

EVEREST REINSURANCE HOLDINGS INC
Form 10-Q
May 15, 2014

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

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

FOR THE QUARTERLY PERIOD
ENDED:
March 31, 2014

Commission file number:
1-14527

EVEREST REINSURANCE HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

22-3263609
(I.R.S. Employer
Identification No.)

477 Martinsville Road
Post Office Box 830
Liberty Corner, New Jersey 07938-0830
(908) 604-3000

(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 Accelerated filer
X

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Non-accelerated
filer

Smaller
reporting
company

(Do not check if smaller
reporting company)

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

YES NO X

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

Class	Number of Shares Outstanding At May 1, 2014
Common Shares, \$0.01 par value	1,000

The Registrant meets the conditions set forth in General Instruction H (1)(a) and (b) of Form 10-Q and is therefore filing this form with the reduced disclosure format permitted by General Instruction H of Form 10-Q.

EVEREST REINSURANCE HOLDINGS, INC.

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Part I

ITEM 1. FINANCIAL STATEMENTS

EVEREST REINSURANCE HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except par value per share)	March 31, 2014 (unaudited)	December 31, 2013
ASSETS:		
Fixed maturities - available for sale, at market value (amortized cost: 2014, \$5,418,527; 2013, \$5,116,600)	\$ 5,537,841	\$ 5,201,921
Fixed maturities - available for sale, at fair value	-	19,388
Equity securities - available for sale, at market value (cost: 2014, \$15; 2013, \$15)	13	13
Equity securities - available for sale, at fair value	1,224,669	1,298,940
Short-term investments	642,650	757,162
Other invested assets (cost: 2014, \$371,942; 2013, \$385,776)	371,942	385,776
Other invested assets, at fair value	1,487,642	1,515,052
Cash	273,265	316,807
Total investments and cash	9,538,022	9,495,059
Accrued investment income	53,735	50,306
Premiums receivable	1,160,395	1,173,780
Reinsurance receivables - unaffiliated	642,035	530,158
Reinsurance receivables - affiliated	3,223,779	3,062,884
Funds held by reinsureds	172,965	175,526
Deferred acquisition costs	110,600	112,024
Prepaid reinsurance premiums	719,788	673,753
Other assets	275,726	247,505
TOTAL ASSETS	\$ 15,897,045	\$ 15,520,995
LIABILITIES:		
Reserve for losses and loss adjustment expenses	\$ 7,577,143	\$ 7,653,229
Unearned premium reserve	1,391,902	1,317,147
Funds held under reinsurance treaties	92,797	92,514
Losses in the course of payment	452,761	350,820
Commission reserves	39,588	47,226
Other net payable to reinsurers	1,155,848	1,026,292
5.4% Senior notes due 10/15/2014	249,971	249,958
6.6% Long term notes due 5/1/2067	238,361	238,361
Accrued interest on debt and borrowings	12,092	4,781
Income taxes	56,460	23,949
Unsettled securities payable	71,299	53,772
Other liabilities	263,455	272,468
Total liabilities	11,601,677	11,330,517
Commitments and Contingencies (Note 6)		

STOCKHOLDER'S EQUITY:

Common stock, par value: \$0.01; 3,000 shares authorized; 1,000 shares issued and outstanding (2014 and 2013)	-	-
Additional paid-in capital	354,445	351,051
Accumulated other comprehensive income (loss), net of deferred income tax expense		
(benefit) of \$55,289 at 2014 and \$47,195 at 2013	102,678	87,648
Retained earnings	3,838,245	3,751,779
Total stockholder's equity	4,295,368	4,190,478
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$ 15,897,045	\$ 15,520,995

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

EVEREST REINSURANCE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME (LOSS)

(Dollars in thousands)	Three Months Ended	
	2014	March 31, 2013 (unaudited)
REVENUES:		
Premiums earned	\$ 470,445	\$ 448,006
Net investment income	63,787	76,869
Net realized capital gains (losses):		
Other-than-temporary impairments on fixed maturity securities	-	-
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	-	-
Other net realized capital gains (losses)	(4,050)	309,806
Total net realized capital gains (losses)	(4,050)	309,806
Other income (expense)	(3,055)	(9,661)
Total revenues	527,127	825,020
CLAIMS AND EXPENSES:		
Incurred losses and loss adjustment expenses	278,046	268,641
Commission, brokerage, taxes and fees	76,094	68,122
Other underwriting expenses	39,251	43,522
Corporate expenses	1,302	1,772
Interest, fee and bond issue cost amortization expense	7,436	12,616
Total claims and expenses	402,129	394,673
INCOME (LOSS) BEFORE TAXES	124,998	430,347
Income tax expense (benefit)	38,532	144,696
NET INCOME (LOSS)	\$ 86,466	\$ 285,651
Other comprehensive income (loss), net of tax :		
Unrealized appreciation (depreciation) ("URA(D)") on securities arising during the period	20,797	(5,606)
Less: reclassification adjustment for realized losses (gains) included in net income (loss)	1,298	(1,358)
Total URA(D) on securities arising during the period	22,095	(6,964)
Foreign currency translation adjustments	(7,836)	(7,596)
Benefit plan actuarial net gain (loss) for the period	-	-
Reclassification adjustment for amortization of net (gain) loss included in net income (loss)	771	1,346
Total benefit plan net gain (loss) for the period	771	1,346
Total other comprehensive income (loss), net of tax	15,030	(13,214)

COMPREHENSIVE INCOME (LOSS)	\$ 101,496	\$ 272,437
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The accompanying notes are an integral part of the consolidated financial statements.

EVEREST REINSURANCE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF
CHANGES IN STOCKHOLDER'S EQUITY

(Dollars in thousands, except share amounts)	2014	Three Months Ended March 31, 2013 (unaudited)
COMMON STOCK (shares outstanding):		
Balance, beginning of period	1,000	1,000
Balance, end of period	1,000	1,000
ADDITIONAL PAID-IN CAPITAL:		
Balance, beginning of period	\$ 351,051	\$ 340,223
Share-based compensation plans	3,394	3,158
Balance, end of period	354,445	343,381
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), NET OF DEFERRED INCOME TAXES:		
Balance, beginning of period	87,648	184,867
Net increase (decrease) during the period	15,030	(13,214)
Balance, end of period	102,678	171,653
RETAINED EARNINGS:		
Balance, beginning of period	3,751,779	2,953,516
Net income (loss)	86,466	285,651
Balance, end of period	3,838,245	3,239,167
TOTAL STOCKHOLDER'S EQUITY, END OF PERIOD	\$ 4,295,368	\$ 3,754,201

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

EVEREST REINSURANCE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Three Months Ended March 31,	
	2014	2013 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 86,466	\$ 285,651
Adjustments to reconcile net income to net cash provided by operating activities:		
Decrease (increase) in premiums receivable	12,611	(51,555)
Decrease (increase) in funds held by reinsureds, net	2,877	(6,122)
Decrease (increase) in reinsurance receivables	(279,364)	(22,142)
Decrease (increase) in income taxes	24,447	132,099
Decrease (increase) in prepaid reinsurance premiums	(47,040)	(16,378)
Increase (decrease) in reserve for losses and loss adjustment expenses	(58,410)	(176,428)
Increase (decrease) in unearned premiums	76,126	43,947
Increase (decrease) in other net payable to reinsurers	130,527	(4,619)
Increase (decrease) in losses in course of payment	101,869	162,432
Change in equity adjustments in limited partnerships	3,143	(11,220)
Distribution of limited partnership income	5,824	10,252
Change in other assets and liabilities, net	(16,618)	12,988
Non-cash compensation expense	1,729	2,173
Amortization of bond premium (accrual of bond discount)	6,004	6,563
Amortization of underwriting discount on senior notes	14	13
Net realized capital (gains) losses	4,050	(309,806)
Net cash provided by (used in) operating activities	54,255	57,848
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from fixed maturities matured/called - available for sale, at market value	207,534	298,241
Proceeds from fixed maturities matured/called - available for sale, at fair value	875	3,000
Proceeds from fixed maturities sold - available for sale, at market value	149,578	166,934
Proceeds from fixed maturities sold - available for sale, at fair value	20,763	3,664
Proceeds from equity securities sold - available for sale, at fair value	176,116	103,828
Distributions from other invested assets	9,828	22,225
Cost of fixed maturities acquired - available for sale, at market value	(689,205)	(586,523)
Cost of fixed maturities acquired - available for sale, at fair value	(1,309)	(1,295)
Cost of equity securities acquired - available for sale, at fair value	(77,427)	(120,527)
Cost of other invested assets acquired	(4,961)	(4,661)
Net change in short-term investments	113,571	83,622
Net change in unsettled securities transactions	(8,812)	(17,558)
Net cash provided by (used in) investing activities	(103,449)	(49,050)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Tax benefit from share-based compensation	1,665	985
Net cash provided by (used in) financing activities	1,665	985
EFFECT OF EXCHANGE RATE CHANGES ON CASH	3,987	(13,548)

Net increase (decrease) in cash	(43,542)	(3,765)
Cash, beginning of period	316,807	347,720
Cash, end of period	\$ 273,265	\$ 343,955

SUPPLEMENTAL CASH FLOW INFORMATION:

Income taxes paid (recovered)	\$ 12,474	\$ 862
Interest paid	42	5,136

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

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the Three Months Ended March 31, 2014 and 2013

1. GENERAL

As used in this document, “Holdings” means Everest Reinsurance Holdings, Inc., a Delaware company and direct subsidiary of Everest Underwriting Group (Ireland) Limited (“Holdings Ireland”); “Group” means Everest Re Group, Ltd. (Holdings Ireland’s parent); “Bermuda Re” means Everest Reinsurance (Bermuda), Ltd., a subsidiary of Group; “Everest Re” means Everest Reinsurance Company and its subsidiaries, a subsidiary of Holdings (unless the context otherwise requires); “Mt. Logan Re” means Mt. Logan Re Ltd., a subsidiary of Group; and the “Company” means Holdings and its subsidiaries.

2. BASIS OF PRESENTATION

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

All intercompany accounts and transactions have been eliminated.

Certain reclassifications and format changes have been made to prior years’ amounts to conform to the 2014 presentation. One reclassification relates to a correction in the manner in which the Company reports distributions received from limited partnership investments in the consolidated Statements of Cash Flows. Prior to the fourth quarter of 2013, the Company incorrectly reflected all distributions as cash flows from investing activities in its Consolidated Statements of Cash Flows. Starting with the fourth quarter of 2013, cash distributions from the limited partnerships that represent net investment income are reflected as cash flows from operating activities and distributions that represent the return of capital contributions are reflected as cash flows from investing activities. For the three months ended March 31, 2013, \$10,252 thousand has been reclassified from “Distributions from other invested assets” included in cash flows from investing activities to “Distribution of limited partnership income” included in cash flows from operations. The Company has determined that this error is not material to the financial statements of any prior period.

Application of Recently Issued Accounting Standard Changes

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

component. The Company implemented the proposed guidance as of January 1, 2013.

Treatment of Insurance Contract Acquisition Costs. In October 2010, the FASB issued authoritative guidance for the accounting for costs associated with acquiring or renewing insurance contracts. The guidance identifies the incremental direct costs of contract acquisition and costs directly related to acquisition activities that should be capitalized. This guidance is effective for reporting periods beginning after December 15, 2011. The Company implemented this guidance as of January 1, 2012 and determined that \$7,215 thousand of previously deferrable acquisition costs would be expensed, including \$5,818 thousand and \$1,397 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:

(Dollars in thousands)	At March 31, 2014			Market Value
	Amortized Cost	Unrealized Appreciation	Unrealized Depreciation	
Fixed maturity securities				
U.S. Treasury securities and obligations of				
U.S. government agencies and corporations	\$ 75,511	\$ 495	\$ (1,026)	\$ 74,980
Obligations of U.S. states and political subdivisions	927,315	43,571	(4,562)	966,324
Corporate securities	1,962,679	49,421	(8,357)	2,003,743
Asset-backed securities	51,089	1,348	(2)	52,435
Mortgage-backed securities				
Commercial	32,876	3,578	-	36,454
Agency residential	690,576	6,639	(11,791)	685,424
Non-agency residential	749	177	(25)	901
Foreign government securities	622,333	30,050	(6,792)	645,591
Foreign corporate securities	1,055,399	26,736	(10,146)	1,071,989
Total fixed maturity securities	\$ 5,418,527	\$ 162,015	\$ (42,701)	\$ 5,537,841
Equity securities	\$ 15	\$ -	\$ (2)	\$ 13

(Dollars in thousands)	At December 31, 2013			Market Value
	Amortized Cost	Unrealized Appreciation	Unrealized Depreciation	
Fixed maturity securities				
U.S. Treasury securities and obligations of				
U.S. government agencies and corporations	\$ 72,211	\$ 420	\$ (946)	\$ 71,685
Obligations of U.S. states and political subdivisions	970,735	40,815	(9,022)	1,002,528
Corporate securities	1,669,553	45,355	(12,493)	1,702,415
Asset-backed securities	38,544	1,065	-	39,609
Mortgage-backed securities				
Commercial	34,855	3,811	-	38,666
Agency residential	709,589	6,331	(18,521)	697,399
Non-agency residential	859	113	(33)	939
Foreign government securities	654,029	28,739	(7,941)	674,827
Foreign corporate securities	966,225	23,227	(15,599)	973,853
Total fixed maturity securities	\$ 5,116,600	\$ 149,876	\$ (64,555)	\$ 5,201,921

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Equity securities	\$ 15	\$ -	\$ (2)	\$ 13
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The \$645,591 thousand of foreign government securities at March 31, 2014 included \$90,272 thousand of European sovereign securities. Approximately 54.3%, 14.1%, 13.5% and 7.4% of European Sovereign Securities represented securities held in the governments of France, the United Kingdom, Sweden and the Netherlands, respectively. No other countries represented more than 5% of the European sovereign

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securities. The Company held no sovereign securities of Portugal, Italy, Ireland, Greece or Spain at March 31, 2014.

In accordance with FASB guidance, the Company reclassified the non-credit portion of other-than-temporary impairments from retained earnings into accumulated other comprehensive income (loss), on April 1, 2009. As of March 31, 2014, all of the previously reclassified securities have either matured or have been sold.

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.

(Dollars in thousands)	At March 31, 2014		At December 31, 2013	
	Amortized Cost	Market Value	Amortized Cost	Market Value
Fixed maturity securities – available for sale				
Due in one year or less	\$ 527,979	\$ 529,116	\$ 462,133	\$ 463,674
Due after one year through five years	2,365,020	2,414,315	2,251,169	2,300,475
Due after five years through ten years	1,096,128	1,114,591	988,896	1,000,053
Due after ten years	654,110	704,605	630,555	661,106
Asset-backed securities	51,089	52,435	38,544	39,609
Mortgage-backed securities				
Commercial	32,876	36,454	34,855	38,666
Agency residential	690,576	685,424	709,589	697,399
Non-agency residential	749	901	859	939
Total fixed maturity securities	\$ 5,418,527	\$ 5,537,841	\$ 5,116,600	\$ 5,201,921

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

(Dollars in thousands)	Three Months Ended	
	2014	March 31, 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	\$ 33,993	\$ (10,618)
Fixed maturity securities, other-than-temporary impairment	-	(97)
Equity securities	-	1
Change in unrealized appreciation (depreciation), pre-tax	33,993	(10,714)
Deferred tax benefit (expense)	(11,898)	3,716
Deferred tax benefit (expense), other-than-temporary impairment	-	34
Change in unrealized appreciation (depreciation), net of deferred taxes, included in stockholder's equity	\$ 22,095	\$ (6,964)

The Company frequently reviews all of its fixed maturity, available for sale securities for declines in market value and focuses its attention on securities whose fair value has fallen below 80% of their amortized cost at the time of review. The Company then assesses whether the decline in value is temporary or other-than-temporary. In making its assessment, the Company evaluates the current market and interest rate environment as well as specific issuer information. Generally, a change in a security's value caused by a change in the market, interest rate or foreign exchange environment does not constitute an other-than-temporary impairment, but rather a temporary decline in

market value. Temporary declines in market value are recorded as unrealized losses in accumulated other comprehensive income (loss). If the Company determines that the decline is other-than-temporary and the Company does not have the intent to sell the security; and it is more likely than not that the Company will not have to sell the security before recovery of its cost basis, the carrying value of the investment is written down to fair value. The fair value adjustment that is credit or foreign exchange related is recorded in net realized capital gains (losses) in the Company's

consolidated statements of operations and comprehensive income (loss). The fair value adjustment that is non-credit related is recorded as a component of other comprehensive income (loss), net of tax, and is included in accumulated other comprehensive income (loss) in the Company's consolidated balance sheets. The Company's assessments are based on the issuers current and expected future financial position, timeliness with respect to interest and/or principal payments, speed of repayments and any applicable credit enhancements or breakeven constant default rates on mortgage-backed and asset-backed securities, as well as relevant information provided by rating agencies, investment advisors and analysts.

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

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

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

	Duration of Unrealized Loss at March 31, 2014 By Security Type					
	Less than 12 months		Greater than 12 months		Total	
	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
(Dollars in thousands)						
Fixed maturity securities - available for sale						
U.S. Treasury securities and obligations of U.S. government agencies and corporations	\$ 28,420	\$ (303)	\$ 8,689	\$ (723)	\$ 37,109	\$ (1,026)
Obligations of U.S. states and political subdivisions	35,182	(1,091)	68,552	(3,471)	103,734	(4,562)
Corporate securities	516,730	(5,033)	78,099	(3,324)	594,829	(8,357)
Asset-backed securities	1,848	(2)	-	-	1,848	(2)
Mortgage-backed securities						
Commercial	-	-	-	-	-	-

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Agency residential	136,963	(1,951)	285,909	(9,840)	422,872	(11,791)
Non-agency residential	91	-	169	(25)	260	(25)
Foreign government securities	104,740	(3,926)	29,043	(2,866)	133,783	(6,792)
Foreign corporate securities	293,848	(5,481)	93,307	(4,665)	387,155	(10,146)
Total fixed maturity securities	\$ 1,117,822	\$ (17,787)	\$ 563,768	\$ (24,914)	\$ 1,681,590	\$ (42,701)
Equity securities	13	(2)	-	-	13	(2)
Total	\$ 1,117,835	\$ (17,789)	\$ 563,768	\$ (24,914)	\$ 1,681,603	\$ (42,703)

(Dollars in thousands)	Duration of Unrealized Loss at March 31, 2014 By Maturity					
	Less than 12 months		Greater than 12 months		Total	
	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
Fixed maturity securities						
Due in one year or less	\$ 42,790	\$ (1,575)	\$ 35,039	\$ (4,148)	\$ 77,829	\$ (5,723)
Due in one year through five years	508,264	(6,820)	140,468	(5,493)	648,732	(12,313)
Due in five years through ten years	375,534	(5,871)	27,224	(948)	402,758	(6,819)
Due after ten years	52,332	(1,568)	74,959	(4,460)	127,291	(6,028)
Asset-backed securities	1,848	(2)	-	-	1,848	(2)
Mortgage-backed securities	137,054	(1,951)	286,078	(9,865)	423,132	(11,816)
Total fixed maturity securities	\$ 1,117,822	\$ (17,787)	\$ 563,768	\$ (24,914)	\$ 1,681,590	\$ (42,701)

The aggregate market value and gross unrealized losses related to investments in an unrealized loss position at March 31, 2014 were \$1,681,603 thousand and \$42,703 thousand, respectively. The market value of securities for the single issuer whose securities comprised the largest unrealized loss position at March 31, 2014, did not exceed 0.8% 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 \$17,787 thousand of unrealized losses related to fixed maturity securities that have been in an unrealized loss position for less than one year were primarily comprised of domestic and foreign corporate securities, foreign government securities, agency residential mortgage-backed securities as well as state and municipal securities. Of these unrealized losses, \$14,559 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating organization. The \$24,914 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, foreign and domestic corporate securities, foreign government securities as well as state and municipal securities. Of these unrealized losses, \$24,078 thousand were 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 \$25 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	
	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
(Dollars in thousands)						
Fixed maturity securities - available for sale						
U.S. Treasury securities and obligations of U.S. government agencies and corporations	\$ 39,274	\$ (302)	\$ 8,751	\$ (644)	\$ 48,025	\$ (946)
Obligations of U.S. states and political subdivisions	92,760	(4,852)	39,689	(4,170)	132,449	(9,022)
Corporate securities	388,721	(8,981)	56,156	(3,512)	444,877	(12,493)
Asset-backed securities	-	-	-	-	-	-
Mortgage-backed securities						
Commercial	-	-	-	-	-	-
Agency residential	381,149	(14,084)	131,504	(4,437)	512,653	(18,521)
Non-agency residential	-	-	202	(33)	202	(33)
Foreign government securities	100,984	(5,255)	29,174	(2,686)	130,158	(7,941)
Foreign corporate securities	321,933	(11,394)	66,715	(4,205)	388,648	(15,599)
Total fixed maturity securities	\$ 1,324,821	\$ (44,868)	\$ 332,191	\$ (19,687)	\$ 1,657,012	\$ (64,555)
Equity securities	13	(2)	-	-	13	(2)
Total	\$ 1,324,834	\$ (44,870)	\$ 332,191	\$ (19,687)	\$ 1,657,025	\$ (64,557)

	Duration of Unrealized Loss at December 31, 2013 By Maturity					
	Less than 12 months		Greater than 12 months		Total	
	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
(Dollars in thousands)						
Fixed maturity securities						
Due in one year or less	\$ 17,315	\$ (1,273)	\$ 31,679	\$ (4,132)	\$ 48,994	\$ (5,405)
Due in one year through five years	425,627	(8,982)	111,150	(5,647)	536,777	(14,629)
Due in five years through ten years	312,341	(10,408)	14,865	(663)	327,206	(11,071)
Due after ten years	188,389	(10,121)	42,791	(4,775)	231,180	(14,896)
Asset-backed securities	-	-	-	-	-	-
Mortgage-backed securities	381,149	(14,084)	131,706	(4,470)	512,855	(18,554)
Total fixed maturity securities	\$ 1,324,821	\$ (44,868)	\$ 332,191	\$ (19,687)	\$ 1,657,012	\$ (64,555)

The aggregate market value and gross unrealized losses related to investments in an unrealized loss position at December 31, 2013 were \$1,657,025 thousand and \$64,557 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 0.9% 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 \$44,868 thousand of unrealized losses related to fixed maturity securities that have been in an unrealized loss position for less than one year were primarily comprised of domestic and foreign corporate securities, foreign government securities, agency residential mortgage-backed securities as well as state and municipal securities. Of these unrealized losses, \$38,527 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating organization. The \$19,687 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, agency residential mortgage-backed securities as well as state and municipal securities. Of these unrealized losses, \$18,867 thousand were 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 \$33 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.

Other invested assets, at fair value, is comprised of common shares of the Company's ultimate parent, Group. At March 31, 2014, the Company held 9,719,971 shares of Group representing 17.4% of the total outstanding shares.

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

(Dollars in thousands)	Three Months Ended March 31,	
	2014	2013
Fixed maturities	\$ 51,079	\$ 53,899
Equity securities	8,937	7,731
Short-term investments and cash	186	266
Other invested assets		
Limited partnerships	(3,087)	11,348
Dividends from Parent's shares	7,290	4,666
Other	2,021	2,320
Gross investment income before adjustments	66,426	80,230
Funds held interest income (expense)	2,109	2,418
Gross investment income	68,535	82,648
Investment expenses	(4,748)	(5,779)
Net investment income	\$ 63,787	\$ 76,869

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 \$97,761 thousand in limited partnerships at March 31, 2014. These commitments will be funded when called in accordance with the partnership agreements, which have investment periods that expire, unless extended, through 2018.

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

(Dollars in thousands)	Three Months Ended	
	2014	March 31, 2013
Fixed maturity securities, market value:		
Other-than-temporary impairments	\$	