Everest Re Group Reports Third Quarter 2012 Earnings

October 24, 2012

HAMILTON, Bermuda--(BUSINESS WIRE)--Oct. 24, 2012-- Everest Re Group, Ltd. (NYSE: RE) today reported third quarter 2012 net income of $250.9 million, or $4.82 per diluted common share, compared to net income of $63.1 million, or $1.16 per diluted common share, for the third quarter of 2011. After-tax operating income$1, excluding realized capital gains and losses, was $210.6 million, or $4.05 per diluted common share, for the third quarter of 2012, compared to after-tax operating income$1 of $146.7 million, or $2.70 per diluted common share, for the same period last year.

For the nine months ended September 30, 2012, net income was $770.2 million, or $14.61 per diluted common share, compared to a net loss of $121.5 million, or $2.24 per common share, for the first nine months of 2011. After-tax operating income$1, excluding realized capital gains and losses, was $673.5 million, or $12.78 per diluted common share, compared to an after-tax operating loss of $42.9 million or $0.79 per common share, for the same period in 2011.

Commenting on the Company’s results, Chairman and Chief Executive Officer, Joseph V. Taranto said, “Our record pace continues with another quarter of comprehensive income in excess of $400 million. Through nine months, we have generated almost $1 billion of comprehensive income for our shareholders, resulting in growth in book value per share, adjusted for dividends, of 17.4%.”

Operating highlights for the third quarter of 2012 included the following:

- Gross written premiums were $1.2 billion, an increase of 7% compared to the third quarter of 2011. Worldwide, reinsurance premiums were down 2.5% to $869.5 million, but adjusting for the higher level of reinstatement premiums in 2011 and the effects of foreign currency fluctuations, reinsurance premiums were relatively flat. Insurance premiums increased 42%, quarter over quarter, primarily due to the acquisition of Heartland.
- The loss and combined ratios for the quarter were 59.8% and 87.2%, respectively, compared to 69.0% and 95.6% in 2011. Excluding catastrophe losses, reinstatement premiums, and prior period loss development, the current quarter attritional loss ratio was 57.5% and the current quarter attritional combined ratio was 84.9%. This compared to 56.6% and 83.5%, respectively, for the same period last year. It should be noted that the current year attritional combined ratio does include a $33.2 million underwriting loss in the quarter for crop business, $20.0 million on primary business and $13.2 million on reinsurance business. Adjusting for this, the current year attritional combined ratio would be 81.6%.
- Net investment income for the quarter was $152.0 million, down 3% compared to last year, primarily driven by declining reinvestment rates.
- Net after-tax realized and unrealized capital gains totaled $40.4 million and $118.2 million, respectively, for the quarter.
- Cash flow from operations was $174.9 million compared to $207.9 million for the same period in 2011. Higher underwriting cash flow was partially offset by lower investment income receipts and higher tax payments in the current quarter.
- Through nine months, the annualized after-tax operating income$1 return on average adjusted shareholders’ equity$2 was 15.3%.
- During the quarter, the Company repurchased 229,100 of its common shares at an average price of $109.22 and a total cost of $25 million. For the year, the Company repurchased 2.6 million of its common shares for a total cost of $250 million. The repurchases were made pursuant to a share repurchase authorization, provided by the Company’s Board of Directors, under which there remains 4.7 million shares available.
- Shareholders’ equity ended the quarter at $6.8 billion, up 12% from the $6.1 billion at December 31, 2011. Book value per share increased 16% from $112.99 at December 31, 2011 to $131.22 at September 30, 2012.

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. 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 www.everestregroup.com.

A conference call discussing the third quarter results will be held at 10:30 a.m. Eastern Time on October 25, 2012. The call will be available on the Internet through the Company’s web site or at 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 www.everestregroup.com in the “Financial Reports” section of the “Investor Center”. The supplemental financial information may also be obtained by contacting the Company directly.

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) as the following reconciliation displays:

<table>
<thead>
<tr>
<th>(Dollars in thousands, except per share amounts)</th>
<th>Three Months Ended September 30,</th>
<th>Nine Months Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012 (unaudited)</td>
<td>2011 (unaudited)</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>$250,922 $ 4.82</td>
<td>$770,177 $ 14.61</td>
</tr>
<tr>
<td>After-tax net realized capital gains (losses)</td>
<td>40,351 0.78</td>
<td>96,665 1.83</td>
</tr>
<tr>
<td>After-tax operating income (loss)</td>
<td>$210,571 $ 4.05</td>
<td>$673,512 $ 12.78</td>
</tr>
</tbody>
</table>

(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) 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.

2Adjusted shareholders’ equity excludes net after-tax unrealized (appreciation) depreciation of investments.

--Financial Details Follow--

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

<table>
<thead>
<tr>
<th>(Dollars in thousands, except per share amounts)</th>
<th>Three Months Ended September 30,</th>
<th>Nine Months Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012 (unaudited)</td>
<td>2011 (unaudited)</td>
</tr>
<tr>
<td>REVENUES:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premiums earned</td>
<td>$1,009,454 $1,044,338</td>
<td>$3,045,232 $3,095,619</td>
</tr>
<tr>
<td>Net investment income</td>
<td>152,024 156,465</td>
<td>453,791 493,788</td>
</tr>
<tr>
<td>Net realized capital gains (losses):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other-than-temporary impairments on fixed maturity securities</td>
<td>(3,548 ) (1,050 )</td>
<td>(9,902 ) (15,817 )</td>
</tr>
<tr>
<td>Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)</td>
<td>- -</td>
<td>- -</td>
</tr>
</tbody>
</table>
Other net realized capital gains (losses) 66,291 (136,621) 154,784 (114,543)
Total net realized capital gains (losses) 62,743 (137,671) 144,882 (130,360)
Net derivative gain (loss) 703 (23,427) (9,420) (19,273)
Other income (expense) (5,943) (14,911) 15,675 (31,744)
Total revenues 1,218,981 1,024,794 3,650,160 3,408,030

CLAIMS AND EXPENSES:
Incurred losses and loss adjustment expenses 603,654 720,711 1,813,990 2,706,276
Commission, brokerage, taxes and fees 221,082 227,969 724,374 701,800
Other underwriting expenses 55,762 49,437 153,932 140,290
Corporate expenses 5,947 4,204 16,683 11,922
Interest, fees and bond issue cost amortization expense 13,331 13,085 39,753 39,199
Total claims and expenses 899,776 1,015,406 2,748,732 3,599,487

INCOME (LOSS) BEFORE TAXES 319,205 9,388 901,428 (191,457)
Income tax expense (benefit) 68,283 (53,666) 131,251 (69,929)
NET INCOME (LOSS) $250,922 $63,054 $770,177 $(121,528)

Other comprehensive income (loss), net of tax:
Unrealized appreciation (depreciation) ("URA(D)"") on securities arising during the period 116,694 (14,536) 202,229 53,141
Less: reclassification adjustment for realized losses (gains) included in net income (loss) 1,512 (20,420) (5,702) (949)
Total URA(D) on securities arising during the period 118,206 (34,956) 196,527 52,192
Foreign currency translation adjustments 36,252 (23,247) 27,125 16,258
Pension adjustments 1,199 746 3,166 2,238
Total other comprehensive income (loss), net of tax 155,657 (57,457) 226,818 70,688

COMPREHENSIVE INCOME (LOSS) $406,579 $5,597 $996,995 $(50,840)

EARNINGS PER COMMON SHARE:
Basic $4.84 $1.16 $14.66 $(2.24)
Diluted 4.82 1.16 14.61 (2.24)
Dividends declared 0.48 0.48 1.44 1.44

EVEREST RE GROUP, LTD.
CONSOLIDATED BALANCE SHEETS

(Dollars and share amounts in thousands, except par value per share)

ASSETS:
Fixed maturities - available for sale, at market value $12,846,495 $12,293,524
( amortized cost: 2012, $12,100,746; 2011, $11,731,173 )
Fixed maturities - available for sale, at fair value 52,217 113,606
Equity securities - available for sale, at market value (cost: 2012, $265,563; 2011, $463,620) 279,375 448,930
Equity securities - available for sale, at fair value 1,301,522 1,249,106
Short-term investments 973,560 685,332
Cash 478,558 448,651
Total investments and cash 16,533,957 15,797,381
Accrued investment income 128,619 130,193
Premiums receivable 1,204,867 1,077,548
Reinsurance receivables 642,612 590,339
Funds held by reinsureds 224,344 267,295
Deferred acquisition costs 296,410 378,026
Prepaid reinsurance premiums 106,869 85,409
Deferred tax asset 260,809 332,783
Income taxes recoverable 20,378 41,623

EVE U Respect
Other assets  248,608  202,958  
TOTAL ASSETS  $19,667,473  $18,893,555  

LIABILITIES:
Reserve for losses and loss adjustment expenses  $9,847,174  $10,123,215  
Future policy benefit reserve  65,734  67,187  
Unearned premium reserve  1,370,099  1,412,778  
Funds held under reinsurance treaties  2,659  2,528  
Commission reserves  51,453  55,103  
Other net payable to reinsurers  228,641  60,775  
5.4% Senior notes due 10/15/2014  249,894  249,858  
6.6% Long term notes due 5/1/2067  238,356  238,354  
Junior subordinated debt securities payable  329,897  329,897  
Accrued interest on debt and borrowings  12,092  4,781  
Equity index put option liability  79,148  69,729  
Unsettled securities payable  105,869  8,793  
Other liabilities  301,085  199,182  
Total liabilities  12,882,101  12,822,180  

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; (2012) 67,024 and (2011) 66,455 outstanding before treasury shares  670  665  
Additional paid-in capital  1,935,677  1,892,988  
Accumulated other comprehensive income (loss), net of deferred income tax expense (benefit) of $136,906 at 2012 and $112,969 at 2011  593,796  366,978  
Treasury shares, at cost; 15,316 shares (2012) and 12,719 shares (2011)  (1,323,995 )  (1,073,970 )  
Retained earnings  5,579,224  4,884,714  
Total shareholders' equity  6,785,372  6,071,375  

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY  $19,667,473  $18,893,555  

EVEREST RE GROUP, LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Three Months Ended Nine Months Ended


(Dollars in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:
Net income (loss)  $250,922  63,054  $770,177  121,528 
Adjustments to reconcile net income to net cash provided by operating activities:
Decrease (increase) in premiums receivable  (227,333 )  (6,371 )  (119,923 )  159,888 
Decrease (increase) in funds held by reinsureds, net  37,682  (22,036 )  46,089  17,452 
Decrease (increase) in reinsurance receivables  (22,945 )  89,855  (35,972 )  107,610 
Decrease (increase) in current income taxes  19,927  14,638  21,386  7,205 
Decrease (increase) in deferred tax asset  14,935  (75,216 )  48,896  (73,558 ) 
Decrease (increase) in prepaid reinsurance premiums  (27,524 )  10,126  (18,401 )  49,427 
Increase (decrease) in reserve for losses and loss adjustment expenses  (138,310 )  (115,014 )  (405,540 )  578,371 
Increase (decrease) in future policy benefit reserve  (535 )  (638 )  (1,454 )  (1,032 )  
Increase (decrease) in unearned premiums  121,344  34,868  (52,225 )  (79,001 )  
Increase (decrease) in other net payable to reinsurers  138,239  13,645  165,142  (15,938 )  
Change in equity adjustments in limited partnerships  (18,274 )  (16,439 )  (46,766 )  (67,053 )  
Change in other assets and liabilities, net  65,247  65,828  184,250  126,791  
Non-cash compensation expense  9,452  5,295  22,826  12,953  
Amortization of bond premium (accrual of bond discount)  14,829  8,814  45,795  34,384  
Amortization of underwriting discount on senior notes  13  12  38  36  
Net realized capital (gains) losses  (62,743 )  137,671  (144,882 )  130,360  
Net cash provided by (used in) operating activities  174,926  207,910  479,436  546,656
**CASH FLOWS FROM INVESTING ACTIVITIES:**

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from fixed maturities matured/called - available for sale, at market value</td>
<td>503,303</td>
<td>537,715</td>
<td>1,294,896</td>
<td>1,348,380</td>
</tr>
<tr>
<td>Proceeds from fixed maturities matured/called - available for sale, at fair value</td>
<td>1,300</td>
<td>-</td>
<td>1,300</td>
<td>12,775</td>
</tr>
<tr>
<td>Proceeds from fixed maturities sold - available for sale, at market value</td>
<td>217,983</td>
<td>487,973</td>
<td>639,301</td>
<td>1,355,653</td>
</tr>
<tr>
<td>Proceeds from fixed maturities sold - available for sale, at fair value</td>
<td>11,783</td>
<td>12,512</td>
<td>72,926</td>
<td>62,632</td>
</tr>
<tr>
<td>Proceeds from equity securities sold - available for sale, at market value</td>
<td>76,000</td>
<td>1</td>
<td>130,792</td>
<td>27,207</td>
</tr>
<tr>
<td>Proceeds from equity securities sold - available for sale, at fair value</td>
<td>89,311</td>
<td>61,080</td>
<td>386,917</td>
<td>154,747</td>
</tr>
<tr>
<td>Distributions from other invested assets</td>
<td>32,015</td>
<td>15,923</td>
<td>53,032</td>
<td>143,017</td>
</tr>
<tr>
<td>Cost of fixed maturities acquired - available for sale, at market value</td>
<td>(889,195)</td>
<td>(756,432)</td>
<td>(2,143,771)</td>
<td>(2,293,760)</td>
</tr>
<tr>
<td>Cost of fixed maturities acquired - available for sale, at fair value</td>
<td>(1,658)</td>
<td>(9,801)</td>
<td>(7,164)</td>
<td>(25,025)</td>
</tr>
<tr>
<td>Cost of equity securities acquired - available for sale, at market value</td>
<td>(7,472)</td>
<td>(4,772)</td>
<td>(20,126)</td>
<td>(120,583)</td>
</tr>
<tr>
<td>Cost of equity securities acquired - available for sale, at fair value</td>
<td>(111,767)</td>
<td>(342,567)</td>
<td>(305,046)</td>
<td>(684,867)</td>
</tr>
<tr>
<td>Cost of other invested assets acquired</td>
<td>(21,089)</td>
<td>(5,730)</td>
<td>(49,681)</td>
<td>(57,832)</td>
</tr>
<tr>
<td>Cost of businesses acquired</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(63,100)</td>
</tr>
<tr>
<td>Net change in short-term investments</td>
<td>(24,466)</td>
<td>(51,333)</td>
<td>(287,196)</td>
<td>(48,616)</td>
</tr>
<tr>
<td>Net change in unsettled securities transactions</td>
<td>59,991</td>
<td>(11,755)</td>
<td>65,957</td>
<td>35,446</td>
</tr>
<tr>
<td>Net cash provided by (used in) investing activities</td>
<td>(63,961)</td>
<td>(67,186)</td>
<td>(167,863)</td>
<td>(153,926)</td>
</tr>
</tbody>
</table>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common shares issued during the period, net</td>
<td>1,913</td>
<td>951</td>
<td>19,868</td>
<td>8,508</td>
</tr>
<tr>
<td>Purchase of treasury shares</td>
<td>(25,026)</td>
<td>(46,628)</td>
<td>(250,025)</td>
<td>(84,239)</td>
</tr>
<tr>
<td>Revolving credit borrowings</td>
<td>-</td>
<td>(40,000)</td>
<td>-</td>
<td>(50,000)</td>
</tr>
<tr>
<td>Dividends paid to shareholders</td>
<td>(24,897)</td>
<td>(25,936)</td>
<td>(75,667)</td>
<td>(78,062)</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>(48,010)</td>
<td>(111,613)</td>
<td>(305,824)</td>
<td>(203,793)</td>
</tr>
</tbody>
</table>

**EFFECT OF EXCHANGE RATE CHANGES ON CASH**

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net increase (decrease) in cash</td>
<td>79,707</td>
<td>32,183</td>
<td>29,907</td>
<td>185,298</td>
</tr>
<tr>
<td>Cash, beginning of period</td>
<td>398,851</td>
<td>411,523</td>
<td>448,651</td>
<td>258,408</td>
</tr>
<tr>
<td>Cash, end of period</td>
<td>$478,558</td>
<td>$443,706</td>
<td>$478,558</td>
<td>$443,706</td>
</tr>
</tbody>
</table>

**SUPPLEMENTAL CASH FLOW INFORMATION:**

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income taxes paid (recovered)</td>
<td>$30,662</td>
<td>$6,627</td>
<td>$54,463</td>
<td>($5,919)</td>
</tr>
<tr>
<td>Interest paid</td>
<td>5,851</td>
<td>5,607</td>
<td>31,936</td>
<td>31,385</td>
</tr>
<tr>
<td>Non-cash transaction:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net assets acquired and liabilities assumed from business acquisitions</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>19,130</td>
</tr>
<tr>
<td>Conversion of equity securities - available for sale, at market value, to fixed maturity securities - available for sale, at market value, including accrued interest at time of conversion</td>
<td>-</td>
<td>-</td>
<td>92,981</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Everest Re Group, Ltd.

Everest Global Services, Inc.
Elizabeth B. Farrell, 908-604-3169
Vice President, Investor Relations