9, 2014, 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.

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 June 30,		Six Months Ended June 30,	
(Dollars in thousands, except per share amounts)		2014	2013	2014	2013
Net income (loss) attributable to Everest Re Group per share:					
	Numerator				
	Net income (loss) attributable to Everest Re Group	$ 290,184	$ 275,642	$ 584,117	$ 659,985
	Less: dividends declared-common shares and nonvested common shares	(34,319)	(23,315)	(69,061)	(47,546)
	Undistributed earnings	255,865	252,327	515,056	612,439
	Percentage allocated to common shareholders (1)	98.9 %	99.1 %	99.0 %	99.1 %
		253,146	249,979	509,853	607,138
	Add: dividends declared-common shareholders	33,971	23,107	68,362	47,126
	Numerator for basic and diluted earnings per common share	$ 287,117	$ 273,086	$ 578,215	$ 654,264
	Denominator				
	Denominator for basic earnings per weighted-average common shares	45,441	48,762	45,957	49,588
	Effect of dilutive securities:				
	Options	423	385	431	399
	Denominator for diluted earnings per adjusted weighted-average common shares	45,864	49,147	46,388	49,987
	Per common share net income (loss)				
	Basic	$ 6.32	$ 5.60	$ 12.58	$ 13.19
	Diluted	$ 6.26	$ 5.56	$ 12.46	$ 13.09
(1)	Basic weighted-average common shares outstanding	45,441	48,762	45,957	49,588
	Basic weighted-average common shares outstanding and nonvested common shares expected to vest	45,929	49,220	46,426	50,021
	Percentage allocated to common shareholders	98.9 %	99.1 %	99.0 %	99.1 %

(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 June 30,		Six Months Ended June 30,	
	2014	2013	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 June 30, 2014	At December 31, 2013
	$ 144,022	$ 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 June 30, 2014	At December 31, 2013
	$ 30,724	$ 30,664

10. OTHER COMPREHENSIVE INCOME (LOSS)

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

	Three Months Ended June 30, 2014			Six Months Ended June 30, 2014		
(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	$ 95,284	$ (9,368)	$ 85,916	$ 159,397	$ (20,086)	$ 139,311
URA(D) on securities - OTTI	5	-	5	81	-	81
Reclassification of net realized losses (gains) included in net income (loss)	2,650	(481)	2,169	5,086	(1,043)	4,043
Foreign currency translation adjustments	2,856	(3,619)	(763)	(4,000)	600	(3,400)
Benefit plan actuarial net gain (loss)	-	-	-	-	-	-
Reclassification of benefit plan liability amortization included in net income (loss)	1,185	(415)	770	2,371	(830)	1,541
Total other comprehensive income (loss)	$ 101,980	$ (13,883)	$ 88,097	$ 162,935	$ (21,359)	$ 141,576

	Three Months Ended June 30, 2013			Six Months Ended June 30, 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	$ (321,618)	$ 50,116	$ (271,502)	$ (366,663)	$ 48,553	$ (318,110)
URA(D) on securities - OTTI	(1,144)	106	(1,038)	(1,372)	140	(1,232)
Reclassification of net realized losses (gains) included in net income (loss)	(2,114)	286	(1,828)	(7,033)	1,114	(5,919)
Foreign currency translation adjustments	13,950	(199)	13,751	(11,206)	3,891	(7,315)
Benefit plan actuarial net gain (loss)	-	-	-	-	-	-
Reclassification of benefit plan liability amortization included in net income (loss)	2,070	(725)	1,345	4,140	(1,449)	2,691
Total other comprehensive income (loss)	$ (308,856)	$ 49,584	$ (259,272)	$ (382,134)	$ 52,249	$ (329,885)

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

	Three months ended June 30,		Six months ended June 30,		
AOCI component	2014	2013	2014	2013	Affected line item within the statements of operations and comprehensive income (loss)
(Dollars in thousands)					
URA(D) on securities	$ 2,650	$ (2,114)	$ 5,086	$ (7,033)	Other net realized capital gains (losses)
	(481)	286	(1,043)	1,114	Income tax expense (benefit)
	$ 2,169	$ (1,828)	$ 4,043	$ (5,919)	Net income (loss)

Benefit plan net gain (loss)	$ 1,185	$ 2,070	$ 2,371	$ 4,140	Other underwriting expenses
	(415)	(725)	(830)	(1,449)	Income tax expense (benefit)
	$ 770	$ 1,345	$ 1,541	$ 2,691	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 June 30, 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	143,354	(401,335)
Current period change in URA (D) of investments - non-credit OTTI	81	(1,439)
Ending balance of URA (D) on securities	344,589	201,154
Beginning balance of foreign currency translation adjustments	(4,530)	(4,368)
Current period change in foreign currency translation adjustments	(3,400)	(162)
Ending balance of foreign currency translation adjustments	(7,930)	(4,530)
Beginning balance of benefit plan net gain (loss)	(38,896)	(62,511)
Current period change in benefit plan net gain (loss)	1,541	23,615
Ending balance of benefit plan net gain (loss)	(37,355)	(38,896)
Ending balance of accumulated other comprehensive income (loss)	$ 299,304	$ 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 June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2014	2013	2014	2013
Credit facility fees incurred	$ 221	$ 280	$ 395	$ 477

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 June 30, 2014, was $4,958,004 thousand. As of June 30, 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 June 30, 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	500,410	12/31/2014	600,000	502,059	12/31/2014
Total Wells Fargo Bank Group Credit Facility		$ 800,000	$ 500,410		$ 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 June 30, 2014, was $2,178,952 thousand. As of June 30, 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 June 30, 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	

The Company has notified the syndicate of lenders that it will not be renewing this facility at expiration.

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 June 30, 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
		71,608	12/31/2014		3,672	11/24/2014
		84	8/30/2015		79,336	12/31/2014
		4,273	12/31/2015		1,045	12/31/2015
		2,797	4/30/2018		22,800	12/31/2017
		153,148	6/30/2018		129,147	3/30/2018
Total Citibank Bilateral Agreement	$ 300,000	$ 235,582		$ 300,000	$ 236,119	

12. REINSURANCE AND 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 June 30, 2014, the total amount on deposit in trust accounts was $284,552 thousand.

On April 24, 2014, the Company entered into two collateralized reinsurance agreements with Kilimanjaro Re Limited ("Kilimanjaro"), a Bermuda based special purpose reinsurer, to provide the Company with catastrophe reinsurance coverage. These agreements are multi-year reinsurance contracts which cover specified named storm and earthquake events. The first agreement provides up to $250,000 thousand of reinsurance coverage from named storms in specified states of the Southeastern United States. The second agreement provides up to $200,000 thousand of reinsurance coverage from named storms in specified states of the Southeast, Mid-Atlantic and Northeast regions of the United States and Puerto Rico as well as reinsurance coverage from earthquakes in specified states of the Southeast, Mid-Atlantic, Northeast and West regions of the United States, Puerto Rico and British Columbia.

Kilimanjaro has financed the property catastrophe reinsurance coverage by issuing $450,000 thousand of catastrophe bonds to unrelated, external investors. The proceeds from the catastrophe bond issuance will be held in a reinsurance trust throughout the duration of the reinsurance agreements and invested solely in US government money market funds with a rating of at least "AAAm" by Standard & Poor's at the time of the bond issuance.

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.

				June 30, 2014		December 31, 2013	
(Dollars in thousands)	Date Issued	Date Due	Principal Amounts	Consolidated Balance Sheet Amount	Market Value	Consolidated Balance Sheet Amount	Market Value
5.40% Senior notes	10/12/2004	10/15/2014	$ 250,000	$ 249,984	$ 253,920	$ 249,958	$ 259,130
4.868% Senior notes	06/05/2014	06/01/2044	400,000	400,000	400,112	-	-

On June 5, 2014, Holdings issued $400,000 thousand of 30 year senior notes at 4.868%, which will mature on June 1, 2044. Capitalized costs of approximately $4,300 thousand related to the issuance of the senior notes will be expensed over the 30 year life of the notes. Interest will be paid semi-annually on June 1 and December 1 of each year.

Interest expense incurred in connection with these senior notes is as follows for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2014	2013	2014	2013
Interest expense incurred	$ 4,741	$ 3,388	$ 8,129	$ 6,775

14. LONG TERM SUBORDINATED NOTES

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

			Maturity Date		June 30, 2014		December 31, 2013	
(Dollars in thousands)	Date Issued	Original Principal Amount	Scheduled	Final	Consolidated Balance Sheet Amount	Market Value	Consolidated Balance Sheet Amount	Market Value
6.6% Long term subordinated notes	04/26/2007	$ 400,000	05/15/2037	05/01/2067	$ 238,362	$ 251,083	$ 238,361	$ 233,292

During the fixed rate interest period from May 3, 2007 through May 14, 2017, interest will be at the annual rate of 6.6%, payable semi-annually in arrears on November 15 and May 15 of each year, commencing on November 15, 2007, subject to Holdings' right to defer interest on one or more occasions for up to ten consecutive years. During the floating rate interest period from May 15, 2017 through maturity, interest will be based on the 3 month LIBOR plus 238.5 basis points, reset quarterly, payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, subject to Holdings' right to defer interest on one or more occasions for up to ten consecutive years. Deferred interest will accumulate interest at the applicable rate compounded semi-annually for periods prior to May 15, 2017, and compounded quarterly for periods from and including May 15, 2017.

Holdings can redeem the long term subordinated notes prior to May 15, 2017, in whole but not in part at the applicable redemption price, which will equal the greater of (a) 100% of the principal amount being redeemed and (b) the present value of the principal payment on May 15, 2017 and scheduled payments of interest that would have accrued from the redemption date to May 15, 2017 on the long term subordinated notes being redeemed, discounted to the redemption date on a semi-annual basis at a discount rate equal to the treasury rate plus an applicable spread of either 0.25% or 0.50%, in each case plus accrued and unpaid interest. Holdings may redeem the long term subordinated notes on or after May 15, 2017, in whole or in part at 100% of the principal amount plus accrued and unpaid interest; however, redemption on or after the scheduled maturity date and prior to May 1, 2047 is subject to a replacement capital covenant. This covenant is for the benefit of certain senior note holders and it mandates that Holdings receive proceeds from the sale of another subordinated debt issue, of at least similar size, before it may redeem the subordinated notes.

On March 19, 2009, Group announced the commencement of a cash tender offer for any and all of the 6.60% fixed to floating rate long term subordinated notes. Upon expiration of the tender offer, the Company had reduced its outstanding debt by $161,441 thousand.

Interest expense incurred in connection with these long term subordinated notes is as follows for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2014	2013	2014	2013
Interest expense incurred	$ 3,937	$ 3,937	$ 7,874	$ 7,874

15. JUNIOR SUBORDINATED DEBT SECURITIES PAYABLE

In accordance with the provisions of the junior subordinated debt securities which were issued on March 29, 2004, Holdings elected to redeem the $329,897 thousand of 6.2% junior subordinated debt securities outstanding on May 24, 2013. As a result of the early redemption, the Company incurred pre-tax expense of $7,282 thousand related to the immediate amortization of the remaining capitalized issuance costs on the trust preferred securities.

Interest expense incurred in connection with these junior subordinated debt securities is as follows for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2014	2013	2014	2013
Interest expense incurred	$ -	$ 3,068	$ -	$ 8,181

Holdings considered the mechanisms and obligations relating to the trust preferred securities, taken together, constituted a full and unconditional guarantee by Holdings of Capital Trust II's payment obligations with respect to their trust preferred securities.

16. SEGMENT REPORTING

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, including medical stop loss insurance, directly and through general agents, brokers and surplus lines brokers within the U.S. and Canada. The Mt. Logan Re segment represents business written for the segregated accounts of Mt. Logan Re, which were formed on July 1, 2013. The Mt. Logan Re business represents a diversified set of catastrophe exposures, diversified by risk/peril and across different geographical regions globally.

These segments, with the exception of Mt. Logan Re, 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. The Mt. Logan Re segment is managed independently and seeks to write a diverse portfolio of catastrophe risks for each segregated account to achieve desired risk and return criteria.

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.

Mt. Logan Re's business is sourced through operating subsidiaries of the Company; however, the activity is only reflected in the Mt. Logan Re segment. For other inter-affiliate reinsurance, business is generally reported within the segment in which the business was first produced, consistent with how the business is managed.

Except for Mt. Logan Re, 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.

The following tables present the underwriting results for the operating segments for the periods indicated:

U.S. Reinsurance	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2014	2013	2014	2013
Gross written premiums	$ 437,475	$ 418,367	$ 933,116	$ 853,158
Net written premiums	423,279	418,039	921,036	852,678
Premiums earned	$ 489,129	$ 391,364	$ 918,770	$ 783,980
Incurred losses and LAE	239,014	237,588	452,469	435,746
Commission and brokerage	122,766	85,727	215,734	173,053
Other underwriting expenses	11,454	9,994	20,936	20,528
Underwriting gain (loss)	$ 115,895	$ 58,055	$ 229,631	$ 154,653

International	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2014	2013	2014	2013
Gross written premiums	$ 454,017	$ 348,102	$ 775,259	$ 645,662
Net written premiums	315,590	348,069	624,627	642,051
Premiums earned	$ 319,998	$ 326,070	$ 638,379	$ 638,048
Incurred losses and LAE	204,433	184,329	367,607	345,528
Commission and brokerage	71,599	77,065	142,573	148,509
Other underwriting expenses	8,088	7,667	15,925	15,597
Underwriting gain (loss)	$ 35,878	$ 57,009	$ 112,274	$ 128,414

Bermuda	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2014	2013	2014	2013
Gross written premiums	$ 185,036	$ 177,345	$ 368,451	$ 373,103
Net written premiums	176,193	169,689	358,763	365,512
Premiums earned	$ 191,259	$ 184,817	$ 364,945	$ 370,150
Incurred losses and LAE	107,133	111,620	201,641	203,616
Commission and brokerage	46,839	45,064	92,547	88,715
Other underwriting expenses	8,159	8,767	16,445	16,526
Underwriting gain (loss)	$ 29,128	$ 19,366	$ 54,312	$ 61,293

Insurance	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2014	2013	2014	2013
Gross written premiums	$ 316,481	$ 316,388	$ 547,131	$ 569,069
Net written premiums	280,073	276,829	491,741	502,078
Premiums earned	$ 248,283	$ 249,282	$ 451,520	$ 448,114
Incurred losses and LAE	175,033	178,053	317,224	319,344

Commission and brokerage	39,908	34,211	74,117	64,836
Other underwriting expenses	29,128	28,473	52,361	55,196
Underwriting gain (loss)	$ 4,214	$ 8,545	$ 7,818	$ 8,738

Mt. Logan Re (Dollars in thousands)	Three Months Ended June 30, 2014	2013	Six Months Ended June 30, 2014	2013
Gross written premiums	$ 22,353	$ -	$ 58,829	$ -
Net written premiums	22,352	-	48,909	-
Premiums earned	$ 23,648	$ -	$ 43,193	$ -
Incurred losses and LAE	10,084	-	16,165	-
Commission and brokerage	2,575	-	4,718	-
Other underwriting expenses	1,585	-	3,385	-
Underwriting gain (loss)	$ 9,404	$ -	$ 18,925	$ -

The following table reconciles the underwriting results for the operating segments to income before taxes as reported in the consolidated statements of operations and comprehensive income (loss) for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2014	2013	2014	2013
Underwriting gain (loss)	$ 194,519	$ 142,975	$ 422,960	$ 353,098
Net investment income	131,224	148,729	254,381	294,510
Net realized capital gains (losses)	59,016	33,905	80,142	160,640
Net derivative gain (loss)	3,774	12,081	2,113	27,366
Corporate expenses	(3,899)	(6,168)	(8,844)	(11,885)
Interest, fee and bond issue cost amortization expense	(8,978)	(17,362)	(16,546)	(30,843)
Other income (expense)	(13,871)	8,295	(17,167)	(592)
Income (loss) before taxes	$ 361,785	$ 322,455	$ 717,039	$ 792,294

The Company produces business in the U.S., Bermuda and internationally. The net income deriving from and assets residing in the individual foreign countries in which the Company writes business are not identifiable in the Company's financial records. Based on gross written premium, the table below presents the largest country, other than the U.S., in which the Company writes business, for the period indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2014	2013	2014	2013
United Kingdom	$ 131,093	$ 119,156	$ 337,876	$ 267,143

No other country represented more than 5% of the Company's revenues.

17. SHARE-BASED COMPENSATION PLANS

For the three months ended June 30, 2014, share-based compensation awards granted were 1,426 restricted shares, granted on May 14, 2014, with a fair value of $157.94 per share.

18. RETIREMENT BENEFITS

The Company maintains both qualified and non-qualified defined benefit pension plans and a retiree health plan for its U.S. employees employed prior to April 1, 2010.

Net periodic benefit cost for U.S. employees included the following components for the periods indicated:

Pension Benefits	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2014	2013	2014	2013
Service cost	$ 2,461	$ 2,728	$ 4,921	$ 5,457
Interest cost	2,541	2,074	5,083	4,148
Expected return on plan assets	(2,823)	(2,121)	(5,646)	(4,243)
Amortization of prior service cost	12	12	25	25
Amortization of net (income) loss	1,092	1,904	2,183	3,808
Net periodic benefit cost	$ 3,283	$ 4,597	$ 6,566	$ 9,195

Other Benefits	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2014	2013	2014	2013
Service cost	$ 407	$ 499	$ 814	$ 998
Interest cost	342	277	684	554
Amortization of net (income) loss	82	154	164	308
Net periodic benefit cost	$ 831	$ 930	$ 1,662	$ 1,860

The Company did not make any contributions to the qualified pension benefit plan for the three and six months ended June 30, 2014 and 2013.

19. RELATED-PARTY TRANSACTIONS

During the normal course of business, the Company, through its affiliates, engages in reinsurance and brokerage and commission business transactions with companies controlled by or affiliated with one or more of its outside directors. Such transactions, individually and in the aggregate, are not material to the Company’s financial condition, results of operations and cash flows.

20. INCOME TAXES

The Company is domiciled in Bermuda and has significant subsidiaries and/or branches in Canada, Ireland, Singapore, the United Kingdom, and the United States. The Company’s Bermuda domiciled subsidiaries are exempt from income taxation under Bermuda law until 2035. Pre-tax income generated by Group’s non-Bermuda subsidiaries and the UK branch of Bermuda is subject to applicable federal, foreign, state and local taxes on corporations. Company subsidiaries domiciled in the US as well as the Canadian and Singapore branches of Everest Re generate US pre-tax income (loss). Foreign domiciled subsidiaries, including the UK branch of Bermuda Re, generate non-US pre-tax income (loss). Fluctuations in US and non-US pre-tax income (loss) primarily result from the impact of catastrophe losses and realized investment gains (losses).

For interim reporting periods, the company is generally required to use the annualized effective tax rate (“AETR”) method, as prescribed by ASC 740-270, Interim Reporting, to calculate its income tax provision. Under this method, the AETR is applied to the interim year-to-date pre-tax income to determine the income tax expense or benefit for the year-to-date period. The income tax expense or benefit for a quarter represents the difference between the year-to-date income tax expense or benefit for the current year-to-date period less such amount for the immediately preceding year-to-date period. Management considers the impact of all known events in its estimation of the Company’s annual pre-tax income and AETR.

21. SUBSEQUENT EVENTS

The Company has evaluated known recognized and non-recognized subsequent events. The Company does not have any subsequent events to report.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

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

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

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

Catastrophe rates tend to fluctuate by global region, particularly areas recently impacted by large catastrophic events. During the second and third quarters of 2013, Canada experienced historic flooding in Alberta and Toronto, which has resulted in higher catastrophe rates in these areas. Although there were flooding and wind storm events in Europe and Asia in the latter part of 2013, the overall 2013 catastrophe losses for the industry were lower than average. This lower level of losses, combined with increased competition is putting downward pressure on rates in certain geographical areas resulting in lower rates for most catastrophe coverages in the beginning of 2014.

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

Financial Summary.

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

	Three Months Ended June 30,		Percentage Increase/	Six Months Ended June 30,		Percentage Increase/
(Dollars in millions)	2014	2013	(Decrease)	2014	2013	(Decrease)
Gross written premiums	$ 1,415.4	$ 1,260.2	12.3 %	$ 2,682.8	$ 2,441.0	9.9 %
Net written premiums	1,217.5	1,212.6	0.4 %	2,445.1	2,362.3	3.5 %
REVENUES:						
Premiums earned	$ 1,272.3	$ 1,151.5	10.5 %	$ 2,416.8	$ 2,240.3	7.9 %
Net investment income	131.2	148.7	-11.8 %	254.4	294.5	-13.6 %
Net realized capital gains (losses)	59.0	33.9	74.1 %	80.1	160.6	-50.1 %
Net derivative gain (loss)	3.8	12.1	-68.8 %	2.1	27.4	-92.3 %
Other income (expense)	(13.9)	8.3	NM	(17.2)	(0.6)	NM
Total revenues	1,452.5	1,354.5	7.2 %	2,736.3	2,722.2	0.5 %
CLAIMS AND EXPENSES:						
Incurred losses and loss adjustment expenses	735.7	711.6	3.4 %	1,355.1	1,304.2	3.9 %
Commission, brokerage, taxes and fees	283.7	242.1	17.2 %	529.7	475.1	11.5 %
Other underwriting expenses	58.4	54.9	6.4 %	109.1	107.8	1.1 %
Corporate expenses	3.9	6.2	-36.8 %	8.8	11.9	-25.6 %
Interest, fees and bond issue cost amortization expense	9.0	17.4	-48.3 %	16.5	30.8	-46.4 %
Total claims and expenses	1,090.7	1,032.1	5.7 %	2,019.2	1,929.9	4.6 %
INCOME (LOSS) BEFORE TAXES	361.8	322.5	12.2 %	717.0	792.3	-9.5 %
Income tax expense (benefit)	63.9	46.8	36.4 %	117.1	132.3	-11.5 %
NET INCOME (LOSS)	$ 297.9	$ 275.6	8.1 %	$ 599.9	$ 660.0	-9.1 %
Net (income) loss attributable to noncontrolling interests	(7.7)	-	NM	(15.8)	-	NM
NET INCOME (LOSS) ATTRIBUTABLE TO EVEREST RE GROUP	$ 290.2	$ 275.6	5.3 %	$ 584.1	$ 660.0	-11.5 %
			Point			Point
RATIOS:			Change			Change
Loss ratio	57.8 %	61.8 %	(4.0)	56.1 %	58.2 %	(2.1)
Commission and brokerage ratio	22.3 %	21.0 %	1.3	21.9 %	21.2 %	0.7
Other underwriting expense ratio	4.6 %	4.8 %	(0.2)	4.5 %	4.8 %	(0.3)
Combined ratio	84.7 %	87.6 %	(2.9)	82.5 %	84.2 %	(1.7)
				At	At	Percentage
					December	
				June 30,	31,	Increase/

(Dollars in millions, except per share amounts)	2014	2013	(Decrease)
Balance sheet data:			
Total investments and cash	$ 17,641.4	$ 16,596.5	6.3 %
Total assets	21,191.6	19,808.0	7.0 %
Loss and loss adjustment expense reserves	9,704.5	9,673.2	0.3 %
Total debt	888.3	488.3	81.9 %
Total liabilities	13,492.9	12,746.4	5.9 %
Redeemable noncontrolling interests - Mt. Logan Re	375.9	93.4	NM
Shareholders' equity	7,322.9	6,968.3	5.1 %
Book value per share	160.27	146.57	9.3 %

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

Revenues.
Premiums. Gross written premiums increased by 12.3% to $1,415.4 million for the three months ended June 30, 2014, compared to $1,260.2 million for the three months ended June 30, 2013, reflecting a $132.7 million, or 14.1%, increase in our reinsurance business and $22.4 million from our new Mt. Logan Re segment, while our insurance business remained relatively flat. The increase in reinsurance premiums was mainly due to new business: quota share contracts, contracts with catastrophe exposed risks and mortgage guaranty business. Gross written premiums increased by 9.9% to $2,682.8 million for the six months ended June 30, 2014, compared to $2,441.0 million for the six months ended June 30, 2013, reflecting a $204.9 million, or 10.9%, increase in our reinsurance business and $58.8 million from our new

Mt. Logan Re segment, partially offset by a $21.9 million, or 3.9%, decrease in our insurance business. The increase in reinsurance premiums was mainly due to new business: quota share contracts, contracts with catastrophe exposed risks and mortgage guaranty business. The decrease in insurance premiums was primarily due to lower crop premiums, partially offset by an increase in non-standard auto business.

Net written premiums increased by 0.4% to $1,217.5 million for the three months ended June 30, 2014 compared to $1,212.6 million for the three months ended June 30, 2013, and increased by 3.5% to $2,445.1 million for the six months ended June 30, 2014 compared to $2,362.3 million for the six months ended June 30, 2013. The variance between the increase in gross written premiums compared to the increase in net written premiums is primarily due to a higher utilization of reinsurance related to the new quota share contracts. Premiums earned increased by 10.5% to $1,272.3 million for the three months ended June 30, 2014, compared to $1,151.5 million for the three months ended June 30, 2013 and increased by 7.9% to $2,416.8 million for the six months ended June 30, 2014, compared to $2,240.3 million for the six months ended June 30, 2013. 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 decreased by 11.8% to $131.2 million for the three months ended June 30, 2014, compared with net investment income of $148.7 million for the three months ended June 30, 2013. Net investment income decreased by 13.6% to $254.4 million for the six months ended June 30, 2014, compared with net investment income of $294.5 million for the six months ended June 30, 2013. Net pre-tax investment income, as a percentage of average invested assets, was 3.2% and 3.1% for the three and six months ended June 30, 2014, respectively, compared to 3.8% for the three and six months ended June 30, 2013. The decline in income and yield was primarily the result of a decrease in our limited partnership income and lower reinvestment rates for the fixed income portfolios.

Net Realized Capital Gains (Losses). Net realized capital gains were $59.0 million and $33.9 million for the three months ended June 30, 2014 and 2013, respectively. The $59.0 million was comprised of $60.3 million of net gains from fair value re-measurements on equity securities, partially offset by $0.9 million of net realized capital losses from sales on our fixed maturity and equity securities and $0.4 million of other-than-temporary impairments. The net realized capital gains of $33.9 million for the three months ended June 30, 2013, were the result of $18.3 million of net realized capital gains from sales on our fixed maturity and equity securities and $15.6 million of net gains from fair value re-measurements.

Net realized capital gains were $80.1 million and $160.6 million for the six months ended June 30, 2014 and 2013, respectively. The $80.1 million was comprised of $84.3 million of net gains from fair value re-measurements on equity securities, partially offset by $3.8 million of net realized capital losses from sales on our fixed maturity and equity securities and $0.4 million of other-than-temporary impairments. The net realized capital gains of $160.6 million for the six months ended June 30, 2013, were the result of $129.5 million of net gains from fair value re-measurements and $31.4 million of net realized capital gains from sales on our fixed maturity and equity securities, which were partially offset by $0.2 million of other-than-temporary impairments.

Net Derivative Gain (Loss). In 2005 and prior, we sold seven equity index put option contracts, 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 $3.8 million and $2.1 million for the three and six months ended June 30, 2014, respectively, and net derivative gains of $12.1 million and $27.4 million for the three and six months ended June 30, 2013, respectively. The change in the fair value of these equity index put option contracts is indicative of the change in the equity markets and interest rates over the same periods.

Other Income (Expense). We recorded other expense of $13.9 million and $17.2 million for the three and six months ended June 30, 2014, respectively. We recorded other income of $8.3 million and other expense of $0.6 million for the three and six months ended June 30, 2013, respectively. The changes were primarily the result of fluctuations in foreign currency exchange rates for the corresponding periods.

Claims and Expenses.

Incurred Losses and Loss Adjustment Expenses. The following tables present our incurred losses and loss adjustment expenses ("LAE") for the periods indicated.

	Three Months Ended June 30,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2014						
Attritional (a)	$ 691.4	54.4 %	$ (0.7)	-0.1 %	$ 690.7	54.3 %
Catastrophes	45.0	3.5 %	-	0.0 %	45.0	3.5 %
Total	$ 736.4	57.9 %	$ (0.7)	-0.1 %	$ 735.7	57.8 %
2013						
Attritional (a)	$ 622.6	54.1 %	$ (1.0)	-0.1 %	$ 621.6	54.0 %
Catastrophes	90.0	7.8 %	-	0.0 %	90.0	7.8 %
Total	$ 712.6	61.9 %	$ (1.0)	-0.1 %	$ 711.6	61.8 %
Variance 2014/2013						
Attritional (a)	$ 68.8	0.3 pts	$ 0.3	- pts	$ 69.1	0.3 pts
Catastrophes	(45.0)	(4.3) pts	-	- pts	(45.0)	(4.3) pts
Total	$ 23.8	(4.0) pts	$ 0.3	- pts	$ 24.1	(4.0) pts

	Six Months Ended June 30,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2014						
Attritional (a)	$ 1,313.5	54.3 %	$ (3.4)	-0.1 %	$ 1,310.1	54.2 %
Catastrophes	45.0	1.9 %	-	0.0 %	45.0	1.9 %
Total	$ 1,358.5	56.2 %	$ (3.4)	-0.1 %	$ 1,355.1	56.1 %
2013						
Attritional (a)	$ 1,215.2	54.2 %	$ (1.0)	0.0 %	$ 1,214.2	54.2 %
Catastrophes	90.0	4.0 %	-	0.0 %	90.0	4.0 %
Total	$ 1,305.2	58.2 %	$ (1.0)	0.0 %	$ 1,304.2	58.2 %
Variance 2014/2013						
Attritional (a)	$ 98.3	0.1 pts	$ (2.4)	(0.1) pts	$ 95.9	- pts
Catastrophes	(45.0)	(2.1) pts	-	- pts	(45.0)	(2.1) pts
Total	$ 53.3	(2.0) pts	$ (2.4)	(0.1) pts	$ 50.9	(2.1) pts

(a) Attritional losses exclude catastrophe losses.

(Some amounts may not reconcile due to rounding.)

Incurred losses and LAE increased by 3.4% to $735.7 million for the three months ended June 30, 2014 compared to $711.6 million for the three months ended June 30, 2013, primarily due to increases in current year attritional losses, partially offset by a reduction in current year catastrophe losses. The increase in current year attritional losses of $68.8 million is primarily due to the impact of the increase in premiums earned. The $45.0 million of current year catastrophe losses for the three months ended June 30, 2014 represented 3.5 points and related to the Japan snowstorm ($30.0 million) and the Chilean earthquake ($15.0 million). The $90.0 million of current year catastrophe losses for the three months ended June 30, 2013 represented 7.8 points and related to U.S. storms ($50.0 million), Canadian floods ($20.0 million) and European floods ($20.0 million).

Incurred losses and LAE increased by 3.9% to $1,355.1 million for the six months ended June 30, 2014 compared to $1,304.2 million for the six months ended June 30, 2013, primarily due to increases in current year attritional losses, partially offset by a reduction in current year catastrophe losses. The increase in current year attritional losses of $98.3 million is primarily due to the impact of the increase in premiums earned. The $45.0 million of current year catastrophe losses for the six months ended June 30, 2014 represented 1.9 points and related to the Japan snowstorm ($30.0 million) and the Chilean earthquake ($15.0 million). The $90.0 million of current year catastrophe losses for the six months ended June 30, 2013 represented 4.0 points and related primarily to U.S. storms ($50.0 million), Canadian floods ($20.0 million) and European floods ($20.0 million).

Commission, Brokerage, Taxes and Fees. Commission, brokerage, taxes and fees increased by 17.2% to $283.7 million for the three months ended June 30, 2014 compared to $242.1 million for the three months ended June 30, 2013. Commission, brokerage, taxes and fees increased by 11.5% to $529.7 million for the six months ended June 30, 2014 compared to $475.1 million for the six months ended June 30, 2013. The quarter over quarter and year over year changes were primarily due to the impact of the increase in premiums earned, higher contingent commissions and changes in the mix of business.

Other Underwriting Expenses. Other underwriting expenses were $58.4 million and $54.9 million for the three months ended June 30, 2014 and 2013, respectively. Other underwriting expenses were $109.1 million and $107.8 million for the six months ended June 30, 2014 and 2013, respectively. The increases in other underwriting expenses were mainly due to the impact of the increase in premiums earned.

Corporate Expenses. Corporate expenses, which are general operating expenses that are not allocated to segments, were $3.9 million and $6.2 million for the three months ended June 30, 2014 and 2013, respectively, and $8.8 million and $11.9 million for the six months ended June 30, 2014 and 2013, respectively. The decreases in corporate expenses were mainly due to lower compensation expenses.

Interest, Fees and Bond Issue Cost Amortization Expense. Interest, fees and other bond amortization expense was $9.0 million and $17.4 million for the three months ended June 30, 2014 and 2013, respectively. Interest, fees and other bond amortization expense was $16.5 million and $30.8 million for the six months ended June 30, 2014 and 2013, respectively. The decreases were primarily due to the redemption of $329.9 million of trust preferred securities in May 2013, but partially offset by the impact of the issuance of $400.0 million of senior notes on June 5, 2014.

Income Tax Expense (Benefit). We had income tax expenses of $63.9 million and $46.8 million for the three months ended June 30, 2014 and 2013, respectively, and income tax expenses of $117.1 million and $132.3 million for the six months ended June 30, 2014 and 2013, 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, as affected by tax-exempt investment income and as calculated under the AETR method. Variations in the AETR 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 increase in income tax expense for the three months ended June 30, 2014 compared to 2013 is primarily due to lower catastrophe losses and higher net realized capital gains in the U.S. The decrease in income tax expense for the six months ended June 30, 2014 compared to 2013 is primarily due to lower net realized capital gains in the US.

Net Income (Loss).
Our net income was $297.9 million and $275.6 million for the three months ended June 30, 2014 and 2013, respectively. Our net income was $599.9 million and $660.0 million for the six months ended June 30, 2014 and 2013, respectively. The changes were primarily driven by the financial component fluctuations explained above.

Net Income (Loss) Attributable to Everest Re Group.
Our net income attributable to Everest Re Group was $290.2 million and $275.6 million for the three months ended June 30, 2014 and 2013, respectively. Our net income attributable to Everest Re Group was $584.1 million and $660.0 million for the six months ended June 30, 2014 and 2013, respectively. The changes were primarily driven by the financial component fluctuations described above, as well as the impact of net income attributable to noncontrolling interests in 2014.

Ratios.
Our combined ratio decreased by 2.9 points to 84.7% for the three months ended June 30, 2014 compared to 87.6% for the three months ended June 30, 2013, and decreased by 1.7 points to 82.5% for the six months ended June 30,

2014 compared to 84.2% for the six months ended June 30, 2013. The loss ratio components decreased 4.0 points and 2.1 points for the three and six months ended June 30, 2014, respectively, over the same periods last year, primarily due to lower current year catastrophe losses. The commission and brokerage ratio components increased by 1.3 points and 0.7 points for the three and six months ended June 30, 2014, respectively, over the same periods last year, primarily due to an increase in contingent commissions and changes in the mix of business. The other underwriting expense ratio components decreased slightly by 0.2 points and 0.3 points for the three and six months ended June 30, 2014, respectively, over the same periods last year due to higher premiums earned.

Shareholders' Equity.
Shareholders' equity increased by $354.6 million to $7,322.9 million at June 30, 2014 from $6,968.3 million at December 31, 2013, principally as a result of $584.1 million of net income attributable to Everest Re Group, $143.4 million of unrealized appreciation on investments, net of tax, share-based compensation transactions of $22.9 million and $1.5 million of net benefit plan obligation adjustments, partially offset by repurchases of 2.2 million common shares for $325.0 million, $69.1 million of shareholder dividends and $3.4 million of net foreign currency translation adjustments.

Consolidated Investment Results

Net Investment Income.
Net investment income decreased by 11.8% to $131.2 million for the three months ended June 30, 2014 compared to $148.7 million for the three months ended June 30, 2013, and decreased by 13.6% to $254.4 million for the six months ended June 30, 2014 compared to $294.5 million for the six months ended June 30, 2013, primarily due to a decline in income from our limited partnership investments and a decline in income from our fixed maturities, reflective of lower reinvestment rates.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in millions)	2014	2013	2014	2013
Fixed maturities	$ 117.6	$ 120.3	$ 233.8	$ 241.0
Equity securities	13.6	12.8	25.0	22.5
Short-term investments and cash	0.6	0.2	0.9	0.5
Other invested assets				
Limited partnerships	6.2	19.6	4.0	37.1
Other	0.3	1.9	2.4	4.3
Gross investment income before adjustments	138.3	154.7	266.1	305.4
Funds held interest income (expense)	2.0	1.8	5.1	6.3
Future policy benefit reserve income (expense)	(0.1)	(0.6)	(0.4)	(1.2)
Gross investment income	140.2	156.0	270.7	310.5
Investment expenses	(8.9)	(7.2)	(16.3)	(16.0)
Net investment income	$ 131.2	$ 148.7	$ 254.4	$ 294.5

(Some amounts may not reconcile due to rounding.)

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

	At June 30, 2014	At December 31, 2013
Imbedded pre-tax yield of cash and invested assets	3.2%	3.2%
Imbedded after-tax yield of cash and invested assets	2.7%	2.8%

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Annualized pre-tax yield on average cash and invested assets	3.2%	3.8%	3.1%	3.8%
Annualized after-tax yield on average cash and invested assets	2.6%	3.2%	2.6%	3.2%

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

	Three Months Ended June 30,			Six Months Ended June 30,		
(Dollars in millions)	2014	2013	Variance	2014	2013	Variance
Gains (losses) from sales:						
Fixed maturity securities, market value:						
Gains	$ 8.1	$ 11.0	$ (2.9)	$ 14.8	$ 18.6	$ (3.8)
Losses	(9.7)	(11.3)	1.6	(18.4)	(14.0)	(4.4)
Total	(1.7)	(0.3)	(1.4)	(3.6)	4.6	(8.2)
Fixed maturity securities, fair value:						
Gains	-	0.3	(0.3)	1.2	0.4	0.8
Losses	-	(0.1)	0.1	(0.3)	(0.3)	-
Total	-	0.2	(0.2)	0.9	0.1	0.8
Equity securities, market value:						
Gains	-	2.8	(2.8)	-	3.0	(3.0)
Losses	(0.6)	(0.3)	(0.3)	(1.1)	(0.3)	(0.8)
Total	(0.6)	2.5	(3.1)	(1.1)	2.7	(3.8)
Equity securities, fair value:						
Gains	3.9	20.7	(16.8)	10.5	29.6	(19.1)
Losses	(2.5)	(4.6)	2.1	(10.5)	(5.5)	(5.0)
Total	1.4	16.1	(14.7)	-	24.1	(24.1)
Total net realized capital gains (losses) from sales:						
Gains	11.9	34.6	(22.7)	26.5	51.4	(24.9)
Losses	(12.8)	(16.4)	3.6	(30.3)	(20.1)	(10.2)
Total	(0.9)	18.3	(19.2)	(3.8)	31.4	(35.2)
Other-than-temporary impairments:	(0.4)	-	(0.4)	(0.4)	(0.2)	(0.2)
Gains (losses) from fair value adjustments:						
Fixed maturities, fair value	-	(1.7)	1.7	-	(1.6)	1.6
Equity securities, fair value	60.3	17.2	43.1	84.3	131.0	(46.7)
Total	60.3	15.6	44.7	84.3	129.5	(45.2)
Total net realized capital gains (losses)	$ 59.0	$ 33.9	$ 25.1	$ 80.1	$ 160.6	$ (80.5)

(Some amounts may not reconcile due to rounding.)

Net realized capital gains were $59.0 million and $33.9 million for the three months ended June 30, 2014 and 2013, respectively. For the three months ended June 30, 2014, we recorded $60.3 million of net realized capital gains due to fair value re-measurements on equity securities, partially offset by $0.9 million of net realized capital losses from sales of fixed maturity and equity securities and $0.4 million of other-than-temporary impairments. For the three months ended June 30, 2013, we recorded $18.3 million of net realized capital gains from sales of fixed maturity and equity securities and $15.6 million of net realized capital gains due to fair value re-measurements on fixed maturity and equity securities. The fixed maturity and equity sales for the three months ended June 30, 2014 and 2013 related primarily to adjusting the portfolios for overall market changes and individual credit shifts along with maintaining a balanced foreign currency exposure.

Net realized capital gains were $80.1 million and $160.6 million for the six months ended June 30, 2014 and 2013, respectively. For the six months ended June 30, 2014, we recorded $84.3 million of net realized capital gains due to fair value re-measurements on equity securities, partially offset by $3.8 million of net realized capital losses from sales of fixed maturity and equity securities and $0.4 million of other-than-temporary impairments. For the six months ended June 30, 2013, we recorded $129.5 million of net realized capital gains due to fair value re-measurements on fixed maturity and equity securities and $31.4

million of net realized capital gains from sales of fixed maturity and equity securities, partially offset by $0.2 million of other-than-temporary impairments. The fixed maturity and equity sales for the six months ended June 30, 2014 and 2013 related primarily to adjusting the portfolios for overall market changes and individual credit shifts along with maintaining a balanced foreign currency exposure.

Segment Results.

The U.S. Reinsurance operation writes property and casualty reinsurance and specialty lines of business, including Marine, Aviation, Surety and A&H business, on both a treaty and facultative basis, through reinsurance brokers, as well as directly with ceding companies primarily within the U.S. The International operation writes foreign property and casualty reinsurance through Everest Re's branches in Canada 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, including medical stop loss insurance, directly and through general agents, brokers and surplus lines brokers within the U.S. and Canada. The Mt. Logan Re segment represents business written for the segregated accounts of Mt. Logan Re, which were formed on July 1, 2013. The Mt. Logan Re business represents a diversified set of catastrophe exposures, diversified by risk/peril and across different geographical regions globally.

These segments, with the exception of Mt. Logan Re, 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. The Mt. Logan Re segment is managed independently and seeks to write a diverse portfolio of catastrophe risks for each segregated account to achieve desired risk and return criteria.

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

Mt. Logan Re's business is sourced through operating subsidiaries of the Company; however, the activity is only reflected in the Mt. Logan Re segment. For other inter-affiliate reinsurance, business is generally reported within the segment in which the business was first produced, consistent with how the business is managed.

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

	Three Months Ended June 30,				Six Months Ended June 30,			
(Dollars in millions)	2014	2013	Variance	% Change	2014	2013	Variance	% Change
Gross written premiums	$ 437.5	$ 418.4	$ 19.1	4.6 %	$ 933.1	$ 853.2	$ 80.0	9.4 %
Net written premiums	423.3	418.0	5.2	1.3 %	921.0	852.7	68.4	8.0 %
Premiums earned	$ 489.1	$ 391.4	$ 97.8	25.0 %	$ 918.8	$ 784.0	$ 134.8	17.2 %
Incurred losses and LAE	239.0	237.6	1.4	0.6 %	452.5	435.7	16.7	3.8 %
Commission and brokerage	122.8	85.7	37.0	43.2 %	215.7	173.1	42.7	24.7 %
Other underwriting expenses	11.5	10.0	1.5	14.6 %	20.9	20.5	0.4	2.0 %
Underwriting gain (loss)	$ 115.9	$ 58.1	$ 57.8	99.6 %	$ 229.6	$ 154.7	$ 75.0	48.5 %
				Point Chg				Point Chg
Loss ratio	48.9 %	60.7 %		(11.8)	49.2 %	55.6 %		(6.4)
Commission and brokerage ratio	25.1 %	21.9 %		3.2	23.5 %	22.1 %		1.4
Other underwriting expense ratio	2.3 %	2.6 %		(0.3)	2.3 %	2.6 %		(0.3)
Combined ratio	76.3 %	85.2 %		(8.9)	75.0 %	80.3 %		(5.3)

(Some amounts may not reconcile due to rounding.)

Premiums. Gross written premiums increased by 4.6% to $437.5 million for the three months ended June 30, 2014 from $418.4 million for the three months ended June 30, 2013, primarily due to new business opportunities, particularly for contracts with catastrophe exposed risks and mortgage guaranty business. Net written premiums increased by 1.3% to $423.3 million for the three months ended June 30, 2014 compared to $418.0 million for the three months ended June 30, 2013, which is in line with the increase in gross written premiums. Premiums earned increased 25.0% to $489.1 million for the three months ended June 30, 2014 compared to $391.4 million for the three months ended June 30, 2013. 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 9.4% to $933.1 million for the six months ended June 30, 2014 from $853.2 million for the six months ended June 30, 2013, primarily due to new business opportunities, particularly for contracts with catastrophe exposed risks and mortgage guaranty business. Net written premiums increased by 8.0% to $921.0 million for the six months ended June 30, 2014 compared to $852.7 million for the six months ended June 30, 2013, which is in line with the increase in gross written premiums. Premiums earned increased 17.2% to $918.8 million for the six months ended June 30, 2014 compared to $784.0 million for the six months ended June 30, 2013. 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.

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

	Three Months Ended June 30,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2014						
Attritional	$ 231.2	47.3 %	$ 0.4	0.1 %	$ 231.6	47.4 %
Catastrophes	6.3	1.3 %	1.0	0.2 %	7.4	1.5 %
Total segment	$ 237.5	48.6 %	$ 1.5	0.3 %	$ 239.0	48.9 %
2013						
Attritional	$ 182.8	46.7 %	$ 0.4	0.1 %	$ 183.1	46.8 %
Catastrophes	55.0	14.0 %	(0.5)	-0.1 %	54.5	13.9 %
Total segment	$ 237.8	60.7 %	$ (0.2)	0.0 %	$ 237.6	60.7 %
Variance 2014/2013						
Attritional	$ 48.4	0.6 pts	$ -	- pts	$ 48.5	0.6 pts
Catastrophes	(48.7)	(12.7) pts	1.5	0.3 pts	(47.1)	(12.4) pts
Total segment	$ (0.3)	(12.1) pts	$ 1.7	0.3 pts	$ 1.4	(11.8) pts

	Six Months Ended June 30,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2014						
Attritional	$ 444.6	48.3 %	$ 1.0	0.1 %	$ 445.6	48.4 %
Catastrophes	6.3	0.7 %	0.6	0.1 %	6.9	0.8 %
Total segment	$ 450.9	49.0 %	$ 1.6	0.2 %	$ 452.5	49.2 %
2013						
Attritional	$ 368.9	47.0 %	$ (1.2)	-0.1 %	$ 367.7	46.9 %
Catastrophes	55.0	7.0 %	13.0	1.7 %	68.0	8.7 %
Total segment	$ 423.9	54.0 %	$ 11.8	1.6 %	$ 435.7	55.6 %
Variance 2014/2013						
Attritional	$ 75.7	1.3 pts	$ 2.2	0.2 pts	$ 77.9	1.5 pts
Catastrophes	(48.7)	(6.3) pts	(12.4)	(1.6) pts	(61.1)	(7.9) pts
Total segment	$ 27.0	(5.0) pts	$ (10.2)	(1.4) pts	$ 16.8	(6.4) pts

(Some amounts may not reconcile due to rounding.)

Incurred losses increased by 0.6% to $239.0 million for the three months ended June 30, 2014 compared to $237.6 million for the three months ended June 30, 2013, primarily due to the increase in current year attritional losses of $48.4 million resulting primarily from the impact of the increase in premiums earned and the increase in prior years catastrophe losses of $1.5 million, partially offset by a decrease of $48.7 million in current year catastrophe losses. The $6.3 million of current year catastrophe losses for the three months ended June 30, 2014 related to the Japan snowstorm ($6.3 million). The $55.0 million of current year catastrophe losses for the three months ended June 30, 2013 related to U.S. Storms ($50.0 million) and the European floods ($5.0 million).

Incurred losses increased by 3.8% to $452.5 million for the six months ended June 30, 2014 compared to $435.7 million for the six months ended June 30, 2013, primarily due to the increase in current year attritional losses of $75.7 million resulting primarily from to the impact of the increase in premiums earned, partially offset by a decrease of $48.7 million in current year catastrophe losses and a decrease of $12.4 million in prior year catastrophe losses. The $6.3 million of current year catastrophe losses for the six months ended June 30, 2014 related to the Japan snowstorm ($6.3 million). The $55.0 million of current year catastrophe losses for the six months ended June 30, 2013 related to U.S. Storms ($50.0 million) and the European floods ($5.0 million).

Segment Expenses. Commission and brokerage expenses increased by 43.2% to $122.8 million for the three months ended June 30, 2014 compared to $85.7 million for the three months ended June 30, 2013. Commission and brokerage expenses increased by 24.7% to $215.7 million for the six months ended June 30, 2014 compared to $173.1 million for the three months ended June 30, 2013. These variances were due to the impact of the increases in premiums earned, an increase in contingent commissions and changes in the mix of business.

Segment other underwriting expenses increased to $11.5 million for the three months ended June 30, 2014 from $10.0 million for the three months ended June 30, 2013. Segment other underwriting expenses increased to $20.9 million for the six months ended June 30, 2014 from $20.5 million for the six months ended June 30, 2013. These increases were primarily due to the impact of the increase in premiums earned.

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

	Three Months Ended June 30,				Six Months Ended June 30,			
(Dollars in millions)	2014	2013	Variance	% Change	2014	2013	Variance	% Change
Gross written premiums	$ 454.0	$ 348.1	$ 105.9	30.4 %	$ 775.3	$ 645.7	$ 129.6	20.1 %
Net written premiums	315.6	348.1	(32.5)	-9.3 %	624.6	642.1	(17.4)	-2.7 %
Premiums earned	$ 320.0	$ 326.1	$ (6.1)	-1.9 %	$ 638.4	$ 638.0	$ 0.3	0.1 %
Incurred losses and LAE	204.4	184.3	20.1	10.9 %	367.6	345.5	22.1	6.4 %
Commission and brokerage	71.6	77.1	(5.5)	-7.1 %	142.6	148.5	(5.9)	-4.0 %
Other underwriting expenses	8.1	7.7	0.4	5.5 %	15.9	15.6	0.3	2.1 %
Underwriting gain (loss)	$ 35.9	$ 57.0	$ (21.1)	-37.1 %	$ 112.3	$ 128.4	$ (16.1)	-12.6 %
				Point Chg				Point Chg
Loss ratio	63.9 %	56.5 %		7.4	57.6 %	54.2 %		3.4
Commission and brokerage ratio	22.4 %	23.6 %		(1.2)	22.3 %	23.3 %		(1.0)
Other underwriting expense ratio	2.5 %	2.4 %		0.1	2.5 %	2.4 %		0.1
Combined ratio	88.8 %	82.5 %		6.3	82.4 %	79.9 %		2.5

(Some amounts may not reconcile due to rounding.)

Premiums. Gross written premiums increased by 30.4% to $454.0 million for the three months ended June 30, 2014 compared to $348.1 million for the three months ended June 30, 2013, primarily due new quota share contracts, partially offset by a negative $22.9 million impact of foreign exchange movements quarter over quarter. Net written premiums decreased by 9.3% to $315.6 million for the three months ended June 30, 2014 compared to $348.1 million for the three months ended June 30, 2013. The variance of the change in gross written premiums compared to the change in net written premiums is due to a higher utilization of reinsurance related to the new quota share contracts. Premiums earned decreased 1.9% to $320.0 million for the three months ended June 30, 2014 compared to $326.1 million for the three months ended June 30, 2013. 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 20.1% to $775.3 million for the six months ended June 30, 2014 compared to $645.7 million for the six months ended June 30, 2013, primarily due to new quota share contracts, partially offset by a negative $25.6 million impact of foreign exchange movements year over year. Net written premiums decreased by 2.7% to $624.6 million for the six months ended June 30, 2014 compared to $642.1 million for the six months ended June 30, 2013. The variance of the change in gross written premiums compared to the change in net written premiums is due to a higher utilization of reinsurance related to the new quota share contracts. Premiums earned increased 0.1% to $638.4 million for the six months ended June 30, 2014 compared to $638.0 million for the six months ended June 30, 2013. 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.

Incurred Losses and LAE. The following tables present the incurred losses and LAE for the International segment for the periods indicated.

	Three Months Ended June 30,											
(Dollars in millions)	Current Year		Ratio %/ Pt Change		Prior Years		Ratio %/ Pt Change		Total Incurred		Ratio %/ Pt Change	
2014												
Attritional	$	170.3	53.2	%	$	(0.1)	0.0	%	$	170.2	53.2	%
Catastrophes		34.6	10.8	%		(0.3)	-0.1	%		34.2	10.7	%
Total segment	$	204.9	64.0	%	$	(0.4)	-0.1	%	$	204.4	63.9	%
2013												
Attritional	$	162.3	49.8	%	$	(0.6)	-0.2	%	$	161.7	49.6	%
Catastrophes		20.0	6.1	%		2.6	0.8	%		22.6	6.9	%
Total segment	$	182.3	55.9	%	$	2.0	0.6	%	$	184.3	56.5	%
Variance 2014/2013												
Attritional	$	8.0	3.4	pts	$	0.5	0.2	pts	$	8.5	3.6	pts
Catastrophes		14.6	4.7	pts		(2.9)	(0.9)	pts		11.6	3.8	pts
Total segment	$	22.6	8.1	pts	$	(2.4)	(0.7)	pts	$	20.1	7.4	pts

	Six Months Ended June 30,											
(Dollars in millions)	Current Year		Ratio %/ Pt Change		Prior Years		Ratio %/ Pt Change		Total Incurred		Ratio %/ Pt Change	
2014												
Attritional	$	335.2	52.5	%	$	(0.1)	0.0	%	$	335.1	52.5	%
Catastrophes		34.6	5.4	%		(2.1)	-0.3	%		32.5	5.1	%
Total segment	$	369.8	57.9	%	$	(2.2)	-0.3	%	$	367.6	57.6	%
2013												
Attritional	$	326.8	51.3	%	$	(1.9)	-0.3	%	$	324.9	51.0	%
Catastrophes		20.0	3.1	%		0.6	0.1	%		20.6	3.2	%
Total segment	$	346.8	54.4	%	$	(1.3)	-0.2	%	$	345.5	54.2	%
Variance 2014/2013												
Attritional	$	8.4	1.2	pts	$	1.8	0.3	pts	$	10.2	1.5	pts
Catastrophes		14.6	2.3	pts		(2.7)	(0.4)	pts		11.9	1.9	pts
Total segment	$	23.0	3.5	pts	$	(0.9)	(0.1)	pts	$	22.1	3.4	pts

(Some amounts may not reconcile due to rounding.)

Incurred losses and LAE increased by 10.9% to $204.4 million for the three months ended June 30, 2014 compared to $184.3 million for the three months ended June 30, 2013, due primarily to the increase in current year catastrophe losses and current year attritional losses. The $34.6 million of current year catastrophe losses for the three months ended June 30, 2014 were due to Japan snowstorm ($20.0 million) and the Chilean earthquake ($14.6 million). The $20.0 million of current year catastrophe losses for the three months ended June 30, 2013 were due to the Canadian floods ($20.0 million).

Incurred losses and LAE increased by 6.4% to $367.6 million for the six months ended June 30, 2014 compared to $345.5 million for the six months ended June 30, 2013, due to the increase in current year catastrophe losses and current year attritional losses. The $34.6 million of current year catastrophe losses for the six months ended June 30, 2014 were due to Japan snowstorm ($20.0 million) and the Chilean earthquake ($14.6 million). The $20.0 million of current year catastrophe losses for the six months ended June 30, 2013 were due to the Canadian floods ($20.0 million).

Segment Expenses. Commission and brokerage decreased 7.1% to $71.6 million for the three months ended June 30, 2014 compared to $77.1 million for the three months ended June 30, 2013. Commission and brokerage decreased 4.0% to $142.6 million for the six months ended June 30, 2014 compared to $148.5 million for the six months ended June 30, 2013. This decrease was primarily due to the new quota share contracts, which have lower net commission rates.

Segment other underwriting expenses increased slightly to $8.1 million for the three months ended June 30, 2014 compared to $7.7 million for the three months ended June 30, 2013. Segment other underwriting expenses slightly increased to $15.9 million for the six months ended June 30, 2014 compared to $15.6 million for the six months ended June 30, 2013.

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

	Three Months Ended June 30,				Six Months Ended June 30,			
(Dollars in millions)	2014	2013	Variance	% Change	2014	2013	Variance	% Change
Gross written premiums	$ 185.0	$ 177.3	$ 7.7	4.3 %	$ 368.5	$ 373.1	$ (4.7)	-1.2 %
Net written premiums	176.2	169.7	6.5	3.8 %	358.8	365.5	(6.7)	-1.8 %
Premiums earned	$ 191.3	$ 184.8	$ 6.4	3.5 %	$ 364.9	$ 370.2	$ (5.2)	-1.4 %
Incurred losses and LAE	107.1	111.6	(4.5)	-4.0 %	201.6	203.6	(2.0)	-1.0 %
Commission and brokerage	46.8	45.1	1.8	3.9 %	92.5	88.7	3.8	4.3 %
Other underwriting expenses	8.2	8.8	(0.6)	-6.9 %	16.4	16.5	(0.1)	-0.5 %
Underwriting gain (loss)	$ 29.1	$ 19.4	$ 9.8	50.4 %	$ 54.3	$ 61.3	$ (7.0)	-11.4 %
				Point Chg				Point Chg
Loss ratio	56.0 %	60.4 %		(4.4)	55.3 %	55.0 %		0.3
Commission and brokerage ratio	24.5 %	24.4 %		0.1	25.4 %	24.0 %		1.4
Other underwriting expense ratio	4.3 %	4.7 %		(0.4)	4.4 %	4.4 %		-
Combined ratio	84.8 %	89.5 %		(4.7)	85.1 %	83.4 %		1.7

(Some amounts may not reconcile due to rounding.)

Premiums. Gross written premiums increased by 4.3% to $185.0 million for the three months ended June 30, 2014 compared to $177.3 million for the three months ended June 30, 2013, primarily due to a favorable impact of foreign exchange movements quarter over quarter. Net written premiums increased by 3.8% to $176.2 million for the three months ended June 30, 2014 compared to $169.7 million for the three months ended June 30, 2013, which is consistent with the change in gross written premiums. Premiums earned increased 3.5% to $191.3 million for the three months ended June 30, 2014 compared to $184.8 million for the three months ended June 30, 2013. 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 decreased by 1.2% to $368.5 million for the six months ended June 30, 2014 compared to $373.1 million for the six months ended June 30, 2013, primarily due to the non-renewal of a casualty quota share contract, partially offset by a favorable impact of foreign exchange movements year over year. Net written premiums decreased by 1.8% to $358.8 million for the six months ended June 30, 2014 compared to $365.5 million for the six months ended June 30, 2013, which is consistent with the change in gross written premiums. Premiums earned decreased 1.4% to $364.9 million for the six months ended June 30, 2014 compared to $370.2 million for the six months ended June 30, 2013. 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 tables present the incurred losses and LAE for the Bermuda segment for the periods indicated.

	Three Months Ended June 30,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2014						
Attritional	$ 107.4	56.1 %	$ -	0.0 %	$ 107.4	56.1 %
Catastrophes	-	0.0 %	(0.3)	-0.1 %	(0.3)	-0.1 %
Total segment	$ 107.4	56.1 %	$ (0.3)	-0.1 %	$ 107.1	56.0 %
2013						
Attritional	$ 103.7	56.1 %	$ (5.0)	-2.7 %	$ 98.7	53.4 %
Catastrophes	15.0	8.1 %	(2.1)	-1.1 %	12.9	7.0 %
Total segment	$ 118.7	64.2 %	$ (7.1)	-3.8 %	$ 111.6	60.4 %
Variance 2014/2013						
Attritional	$ 3.7	- pts	$ 5.0	2.7 pts	$ 8.7	2.7 pts
Catastrophes	(15.0)	(8.1) pts	1.8	1.0 pts	(13.2)	(7.1) pts
Total segment	$ (11.3)	(8.1) pts	$ 6.8	3.7 pts	$ (4.5)	(4.4) pts

	Six Months Ended June 30,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2014						
Attritional	$ 205.0	56.2 %	$ (5.0)	-1.4 %	$ 200.0	54.8 %
Catastrophes	-	0.0 %	1.7	0.5 %	1.7	0.5 %
Total segment	$ 205.0	56.2 %	$ (3.3)	-0.9 %	$ 201.6	55.3 %
2013						
Attritional	$ 207.3	56.0 %	$ (5.0)	-1.4 %	$ 202.3	54.6 %
Catastrophes	15.0	4.1 %	(13.7)	-3.7 %	1.3	0.4 %
Total segment	$ 222.3	60.1 %	$ (18.7)	-5.1 %	$ 203.6	55.0 %
Variance 2014/2013						
Attritional	$ (2.3)	0.2 pts	$ -	- pts	$ (2.3)	0.2 pts
Catastrophes	(15.0)	(4.1) pts	15.4	4.2 pts	0.4	0.1 pts
Total segment	$ (17.3)	(3.9) pts	$ 15.4	4.2 pts	$ (2.0)	0.3 pts

(Some amounts may not reconcile due to rounding.)

Incurred losses and LAE decreased by 4.0% to $107.1 million for the three months ended June 30, 2014 compared to $111.6 million for the three months ended June 30, 2013 primarily due to a $15.0 million decrease in current year catastrophe losses, partially offset by a $3.7 million increase in current year attritional losses due to the increase in premiums earned and a decline of $6.8 million in favorable prior year development in 2014 compared to 2013. There were no current year catastrophe losses for the three months ended June 30, 2014. The $15.0 million of current year catastrophe losses for the three months ended June 30, 2013 were due to the European floods ($15.0 million).

Incurred losses and LAE decreased by 1.0% to $201.6 million for the six months ended June 30, 2014 compared to $203.6 million for the six months ended June 30, 2013 primarily due to a $15.0 million decrease in current year catastrophe losses and a $2.3 million decrease in current year attritional losses, partially offset by a $15.4 million impact from prior year catastrophe development in 2014 compared to 2013, which mainly related to the 2011 Japan earthquake. There were no current year catastrophe losses for the six months ended June 30, 2014. The $15.0 million of current year catastrophe losses for the six months ended June 30, 2013 were due to the European floods ($15.0 million).

Segment Expenses. Commission and brokerage increased by 3.9% to $46.8 million for the three months ended June 30, 2014 compared to $45.1 million for the three months ended June 30, 2013. Commission and brokerage increased by 4.3% to $92.5 million for the six months ended June 30, 2014 compared to $88.7 million for the six months ended June 30, 2013. These increases are primarily due to higher commissions on business written through the Bermuda office.

Segment other underwriting expenses decreased to $8.2 million for the three months ended June 30, 2014 compared to $8.8 million for the three months ended June 30, 2013. Segment other underwriting expenses decreased slightly to $16.4 million for the six months ended June 30, 2014 compared to $16.5 million for the six months ended June 30, 2013.

Insurance.
The following tables present the underwriting results and ratios for the Insurance segment for the periods indicated.

	Three Months Ended June 30,				Six Months Ended June 30,			
(Dollars in millions)	2014	2013	Variance	% Change	2014	2013	Variance	% Change
Gross written premiums	$ 316.5	$ 316.4	$ 0.1	0.0 %	$ 547.1	$ 569.1	$ (21.9)	-3.9 %
Net written premiums	280.1	276.8	3.2	1.2 %	491.7	502.1	(10.3)	-2.1 %
Premiums earned	$ 248.3	$ 249.3	$ (1.0)	-0.4 %	$ 451.5	$ 448.1	$ 3.4	0.8 %
Incurred losses and LAE	175.0	178.1	(3.0)	-1.7 %	317.2	319.3	(2.1)	-0.7 %
Commission and brokerage	39.9	34.2	5.7	16.7 %	74.1	64.8	9.3	14.3 %
Other underwriting expenses	29.1	28.5	0.7	2.3 %	52.4	55.2	(2.8)	-5.1 %
Underwriting gain (loss)	$ 4.2	$ 8.5	$ (4.3)	-50.7 %	$ 7.8	$ 8.7	$ (0.9)	-10.5 %
				Point Chg				Point Chg
Loss ratio	70.5 %	71.4 %		(0.9)	70.3 %	71.3 %		(1.0)
Commission and brokerage ratio	16.1 %	13.7 %		2.4	16.4 %	14.5 %		1.9
Other underwriting expense ratio	11.7 %	11.5 %		0.2	11.6 %	12.2 %		(0.6)
Combined ratio	98.3 %	96.6 %		1.7	98.3 %	98.0 %		0.3

(Some amounts may not reconcile due to rounding.)

Premiums. Gross written premiums of $316.5 million remained relatively flat for the three months ended June 30, 2014 compared to the three months ended June 30, 2013. Net written premiums increased by 1.2% to $280.1 million for the three months ended June 30, 2014 compared to $276.8 million for the three months ended June 30, 2013 which is consistent with the change in gross written premiums. Premiums earned decreased 0.4% to $248.3 million for the three months ended June 30, 2014 compared to $249.3 million for the three months ended June 30, 2013. 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 decreased by 3.9% to $547.1 million for the six months ended June 30, 2014 compared to $569.1 million for the six months ended June 30, 2013. This decrease was primarily driven by a decline in crop business. Net written premiums decreased by 2.1% to $491.7 million for the six months ended June 30, 2014 compared to $502.1 million for the six months ended June 30, 2013 which is consistent with the change in gross written premiums. Premiums earned increased 0.8% to $451.5 million for the six months ended June 30, 2014 compared to $448.1 million for the six months ended June 30, 2013. 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 tables present the incurred losses and LAE for the Insurance segment for the periods indicated.

	Three Months Ended June 30,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2014						
Attritional	$ 176.3	71.0 %	$ (1.0)	-0.4 %	$ 175.3	70.6 %
Catastrophes	-	0.0 %	(0.2)	-0.1 %	(0.2)	-0.1 %
Total segment	$ 176.3	71.0 %	$ (1.3)	-0.5 %	$ 175.0	70.5 %
2013						
Attritional	$ 173.8	69.7 %	$ 4.3	1.7 %	$ 178.1	71.4 %
Catastrophes	-	0.0 %	-	0.0 %	-	0.0 %
Total segment	$ 173.8	69.7 %	$ 4.3	1.7 %	$ 178.1	71.4 %
Variance 2014/2013						
Attritional	$ 2.5	1.3 pts	$ (5.3)	(2.1) pts	$ (2.8)	(0.8) pts
Catastrophes	-	- pts	(0.2)	(0.1) pts	(0.2)	(0.1) pts
Total segment	$ 2.5	1.3 pts	$ (5.6)	(2.2) pts	$ (3.0)	(0.9) pts

	Six Months Ended June 30,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2014						
Attritional	$ 316.4	70.1 %	$ 0.8	0.2 %	$ 317.2	70.3 %
Catastrophes	-	0.0 %	-	0.0 %	-	0.0 %
Total segment	$ 316.4	70.1 %	$ 0.8	0.2 %	$ 317.2	70.3 %
2013						
Attritional	$ 312.3	69.7 %	$ 7.1	1.6 %	$ 319.3	71.3 %
Catastrophes	-	0.0 %	-	0.0 %	-	0.0 %
Total segment	$ 312.3	69.7 %	$ 7.1	1.6 %	$ 319.3	71.3 %
Variance 2014/2013						
Attritional	$ 4.1	0.4 pts	$ (6.3)	(1.4) pts	$ (2.1)	(1.0) pts
Catastrophes	-	- pts	-	- pts	-	- pts
Total segment	$ 4.1	0.4 pts	$ (6.3)	(1.4) pts	$ (2.1)	(1.0) pts

(Some amounts may not reconcile due to rounding.)

Incurred losses and LAE decreased by 1.7% to $175.0 million for the three months ended June 30, 2014 compared to $178.1 million for the three months ended June 30, 2013, mainly due to an improvement of $5.3 million on prior year development of attritional losses quarter over quarter. There were no current year catastrophe losses for the three months ended June 30, 2014 and 2013.

Incurred losses and LAE decreased by 0.7% to $317.2 million for the six months ended June 30, 2014 compared to $319.3 million for the six months ended June 30, 2013, mainly due to an improvement of $6.3 million on prior year development of attritional losses year over year. There were no current year catastrophe losses for the six months ended June 30, 2014 and 2013.

Segment Expenses Commission and brokerage increased by 16.7% to $39.9 million for the three months ended June 30, 2014 compared to $34.2 million for the three months ended June 30, 2013. Commission and brokerage increased by 14.3% to $74.1 million for the six months ended June 30, 2014 compared to $64.8 million for the six months ended June 30, 2013. The increases were primarily driven by the shift in the mix of premium away from crop business, which carries a lower commission rate than other insurance lines.

Segment other underwriting expenses increased slightly to $29.1 million for the three months ended June 30, 2014 compared to $28.5 million for the three months ended June 30, 2013. Segment other underwriting expenses decreased to $52.4 million for the six months ended June 30, 2014 compared to $55.2 million for the six months ended June 30, 2013. The year over year increase was primarily due to lower employee related expenses.

Mt. Logan Re.
The following table presents the underwriting results and ratios for the Mt. Logan Re segment for the periods indicated. The initial reporting period for this segment began in the third quarter of 2013.

	Three Months Ended June 30,				Six Months Ended June 30,			
(Dollars in millions)	2014	2013	Variance	% Change	2014	2013	Variance	% Change
Gross written premiums	$ 22.4	$ -	$ 22.4	NM	$ 58.8	$ -	$ 58.8	NM
Net written premiums	22.4	-	22.4	NM	48.9	-	48.9	NM
Premiums earned	$ 23.6	$ -	$ 23.6	NM	$ 43.2	$ -	$ 43.2	NM
Incurred losses and LAE	10.1	-	10.1	NM	16.2	-	16.2	NM
Commission and brokerage	2.6	-	2.6	NM	4.7	-	4.7	NM
Other underwriting expenses	1.6	-	1.6	NM	3.4	-	3.4	NM
Underwriting gain (loss)	$ 9.4	$ -	$ 9.4	NM	$ 18.9	$ -	$ 18.9	NM
				Point Chg				Point Chg
Loss ratio	42.6 %	-		NM	37.4 %	-		NM
Commission and brokerage ratio	10.9 %	-		NM	10.9 %	-		NM
Other underwriting expense ratio	6.7 %	-		NM	7.9 %	-		NM
Combined ratio	60.2 %	-		NM	56.2 %	-		NM

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

Premiums. Gross written premiums were $22.4 million and $58.8 million for the three and six months ended June 30, 2014, respectively. Net written premiums were $22.4 million and $48.9 million for the three and six months ended June 30, 2014, respectively. Premiums earned were $23.6 million and $43.2 million for the three and six months ended June 30, 2014, respectively. 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 tables present the incurred losses and LAE for the Mt. Logan Re segment for the periods indicated.

	Three Months Ended June 30,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2014						
Attritional	$ 6.2	26.1 %	$ -	0.0 %	$ 6.2	26.1 %
Catastrophes	4.1	17.3 %	(0.2)	-0.8 %	3.9	16.5 %
Total segment	$ 10.3	43.4 %	$ (0.2)	-0.8 %	$ 10.1	42.6 %
2013						
Attritional	$ -	-	$ -	-	$ -	-

Catastrophes		-		-			-		-			-		-	
Total segment	$	-		-		$	-		-		$	-		-	
Variance 2014/2013															
Attritional	$	6.2		26.1	pts	$	-		-	pts	$	6.2		26.1	pts
Catastrophes		4.1		17.3	pts		(0.2	)	(0.8)	pts		3.9		16.5	pts
Total segment	$	10.3		43.4	pts	$	(0.2	)	(0.8)	pts	$	10.1		42.6	pts

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(Dollars in millions)		Current Year	Ratio %/ Pt Change		Prior Years	Ratio %/ Pt Change		Total Incurred	Ratio %/ Pt Change	
		Six Months Ended June 30,								
2014										
Attritional	$	12.3	28.3	%	$ -	0.0	%	$ 12.3	28.3	%
Catastrophes		4.1	9.5	%	(0.2)	-0.4	%	3.9	9.0	%
Total segment	$	16.4	37.8	%	$ (0.2)	-0.4	%	$ 16.2	37.4	%
2013										
Attritional	$	-	-		$ -	-		$ -	-	
Catastrophes		-	-		-	-		-	-	
Total segment	$	-	-		$ -	-		$ -	-	
Variance 2014/2013										
Attritional	$	12.3	28.3	pts	$ -	-	pts	$ 12.3	28.3	pts
Catastrophes		4.1	9.5	pts	(0.2)	(0.4)	pts	3.9	9.0	pts
Total segment	$	16.4	37.8	pts	$ (0.2)	(0.4)	pts	$ 16.2	37.4	pts

(Some amounts may not reconcile due to rounding.)

Incurred losses and LAE were $10.1 million and $16.2 million for the three and six months ended June 30, 2014, respectively.

Segment Expenses Commission and brokerage was $2.6 million and $4.7 million for the three and six months ended June 30, 2014, respectively.

Segment other underwriting expenses were $1.6 million and $3.4 million for the three and six months ended June 30, 2014, respectively.

FINANCIAL CONDITION

Cash and Invested Assets. Aggregate invested assets, including cash and short-term investments, were $17,641.4 million at June 30, 2014, an increase of $1,045.0 million compared to $16,596.5 million at December 31, 2013. This increase was primarily the result of $590.4 million of cash flows from operations, $400.0 million from issuance of senior notes, $164.6 million of pre-tax unrealized appreciation, $123.7 million from external third party capital investment into Mt. Logan Re, $84.3 million in fair value re-measurements, $77.5 million of subscription advances for third party investment into Mt. Logan Re, $20.6 million of unsettled securities, $13.1 million from common share issuance under share based compensation plans, net of expense incurred, $6.2 million due to fluctuations in foreign currencies and $3.2 million in equity adjustments of our limited partnership investments, partially offset by $325.0 million paid for share repurchases, $69.1 million paid out in dividends to shareholders and $27.1 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.

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 A1. 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 an independent, professional investment manager using portfolio guidelines approved by internal management.

Our global portfolio included $1,692.2 million of foreign government securities at June 30, 2014, of which $734.1 million were European sovereign securities. Approximately 57.5%, 19.0%, and 5.9% of European sovereign securities represented securities held in the governments of the United Kingdom, France and the Netherlands, respectively. No other countries represented more than 5% of the European sovereign securities. We held no sovereign securities of Portugal, Italy, Ireland, Greece or Spain at June 30, 2014.

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 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 June 30, 2014, the market value of investments in these investment market sectors, carried at both market and fair value, approximated 60.5% 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 June 30, 2014		At December 31, 2013	
Fixed maturities, market value	$ 13,577.4	77.0 %	$ 12,636.9	76.1 %
Fixed maturities, fair value	-	0.0 %	19.4	0.1 %
Equity securities, market value	151.4	0.8 %	144.1	0.9 %
Equity securities, fair value	1,424.8	8.1 %	1,462.1	8.8 %
Short-term investments	1,636.9	9.3 %	1,214.2	7.3 %
Other invested assets	509.4	2.9 %	508.4	3.1 %
Cash	341.6	1.9 %	611.4	3.7 %
Total investments and cash	$ 17,641.4	100.0%	$ 16,596.5	100.0%

(Some amounts may not reconcile due to rounding.)

	At June 30, 2014	At December 31, 2013
Fixed income portfolio duration (years)	3.0	3.2
Fixed income composite credit quality	A1	Aa3
Imbedded end of period yield, pre-tax	3.2%	3.2%
Imbedded end of period yield, after-tax	2.7%	2.8%

The following table provides a comparison of our total return by asset class relative to broadly accepted industry benchmarks for the periods indicated.

	Six Months Ended	Twelve Months Ended

	June 30, 2014	December 31, 2013
Fixed income portfolio total return	2.8%	0.4%
Barclay's Capital - U.S. aggregate index	3.9%	-2.0%
Common equity portfolio total return	7.3%	22.4%
S&P 500 index	7.1%	32.4%
Other invested asset portfolio total return	2.2%	16.9%

The pre-tax equivalent total return for the bond portfolio was approximately 2.9% and 0.6%, respectively, at June 30, 2014 and December 31, 2013. 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.

Reinsurance Receivables.
Reinsurance receivables for both paid and recoverable on unpaid losses totaled $685.6 million at June 30, 2014 and $540.9 million at December 31, 2013. At June 30, 2014, $168.4 million, or 24.6%, was receivable from Federal Crop Insurance Company; $137.1 million, or 20.0%, was receivable from C.V. Starr (Bermuda); $41.3 million, or 6.0%, was receivable from Transatlantic Reinsurance Company and $36.2 million, or 5.3%, was receivable from Berkley Insurance Company. The receivable from C.V. Starr is fully collateralized by a trust agreement. No other retrocessionaire accounted for more than 5% of our receivables.

Loss and LAE Reserves. Gross loss and LAE reserves totaled $9,704.5 million at June 30, 2014 and $9,673.2 million at December 31, 2013.

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

	At June 30, 2014			
(Dollars in millions)	Case Reserves	IBNR Reserves	Total Reserves	% of Total
U.S. Reinsurance	$ 1,436.0	$ 1,947.0	$ 3,383.0	34.9 %
International	959.7	790.8	1,750.5	18.0 %
Bermuda	857.0	1,218.7	2,075.7	21.4 %
Insurance	962.8	1,133.4	2,096.1	21.6 %
Mt. Logan Re	6.6	13.0	19.6	0.2 %
Total excluding A&E	4,222.1	5,102.8	9,324.9	96.1 %
A&E	255.0	124.6	379.6	3.9 %
Total including A&E	$ 4,477.1	$ 5,227.4	$ 9,704.5	100.0 %

(Some amounts may not reconcile due to rounding.)

	At December 31, 2013			
(Dollars in millions)	Case Reserves	IBNR Reserves	Total Reserves	% of Total
U.S. Reinsurance	$ 1,522.5	$ 1,819.0	$ 3,341.5	34.5 %
International	1,007.4	686.5	1,694.0	17.5 %
Bermuda	885.3	1,166.3	2,051.5	21.2 %
Insurance	967.3	1,212.2	2,179.5	22.5 %
Mt. Logan Re	1.8	2.5	4.3	0.1 %
Total excluding A&E	4,384.3	4,886.5	9,270.8	95.8 %
A&E	250.3	152.2	402.5	4.2 %
Total including A&E	$ 4,634.6	$ 5,038.6	$ 9,673.2	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 our 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. In this context, we note that over the past 10 years, as presented in our previous year's 10-K filing, our calendar year operations have been affected by effects from prior period reserve re-estimates, ranging from a favorable $30.9 million in 2010, representing 0.4% of the net prior period reserves for the year in which the adjustment was made, to an unfavorable $249.4 million in 2004, representing 4.8% of the net prior period reserves for the year in which the adjustment was made.

Asbestos and Environmental Exposures. A&E exposures represent a separate exposure group for monitoring and evaluating reserve adequacy. The following table summarizes incurred losses and outstanding loss reserves with respect to A&E reserves on both a gross and net of retrocessions basis for the periods indicated.

(Dollars in millions)	At June 30, 2014	At December 31, 2013
Gross reserves	$ 379.6	$ 402.5
Reinsurance receivable	(15.1)	(15.8)
Net reserves	$ 364.5	$ 386.7

With respect to asbestos only, at June 30, 2014, we had gross asbestos loss reserves of $360.3 million, or 94.9%, of total A&E reserves, of which $286.6 million was for assumed business and $73.7 million was for direct business.

Ultimate loss projections for A&E liabilities cannot be accomplished using standard actuarial techniques. We believe that our A&E reserves represent our best estimate of the ultimate liability; however, there can be no assurance that ultimate loss payments will not exceed such reserves, perhaps by a significant amount.

Industry analysts use the "survival ratio" to compare the A&E reserves among companies with such liabilities. The survival ratio is typically calculated by dividing a company's current net reserves by the three year average of annual paid losses. Hence, the survival ratio equals the number of years that it would take to exhaust the current reserves if future loss payments were to continue at historical levels. Using this measurement, our net three year asbestos survival ratio was 7.7 years at June 30, 2014. These metrics can be skewed by individual large settlements occurring in the prior three years and therefore, may not be indicative of the timing of future payments.

Shareholders' Equity. Our shareholders' equity increased to $7,322.9 million as of June 30, 2014 from $6,968.3 million as of December 31, 2013. This increase was result of $584.1 million of net income attributable to Everest Re Group, $143.4 million of unrealized appreciation on investments, net of tax, share-based compensation transactions of $22.9

million and $1.5 million of net benefit plan obligation adjustments, partially offset by repurchases of 2.2 million common shares for $325.0 million, $69.1 million of shareholder dividends and $3.4 million of net foreign currency translation adjustments.

LIQUIDITY AND CAPITAL RESOURCES

Capital. Our business operations are in part dependent on our financial strength and financial strength ratings, and the market's perception of our financial strength, as measured by shareholders' equity, which was $7,322.9 million at June 30, 2014 and $6,968.3 million at December 31, 2013. On March 25, 2013, Moody's downgraded the Company and its subsidiaries, including the senior debt of Everest Reinsurance Holdings, Inc., by one level. While Moody's believes that our profitability, fixed charge coverage and market position are very good, the rating agency concluded that our business franchise and diversity and predictability of earnings position us more appropriately with peers at the adjusted rating level. A.M. Best and Standard & Poor's affirmed ratings for the Company and its subsidiaries on July 25, 2014 and May 23, 2013, respectively. We continue to possess significant financial flexibility and access to the debt and equity markets as a result of our perceived financial strength, as evidenced by the financial strength ratings as assigned by independent rating agencies.

From time to time, we have used open market share repurchases to adjust our capital position and enhance long term expected returns to our shareholders. On May 15, 2013, our existing Board authorization to purchase up to 20 million of our shares was amended to authorize the purchase of up to 25 million shares. As of June 30, 2014, we had repurchased 22.6 million shares under this authorization.

On July 9, 2014, we renewed our shelf registration statement on Form S-3ASR with the Securities and Exchange Commission ("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.

Liquidity. 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.

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 A1. 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 an independent, professional investment manager 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 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 June 30, 2014, the market value of investments in these investment market sectors, carried at both market and fair value, approximated 60.5% of shareholders' equity.

Our liquidity requirements are generally met from positive cash flow from operations. Positive cash flow results from reinsurance and insurance premiums being collected prior to disbursements for claims, which disbursements generally take place over an extended period after the collection of premiums, sometimes a period of many years. Collected premiums are generally invested, prior to their use in such disbursements, and investment income provides additional funding for loss payments. Our net cash flows from operating activities were $590.4 million and $438.9 million for the six months ended June 30, 2014 and 2013, respectively. Additionally, these cash flows reflected net tax payments of $97.2 million and $66.7 million for the six months ended June 30, 2014 and 2013, respectively, and net catastrophe loss payments of $184.1 million and $227.2 million for the six months June 30, 2014 and 2013, respectively.

If disbursements for claims and benefits, policy acquisition costs and other operating expenses were to exceed premium inflows, cash flow from reinsurance and insurance operations would be negative. The effect on cash flow from insurance operations would be partially offset by cash flow from investment income. Additionally, cash inflows from investment maturities and dispositions, both short-term investments and longer term maturities are available to supplement other operating cash flows.

As the timing of payments for claims and benefits cannot be predicted with certainty, we maintain portfolios of long term invested assets with varying maturities, along with short-term investments that provide additional liquidity for payment of claims. At June 30, 2014 and December 31, 2013, we held cash and short-term investments of $1,978.5 million and $1,825.6 million, respectively. All of our short-term investments are readily marketable and can be converted to cash. In addition to these cash and short-term investments, at June 30, 2014, we had $1,279.4 million of available for sale fixed maturity securities maturing within one year or less, $6,240.2 million maturing within one to five years and $3,417.6 million maturing after five years. Our $1,576.2 million of equity securities are comprised primarily of publicly traded securities that can be easily liquidated. We believe that these fixed maturity and equity securities, in conjunction with the short-term investments and positive cash flow from operations, provide ample sources of liquidity for the expected payment of losses in the near future. We do not anticipate selling securities or using available credit facilities to pay losses and LAE but have the ability to do so. Sales of securities might result in realized capital gains or losses. At June 30, 2014 we had $406.0 million of net pre-tax unrealized appreciation, comprised of $476.3 million of pre-tax unrealized appreciation and $70.3 million of pre-tax unrealized depreciation.

Management expects annual positive cash flow from operations, which in general reflects the strength of overall pricing, to persist over the near term, absent any unusual catastrophe activity. In the intermediate and long term, our cash flow from operations will be impacted to the extent by which competitive pressures affect overall pricing in our markets and by which our premium receipts are impacted from our strategy of emphasizing underwriting profitability over premium volume.

Effective June 22, 2012, Group, Bermuda Re and Everest International entered into a four year, $800.0 million senior credit facility with a syndicate of lenders, which amended and restated in its entirety the July 27, 2007, five year, $850.0 million 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 $200.0 million 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 $600.0 million 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 $4,250.0 million 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 June 30, 2014, was $4,958.0 million. As of June 30, 2014, the Company was in compliance with all Group Credit Facility covenants.

At June 30, 2014 and December 31, 2013, the Company had no outstanding short-term borrowings from the Group Credit Facility revolving credit line. There were no short-term borrowings outstanding for the six months ended June 30, 2014. The highest amount outstanding for year ended December 31, 2013, was $50.0 million for the period from October 31, 2013 to December 2, 2013. At June 30, 2014, the Group Credit Facility had no outstanding letters of credit under tranche one and $500.4 million outstanding letters of credit under tranche two. At December 31, 2013, the Group Credit Facility had no outstanding letters of credit under tranche one and $502.1 million outstanding letters of credit under tranche two.

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 $1,875.0 million plus 25% of future aggregate net income and 25% of future aggregate capital contributions after December 31, 2010, which at June 30, 2014, was $2,179.0 million. As of June 30, 2014, Holdings was in compliance with all Holdings Credit Facility covenants.

At June 30, 2014 and December 31, 2013, the Company had no outstanding short-term borrowings from the Holdings Credit Facility revolving credit line. There were no short-term borrowings outstanding for the six months ended June 30, 2014. The highest amount outstanding for the year ended December 31, 2013, was $40.0 million for the period from May 22, 2013 to July 24, 2013. At June 30, 2014 and December 31, 2013, the Holdings Credit Facility had outstanding letters of credit of $0.9 million.

The Company has notified the syndicate of lenders that it will not be renewing this facility at expiration.

Costs incurred in connection with the Group Credit Facility and the Holdings Credit Facility were $0.2 million and $0.3 million for the three months ended June 30, 2014 and 2013, respectively. Costs incurred in connection with the Group Credit Facility and the Holdings Credit Facility were $0.4 million and $0.5 million for the six months ended June 30, 2014 and 2013, respectively.

On June 5, 2014, Holdings issued $400.0 million of 30 year senior notes at 4.868%. These senior notes will mature on June 1, 2044. The proceeds from the issuance will be used to retire the $250.0 million of senior notes due on October 15, 2014, and for general operating purposes.

On May 24, 2013, Holdings elected to redeem all of the outstanding $329.9 million of 6.2% junior subordinated debt securities. Funds to redeem the debt were from operating cash flows and $40.0 million of borrowings from Holdings Credit Facility, which was repaid on July 24, 2013.

Market Sensitive Instruments.

The SEC's Financial Reporting Release #48 requires registrants to clarify and expand upon the existing financial statement disclosure requirements for derivative financial instruments, derivative commodity instruments and other financial instruments (collectively, "market sensitive instruments"). We do not generally enter into market sensitive instruments for trading purposes.

Our current investment strategy seeks to maximize after-tax income through a high quality, diversified, taxable and tax-preferenced fixed maturity portfolio, while maintaining an adequate level of liquidity. Our mix of taxable and tax-preferenced investments is adjusted periodically, consistent with our current and projected operating results, market conditions and our tax position. The fixed maturity securities in the investment portfolio are comprised of non-trading available for sale securities. Additionally, we have invested in equity securities. We have also written a small number of equity index put option contracts.

The overall investment strategy considers the scope of present and anticipated Company operations. In particular, estimates of the financial impact resulting from non-investment asset and liability transactions, together with our capital structure and other factors, are used to develop a net liability analysis. This analysis includes estimated payout characteristics for which our investments provide liquidity. This analysis is considered in the development of specific investment strategies for asset allocation, duration and credit quality. The change in overall market sensitive risk exposure principally reflects the asset changes that took place during the period.

Interest Rate Risk. Our $17.6 billion investment portfolio, at June 30, 2014, is principally comprised of fixed maturity securities, which are generally subject to interest rate risk and some foreign currency exchange rate risk, and some equity securities, which are subject to price fluctuations and some foreign exchange rate risk. The overall economic impact of the foreign exchange risks on the investment portfolio is partially mitigated by changes in the dollar value of foreign currency denominated liabilities and their associated income statement impact.

Interest rate risk is the potential change in value of the fixed maturity securities portfolio, including short-term investments, from a change in market interest rates. In a declining interest rate environment, it includes prepayment risk on the $2,371.5 million of mortgage-backed securities in the $13,577.4 million fixed maturity portfolio. Prepayment risk results from potential accelerated principal payments that shorten the average life and thus the expected yield of the security.

The table below displays the potential impact of market value fluctuations and after-tax unrealized appreciation on our fixed maturity portfolio (including $1,636.9 million of short-term investments) for the period indicated based on upward and downward parallel and immediate 100 and 200 basis point shifts in interest rates. For legal entities with a U.S. dollar functional currency, this modeling was performed on each security individually. To generate appropriate price estimates on mortgage-backed securities, changes in prepayment expectations under different interest rate environments were taken into account. For legal entities with a non-U.S. dollar functional currency, the effective duration of the involved portfolio of securities was used as a proxy for the market value change under the various interest rate change scenarios.

	Impact of Interest Rate Shift in Basis Points At June 30, 2014				
	-200	-100	0	100	200
(Dollars in millions)					
Total Market/Fair Value	$ 15,989.0	$ 15,612.5	$ 15,214.3	$ 14,793.4	$ 14,364.3
Market/Fair Value Change from Base (%)	5.1 %	2.6 %	0.0 %	-2.8% %	-5.6 %
Change in Unrealized Appreciation					
After-tax from Base ($)	$ 650.2	$ 334.8	$ -	$ (354.7)	$ (715.8)

We had $9,704.5 million and $9,673.2 million of gross reserves for losses and LAE as of June 30, 2014 and December 31, 2013, respectively. These amounts are recorded at their nominal value, as opposed to present value, which would reflect a discount adjustment to reflect the time value of money. Since losses are paid out over a period of time, the present value of the reserves is less than the nominal value. As interest rates rise, the present value of the reserves decreases and, conversely, as interest rates decline, the present value increases. These movements are the opposite of the interest rate impacts on the fair value of investments. While the difference between present value and nominal value is not reflected in our financial statements, our financial results will include investment income over time from the investment portfolio until the claims are paid. Our loss and loss reserve obligations have an expected duration of approximately 3.7 years, which is reasonably consistent with our fixed income portfolio. If we were to discount our loss and LAE reserves, net of ceded reserves, the discount would be approximately $1.1 billion resulting in a discounted reserve balance of approximately $8.1 billion, representing approximately 53.2% of the value of the fixed maturity investment portfolio funds.

Equity Risk. Equity risk is the potential change in fair and/or market value of the common stock, preferred stock and mutual fund portfolios arising from changing prices. Our equity investments consist of a diversified portfolio of individual securities and mutual funds, which invest principally in high quality common and preferred stocks that are traded on the major exchanges, and mutual fund investments in emerging market debt. The primary objective of the equity portfolio is to obtain greater total return relative to our core bonds over time through market appreciation and income.

The table below displays the impact on fair/market value and after-tax change in fair/market value of a 10% and 20% change in equity prices up and down for the period indicated.

	Impact of Percentage Change in Equity Fair/Market Values At June 30, 2014				
(Dollars in millions)	-20%	-10%	0%	10%	20%
Fair/Market Value of the Equity Portfolio	$ 1,260.9	$ 1,418.6	$ 1,576.2	$ 1,733.8	$ 1,891.4
After-tax Change in Fair/Market Value	$ (220.5)	$ (110.3)	$ -	$ 110.3	$ 220.5

Foreign Currency Risk. Foreign currency risk is the potential change in value, income and cash flow arising from adverse changes in foreign currency exchange rates. Each of our non-U.S./Bermuda ("foreign") operations maintains capital in the currency of the country of its geographic location consistent with local regulatory guidelines. Each foreign operation may conduct business in its local currency, as well as the currency of other countries in which it operates. The primary foreign currency exposures for these foreign operations are the Canadian Dollar, the Singapore Dollar, the British Pound Sterling and the Euro. We mitigate foreign exchange exposure by generally matching the currency and duration of our assets to our corresponding operating liabilities. In accordance with FASB guidance, we translate the assets, liabilities and income of non-U.S. dollar functional currency legal entities to the U.S. dollar. This translation amount is reported as a component of other comprehensive income. As of June 30, 2014, there has been no material change in exposure to foreign exchange rates as compared to December 31, 2013.

Equity Index Put Option Contracts. Although not considered material in the context of our aggregate exposure to market sensitive instruments, we have issued six equity index put option contracts based on the Standard & Poor's 500 ("S&P 500") index and one equity index put option contract based on the FTSE 100 index, that are market sensitive and sufficiently unique to warrant supplemental disclosure.

We sold six equity index put option contracts, based on the S&P 500 index, for total consideration, net of commissions, of $22.5 million. At June 30, 2014, fair value for these equity index put option contracts was $26.9 million. 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. The S&P 500 index value at June 30, 2014 was $1,960.23. 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 June 30, 2014 S&P 500 index value, we estimate 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 22%. 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 June 30, 2014, the present value of these theoretical maximum payouts using a 3% discount factor was $413.8 million. Conversely, if the contracts had all expired on June 30, 2014, with the S&P index at $1,960.23, there would be no settlement amount.

We sold one equity index put option contract based on the FTSE 100 index for total consideration, net of commissions, of $6.7 million. At June 30, 2014, fair value for this equity index put option contract was $6.4 million. This equity index put option contract has an exercise date of July 2020 and a strike price of 5,989.75. The FTSE 100 index value at June 30, 2014 was 6,743.90. 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 June 30, 2014 FTSE 100 index value, we estimate 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 39%. 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 June 30, 2014, the present value of the theoretical maximum payout using a 3% discount factor and current exchange rate was $46.6 million. Conversely, if the contract had expired on June 30, 2014, with the FTSE index at 6,743.90, there would be no settlement amount.

Because the equity index put option contracts meet the definition of a derivative, we report the fair value of these instruments in our consolidated balance sheets as a liability and record any changes to fair value in our consolidated statements of operations and comprehensive income (loss) as a net derivative gain (loss). Our financial statements reflect fair values for our obligations on these equity index put option contracts at June 30, 2014, of $33.3 million; even though it may not be likely that the ultimate settlement of these transactions would require a payment that would exceed the initial consideration received, or any payment at all.

As there is no active market for these instruments, the determination of their fair value is based on an industry accepted option pricing model, which requires estimates and assumptions, including those regarding volatility and expected rates of return.

The table below displays the impact of potential movements in interest rates and the equity indices, which are the principal factors affecting fair value of these instruments, looking forward from the fair value for the period indicated. As these are estimates, there can be no assurance regarding future market performance. The asymmetrical results of the interest rate and S&P 500 and FTSE 100 indices shift reflect that the liability cannot fall below zero whereas it can increase to its theoretical maximum.

	Equity Indices Put Options Obligation – Sensitivity Analysis				
(Dollars in millions)	At June 30, 2014				
Interest Rate Shift in Basis Points:	-200	-100	0	100	200
Total Fair Value	$ 58.7	$ 44.3	$ 33.3	$ 25.0	$ 18.7
Fair Value Change from Base (%)	-76.1 %	-32.9 %	0.0 %	24.9 %	43.7 %
Equity Indices Shift in Points (S&P 500/FTSE 100):	-500/-2000	-250/-1000	0	250/1000	500/2000
Total Fair Value	$ 67.7	$ 47.0	$ 33.3	$ 24.1	$ 17.9
Fair Value Change from Base (%)	-103.2 %	-41.2 %	0.0 %	27.5 %	46.1 %
Combined Interest Rate /	-200/	-100/		100/	200/
Equity Indices Shift (S&P 500/FTSE 100):	-500/-2000	-250/-1000	0/0	250/1000	500/2000
Total Fair Value	$ 106.3	$ 60.7	$ 33.3	$ 17.6	$ 9.0
Fair Value Change from Base (%)	-219.0 %	-82.3 %	0.0 %	47.1 %	72.9 %

Safe Harbor Disclosure.
This report contains forward-looking statements within the meaning of the U.S. federal securities laws. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in the federal securities laws. In some cases, these statements can be identified by the use of forward-looking words such as “may”, “will”, “should”, “could”, “anticipate”, “estimate”, “expect”, “plan”, “believe”, “predict”, “potential” and “intend”. Fo statements contained in this report include information regarding our reserves for losses and LAE, the adequacy of capital in relation to regulatory required capital, the adequacy of our provision for uncollectible balances, estimates of our catastrophe exposure, the effects of catastrophic events on our financial statements, the ability of Everest Re, Holdings, Holdings Ireland and Bermuda Re to pay dividends and the settlement costs of our specialized equity index put option contracts. Forward-looking statements only reflect our expectations and are not guarantees of performance. These statements involve risks, uncertainties and assumptions. Actual events or results may differ materially from our expectations. Important factors that could cause our actual events or results to be materially different from our expectations include those discussed under the caption ITEM 1A, “Risk Factors”. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk Instruments. See “Liquidity and Capital Resources - Market Sensitive Instruments” in PART I – ITEM 2.

ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, our management carried out an evaluation, with the participation of the Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”)). Based on their evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission’s rules and forms. Our management, with the participation of the Chief Executive Officer and Chief Financial Officer, also conducted an evaluation of our internal control over financial reporting to determine whether any changes occurred during the quarter covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, there has been no such change during the quarter covered by this report.

PART II

ITEM 1. 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 1A. RISK FACTORS

No material changes.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities.

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (1)
April 1 - 30, 2014	0	$ -	0	2,880,253
May 1 - 31, 2014	393,941	$ 157.4986	389,949	2,490,304
June 1 - 30, 2014	85,143	$ 159.1929	85,143	2,405,161
Total	479,084	$ -	475,092	2,405,161

(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; and May 15, 2013, the Company's executive committee of the Board of Directors approved subsequent amendments to the share repurchase program authorizing the Company and/or its subsidiary Holdings, to purchase up to a current aggregate of 25,000,000 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. Through August 1, 2014, the Company purchased an additional 377,863 shares for $59.9 million under the share repurchase program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Index:

Exhibit No.	Description
31.1	Section 302 Certification of Dominic J. Addesso
31.2	Section 302 Certification of Craig Howie
32.1	Section 906 Certification of Dominic J. Addesso and Craig Howie
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Labels Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

Everest Re Group, Ltd.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Everest Re Group, Ltd.
(Registrant)

/S/ CRAIG HOWIE
Craig Howie
Executive Vice President and
Chief Financial Officer

(Duly Authorized Officer and Principal Financial Officer)

Dated: August 11, 2014