



## Everest Re Group Reports Fourth Quarter and Full Year 2011 Earnings

February 8, 2012

HAMILTON, Bermuda--(BUSINESS WIRE)--Feb. 8, 2012-- Everest Re Group, Ltd. (NYSE: RE) reported fourth quarter 2011 net income of \$41.0 million, or \$0.76 per diluted common share, compared to \$302.5 million, or \$5.51 per diluted common share, for the same period last year. Excluding net realized capital gains and losses, the after-tax operating loss<sup>1</sup> was \$50.7 million, or \$0.94 per diluted common share, compared to after-tax operating income<sup>1</sup> of \$257.8 million, or \$4.70 per diluted common share, in the fourth quarter of 2010.

For the year ended December 31, 2011, the net loss was \$80.5 million, or \$1.49 per common share, compared to net income of \$610.8 million, or \$10.70 per diluted common share, for 2010. Excluding net realized capital gains and losses, the after-tax operating loss<sup>1</sup> was \$93.6 million, or \$1.73 per common share, for the full year 2011, compared to net operating income of \$518.1 million, or \$9.08 per diluted common share, for the same period in 2010.

Commenting on the Company's results, Chairman and Chief Executive Officer, Joseph V. Taranto said, "While catastrophe losses have had a significant impact on our results this year, our balance sheet remains strong with capital still in excess of \$6 billion, a testament to the strength of our franchise. This served us well during January renewals as we constructed a portfolio that enjoyed better rates and terms and, accordingly, we are optimistic about the prospects for 2012."

Operating highlights for the fourth quarter and full year 2011 included the following:

- Gross written premiums were \$1.1 billion for the quarter, an increase of 10% when compared to the same quarter in 2010. Worldwide reinsurance premiums were up 12% and direct insurance premiums were up 5% in the period. For the full year, gross written premiums totaled \$4.3 billion, an increase of 2% compared to last year. Adjusting for the impact of foreign exchange and reinstatement premiums generated year over year on catastrophe losses, premium was flat to last year.
- Pre-tax catastrophe losses, net of reinstatement premiums, were \$370.7 million in the quarter compared to \$52.6 million in the fourth quarter of 2010. As previously announced, the current quarter losses include \$218.0 million for the Thailand floods, increased reported loss estimates on the earthquakes in Japan and New Zealand that occurred earlier in the year, and an additional catastrophe reserve provision of \$50.0 million for all 2011 events due to their complexity and the systemic late reporting that has resulted. For the full year, net after-tax catastrophe losses amounted to \$959.7 million in 2011.
- The loss ratio was 101.4% for the quarter and 90.9% for the year, compared to 70.6% and 74.9%, respectively, for the same periods in 2010. For the full year, excluding catastrophe losses noted above, related reinstatement premiums, and nominal prior year loss development, the attritional loss ratio was trending positive at 60.0% compared to 61.2% for 2010 reflecting portfolio changes and improved rates.
- Net investment income declined to \$126.3 million for the quarter and \$620.0 million for the year compared to \$184.9 million and \$653.5 million, respectively, for 2010. Eliminating the impact of limited partnership results, investment income was down 3% for the year due to lower re-investment rates.
- Net after-tax realized capital gains totaled \$91.7 million for the quarter and \$13.1 million, mainly due to after-tax fair value adjustments on the equity portfolio.
- Cash flow from operations was \$112.9 million for the quarter compared to \$127.9 million for the same period in 2010. For the full year 2011, cash flow from operations was \$659.5 million.
- During the quarter, the Company repurchased approximately 105,000 of its common shares at an average price of \$78.56 and a total cost of \$8.3 million. For the year, the Company repurchased 1.1 million of its common shares, or 2% of its total outstanding shares at year end 2010, for a total cost of \$92.5 million. The repurchases were made pursuant to a share repurchase authorization, provided by the Company's Board of Directors, under which there remains 2.3 million shares available.
- Shareholders' equity ended the year at \$6.1 billion, with book value per share of \$112.99, down 2% when compared to year-end 2010.

*This news release 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 U.S. Federal securities laws. These statements involve risks and uncertainties that could cause actual results to differ materially from those contained in forward-looking statements made on behalf of the Company. These risks and uncertainties include the impact of general economic conditions and conditions affecting the insurance and reinsurance industry, the adequacy of our reserves, our ability to assess underwriting risk, trends in rates for property and casualty insurance and reinsurance,*

competition, investment market fluctuations, trends in insured and paid losses, catastrophes, regulatory and legal uncertainties and other factors described in our latest Annual Report on Form 10-K and subsequent filings with the Securities and Exchange Commission. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Everest Re Group, Ltd. is a Bermuda holding company that operates through the following subsidiaries: Everest Reinsurance Company provides reinsurance to property and casualty insurers in both the U.S. and international markets. Everest Reinsurance (Bermuda), Ltd., including through its branch in the United Kingdom, provides reinsurance and insurance to worldwide property and casualty markets and reinsurance to life insurers. Everest Reinsurance Company (Ireland), Limited provides reinsurance to non-life insurers in Europe. Everest National Insurance Company and Everest Security Insurance Company provide property and casualty insurance to policyholders in the U.S. Everest Indemnity Insurance Company offers excess and surplus lines insurance in the U.S. Everest Insurance Company of Canada provides property and casualty insurance to policyholders in Canada. Additional information on Everest Re Group companies can be found at the Group's web site at <http://www.everestre.com>.

A conference call discussing the fourth quarter results will be held at 10:30 a.m. Eastern Time on February 9, 2012. The call will be available on the Internet through the Company's web site or at <http://www.streetevents.com>.

Recipients are encouraged to visit the Company's web site to view supplemental financial information on the Company's results. The supplemental information is located at <http://www.everestre.com> in the "Financial Reports" section of the "Investor Center". The supplemental financial information may also be obtained by contacting the Company directly.

<sup>1</sup>The Company generally uses after-tax operating income (loss), a non-GAAP financial measure, to evaluate its performance. After-tax operating income (loss) consists of net income (loss) excluding after-tax net realized capital gains (losses) and after-tax gain on debt repurchase as the following reconciliation displays:

| (Dollars in thousands, except per share amounts) | Three Months Ended<br>December 31, |                                |                                 |                                | Twelve Months Ended<br>December 31, |                        |                                 |                                |
|--|------------------------------------|--------------------------------|---------------------------------|--------------------------------|-------------------------------------|------------------------|---------------------------------|--------------------------------|
|  | 2011                               |                                | 2010                            |                                | 2011                                |                        | 2010                            |                                |
|  | (unaudited)                        |                                | (unaudited)                     |                                | (unaudited)                         |                        | (unaudited)                     |                                |
|  | Per Diluted<br>Common<br>Amount    | Per Diluted<br>Common<br>Share | Per Diluted<br>Common<br>Amount | Per Diluted<br>Common<br>Share | Per<br>Common<br>Amount             | Per<br>Common<br>Share | Per Diluted<br>Common<br>Amount | Per Diluted<br>Common<br>Share |
| Net income (loss)                                | \$ 41,042                          | \$ 0.76                        | \$ 302,533                      | \$ 5.51                        | \$ (80,486)                         | \$ (1.49 )             | \$ 610,754                      | \$ 10.70                       |
| After-tax net realized capital gains (losses)    | 91,726                             | 1.70                           | 44,695                          | 0.81                           | 13,114                              | 0.24                   | 92,625                          | 1.62                           |
| After-tax operating income (loss)                | \$ (50,684 )                       | \$ (0.94 )                     | \$ 257,838                      | \$ 4.70                        | \$ (93,600 )                        | \$ (1.73 )             | \$ 518,129                      | \$ 9.08                        |

(Some amounts may not reconcile due to rounding.)

Although net realized capital gains (losses) are an integral part of the Company's insurance operations, the determination of net realized capital gains (losses) is independent of the insurance underwriting process. The Company believes that the level of net realized capital gains (losses) for any particular period is not indicative of the performance of the underlying business in that particular period. Providing only a GAAP presentation of net income (loss) makes it more difficult for users of the financial information to evaluate the Company's success or failure in its basic business, and may lead to incorrect or misleading assumptions and conclusions. The Company understands that the equity analysts who follow the Company focus on after-tax operating income (loss) in their analyses for the reasons discussed above. The Company provides after-tax operating income (loss) to investors so that they have what management believes to be a useful supplement to GAAP information concerning the Company's performance.

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

| (Dollars in thousands, except per share amounts)              | Three Months Ended |              | Twelve Months Ended |              |
|---|--------------------|--------------|---------------------|--------------|
|   | December 31,       |              | December 31,        |              |
|   | 2011               | 2010         | 2011                | 2010         |
|   | (unaudited)        |              | (unaudited)         |              |
| REVENUES:   |                    |              |                     |              |
| Premiums earned   | \$ 1,005,728       | \$ 1,020,159 | \$ 4,101,347        | \$ 3,934,625 |
| Net investment income   | 126,253            | 184,865      | 620,041             | 653,463      |
| Net realized capital gains (losses):                          |                    |              |                     |              |
| Other-than-temporary impairments on fixed maturity securities | (406 )             | (83 )        | (16,223 )           | (2,975 )     |

|  |           |            |              |            |
|--|-----------|------------|--------------|------------|
| Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss) | -         | -          | -            | -          |
| Other net realized capital gains (losses)  | 137,689   | 32,674     | 23,146       | 104,886    |
| Total net realized capital gains (losses)  | 137,283   | 32,591     | 6,923        | 101,911    |
| Net derivative gain (loss)   | 8,012     | 18,683     | (11,261 )    | (1,119 )   |
| Other income (expense)   | 8,655     | 2,076      | (23,089 )    | 16,927     |
| Total revenues   | 1,285,931 | 1,258,374  | 4,693,961    | 4,705,807  |
| <b>CLAIMS AND EXPENSES:</b>  |           |            |              |            |
| Incurred losses and loss adjustment expenses   | 1,019,928 | 720,121    | 3,726,204    | 2,945,712  |
| Commission, brokerage, taxes and fees  | 248,721   | 245,227    | 950,521      | 931,855    |
| Other underwriting expenses  | 42,113    | 41,230     | 182,403      | 166,258    |
| Corporate expenses   | 4,539     | 2,535      | 16,461       | 14,914     |
| Interest, fees and bond issue cost amortization expense  | 13,120    | 13,034     | 52,319       | 55,830     |
| Total claims and expenses  | 1,328,421 | 1,022,147  | 4,927,908    | 4,114,569  |
| <b>INCOME (LOSS) BEFORE TAXES</b>  | (42,490 ) | 236,227    | (233,947 )   | 591,238    |
| Income tax expense (benefit)   | (83,532 ) | (66,306 )  | (153,461 )   | (19,516 )  |
| <b>NET INCOME (LOSS)</b>   | \$ 41,042 | \$ 302,533 | \$ (80,486 ) | \$ 610,754 |
| Other comprehensive income (loss), net of tax  | (35,968 ) | (227,333 ) | 34,720       | 60,220     |
| <b>COMPREHENSIVE INCOME (LOSS)</b>   | \$ 5,074  | \$ 75,200  | \$ (45,766 ) | \$ 670,974 |
| <b>EARNINGS PER COMMON SHARE:</b>  |           |            |              |            |
| Basic  | \$ 0.76   | \$ 5.53    | \$ (1.49 )   | \$ 10.73   |
| Diluted  | 0.76      | 5.51       | (1.49 )      | 10.70      |
| Dividends declared   | 0.48      | 0.48       | 1.92         | 1.92       |

EVEREST RE GROUP, LTD.  
CONSOLIDATED BALANCE SHEETS

|  | December 31,         |                      |
|--|----------------------|----------------------|
|  | 2011                 | 2010                 |
|  | (unaudited)          |                      |
| (Dollars and share amounts in thousands, except par value per share)   |                      |                      |
| <b>ASSETS:</b>   |                      |                      |
| Fixed maturities - available for sale, at market value<br>(amortized cost: 2011, \$11,731,173; 2010, \$12,011,336) | \$ 12,293,524        | \$ 12,450,469        |
| Fixed maturities - available for sale, at fair value   | 113,606              | 180,482              |
| Equity securities - available for sale, at market value (cost: 2011, \$463,620; 2010, \$363,283)                   | 448,930              | 363,736              |
| Equity securities - available for sale, at fair value  | 1,249,106            | 721,449              |
| Short-term investments   | 685,332              | 785,279              |
| Other invested assets (cost: 2011, \$558,232; 2010, \$603,681)   | 558,232              | 605,196              |
| Cash   | 448,651              | 258,408              |
| Total investments and cash   | 15,797,381           | 15,365,019           |
| Accrued investment income  | 130,193              | 148,990              |
| Premiums receivable  | 1,077,548            | 844,832              |
| Reinsurance receivables  | 580,339              | 684,718              |
| Funds held by reinsureds   | 267,295              | 379,616              |
| Deferred acquisition costs   | 378,026              | 383,769              |
| Prepaid reinsurance premiums   | 85,409               | 133,007              |
| Deferred tax asset   | 332,783              | 149,101              |
| Federal income taxes recoverable   | 41,623               | 124,215              |
| Other assets   | 202,958              | 170,931              |
| <b>TOTAL ASSETS</b>  | <b>\$ 18,893,555</b> | <b>\$ 18,384,198</b> |
| <b>LIABILITIES:</b>  |                      |                      |
| Reserve for losses and loss adjustment expenses  | \$ 10,123,215        | \$ 9,340,183         |
| Future policy benefit reserve  | 67,187               | 63,002               |
| Unearned premium reserve   | 1,412,778            | 1,455,219            |

|   |            |            |
|---|------------|------------|
| Funds held under reinsurance treaties       | 2,528      | 99,213     |
| Commission reserves                         | 55,103     | 45,936     |
| Other net payable to reinsurers             | 51,564     | 47,519     |
| Revolving credit borrowings                 | -          | 50,000     |
| 5.4% Senior notes due 10/15/2014            | 249,858    | 249,812    |
| 6.6% Long term notes due 5/1/2067           | 238,354    | 238,351    |
| Junior subordinated debt securities payable | 329,897    | 329,897    |
| Accrued interest on debt and borrowings     | 4,781      | 4,793      |
| Equity index put option liability           | 69,729     | 58,467     |
| Other liabilities                           | 217,186    | 118,289    |
| Total liabilities                           | 12,822,180 | 12,100,681 |

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; (2011) 66,455 and (2010) 66,017 outstanding before treasury shares        | 665           | 660           |
| Additional paid-in capital   | 1,892,988     | 1,863,031     |
| Accumulated other comprehensive income (loss), net of deferred income tax expense (benefit) of \$112,969 at 2011 and \$102,868 at 2010 | 366,978       | 332,258       |
| Treasury shares, at cost; 12,719 shares (2011) and 11,589 shares (2010)  | (1,073,970 )  | (981,480 )    |
| Retained earnings  | 4,884,714     | 5,069,048     |
| Total shareholders' equity   | 6,071,375     | 6,283,517     |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY   | \$ 18,893,555 | \$ 18,384,198 |

EVEREST RE GROUP, LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

| (Dollars in thousands)  | Three Months Ended |            | Twelve Months Ended |            |
|---|--------------------|------------|---------------------|------------|
|   | December 31, 2011  | 2010       | December 31, 2011   | 2010       |
|   | (unaudited)        |            | (unaudited)         |            |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                    |            |                     |            |
| Net income (loss)   | \$ 41,042          | \$ 302,533 | \$ (80,486 )        | \$ 610,754 |
| Adjustments to reconcile net income to net cash provided by operating activities:   |                    |            |                     |            |
| Decrease (increase) in premiums receivable  | (75,692 )          | 61,327     | (235,560 )          | 132,986    |
| Decrease (increase) in funds held by reinsureds, net                                | 784                | 25,182     | 18,236              | 1,573      |
| Decrease (increase) in reinsurance receivables                                      | (10,061 )          | 16,729     | 97,549              | (62,954 )  |
| Decrease (increase) in deferred tax asset   | (120,471 )         | (2,237 )   | (194,029 )          | 22,023     |
| Decrease (increase) in prepaid reinsurance premiums                                 | (3,098 )           | 4,866      | 46,374              | (25,281 )  |
| Increase (decrease) in reserve for losses and loss adjustment expenses              | 247,859            | (37,284 )  | 826,230             | 420,748    |
| Increase (decrease) in future policy benefit reserve                                | 5,217              | (745 )     | 4,185               | (1,534 )   |
| Increase (decrease) in unearned premiums  | 39,179             | (82,589 )  | (39,822 )           | 36,883     |
| Change in equity adjustments in limited partnerships                                | 10,504             | (40,264 )  | (56,549 )           | (71,493 )  |
| Change in other assets and liabilities, net   | 96,643             | (99,839 )  | 214,701             | (104,276 ) |
| Non-cash compensation expense   | 4,740              | 2,857      | 17,693              | 14,786     |
| Amortization of bond premium (accrual of bond discount)                             | 13,488             | 9,906      | 47,872              | 46,095     |
| Amortization of underwriting discount on senior notes                               | 13                 | 11         | 49                  | 76         |
| Net realized capital (gains) losses   | (137,283 )         | (32,591 )  | (6,923 )            | (101,911 ) |
| Net cash provided by (used in) operating activities                                 | 112,864            | 127,862    | 659,520             | 918,475    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                    |            |                     |            |
| Proceeds from fixed maturities matured/called - available for sale, at market value | 354,593            | 510,168    | 1,702,973           | 1,717,659  |
| Proceeds from fixed maturities matured/called - available for sale, at fair value   | -                  | -          | 12,775              | -          |
| Proceeds from fixed maturities sold - available for sale, at market value           | 376,593            | 786,373    | 1,732,246           | 1,632,719  |
| Proceeds from fixed maturities sold - available for sale, at fair value             | 2,526              | 936        | 65,158              | 20,237     |
| Proceeds from equity securities sold - available for sale, at market value          | -                  | 2,322      | 27,207              | 3,037      |
| Proceeds from equity securities sold - available for sale, at fair value            | 92,480             | 146,471    | 247,227             | 234,112    |

|  |           |           |             |             |
|--|-----------|-----------|-------------|-------------|
| Distributions from other invested assets                                 | 23,256    | 28,335    | 166,273     | 79,849      |
| Cost of fixed maturities acquired - available for sale, at market value  | (944,353) | (438,468) | (3,238,113) | (2,766,212) |
| Cost of fixed maturities acquired - available for sale, at fair value    | (2,456 )  | (53,706 ) | (27,481 )   | (134,324 )  |
| Cost of equity securities acquired - available for sale, at market value | (7,254 )  | (350,982) | (127,837 )  | (353,265 )  |
| Cost of equity securities acquired - available for sale, at fair value   | (70,867 ) | (409,748) | (755,734 )  | (514,092 )  |
| Cost of other invested assets acquired                                   | (7,000 )  | (13,311 ) | (64,832 )   | (66,408 )   |
| Cost of businesses acquired  | -         | -         | (63,100 )   | -           |
| Net change in short-term investments                                     | 149,585   | (193,976) | 100,969     | (110,241 )  |
| Net change in unsettled securities transactions                          | (21,883 ) | 20,966    | 13,563      | (13,084 )   |
| Net cash provided by (used in) investing activities                      | (54,780 ) | 35,380    | (208,706 )  | (270,013 )  |

CASH FLOWS FROM FINANCING ACTIVITIES:

|   |           |           |            |            |
|---|-----------|-----------|------------|------------|
| Common shares issued during the period, net         | 3,761     | 1,617     | 12,269     | 3,066      |
| Purchase of treasury shares                         | (8,251 )  | (51,714 ) | (92,490 )  | (398,554 ) |
| Revolving credit borrowings                         | -         | (33,000 ) | (50,000 )  | 50,000     |
| Net cost of senior notes maturing                   | -         | -         | -          | (200,000 ) |
| Dividends paid to shareholders                      | (25,786 ) | (26,063 ) | (103,848 ) | (108,477 ) |
| Net cash provided by (used in) financing activities | (30,276 ) | (109,160) | (234,069 ) | (653,965 ) |

EFFECT OF EXCHANGE RATE CHANGES ON CASH

|  |           |       |           |        |
|--|-----------|-------|-----------|--------|
|  | (22,863 ) | 3,186 | (26,502 ) | 16,313 |
|--|-----------|-------|-----------|--------|

|                                 |            |            |            |            |
|---------------------------------|------------|------------|------------|------------|
| Net increase (decrease) in cash | 4,945      | 57,268     | 190,243    | 10,810     |
| Cash, beginning of period       | 443,706    | 201,140    | 258,408    | 247,598    |
| Cash, end of period             | \$ 448,651 | \$ 258,408 | \$ 448,651 | \$ 258,408 |

SUPPLEMENTAL CASH FLOW INFORMATION:

|                               |              |          |              |              |
|-------------------------------|--------------|----------|--------------|--------------|
| Income taxes paid (recovered) | \$ (38,618 ) | \$ 5,737 | \$ (44,537 ) | \$ (30,978 ) |
| Interest paid                 | 20,262       | 20,177   | 51,647       | 60,198       |

Non-cash transaction:

|  |   |   |        |   |
|--|---|---|--------|---|
| Net assets acquired and liabilities assumed from business acquisitions | - | - | 19,130 | - |
|--|---|---|--------|---|

Source: Everest Re Group, Ltd.

Everest Global Services, Inc.

Elizabeth B. Farrell, Vice President, Investor Relations, 908-604-3169