EVEREST REINSURANCE HOLDINGS INC
Form 10-Q
August 14, 2017
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:	Commission file number:
June 30, 2017	1-14527

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

Delaware	22-3263609
(State or other jurisdiction of incorporation or organization)	(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, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer		Accelerated filer
Non-accelerated filer	X	Smaller reporting company
(Do not check if smaller reporting company)		Emerging growth company

Indicate by check mark if the registrant is an emerging growth company and has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange act.

YES NOX

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

YES NOX

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, 2017
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.

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EVEREST REINSURANCE HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except par value per share)	June 30, 2017 (unaudited)	December 31, 2016
ASSETS:		
Fixed maturities - available for sale, at market value (amortized cost: 2017, $6,071,568; 2016, $5,910,494)	$ 6,140,028	$ 5,970,496
Equity securities - available for sale, at fair value	934,110	887,800
Short-term investments	176,405	306,286
Other invested assets (cost: 2017, 773,322; 2016, $613,680)	774,646	613,740
Other invested assets, at fair value	1,724,532	1,766,626
Cash	242,565	297,794
Total investments and cash	9,992,286	9,842,742
Note receivable - affiliated	250,000	250,000
Accrued investment income	43,799	45,323
Premiums receivable	1,343,051	1,128,639
Reinsurance receivables - unaffiliated	893,608	887,657
Reinsurance receivables - affiliated	3,798,963	3,686,130
Funds held by reinsureds	193,800	190,421
Deferred acquisition costs	48,827	68,621
Prepaid reinsurance premiums	965,909	781,384
Other assets	231,416	202,519
TOTAL ASSETS	$ 17,761,659	$ 17,083,436
LIABILITIES:		
Reserve for losses and loss adjustment expenses	$ 8,286,599	$ 8,331,288
Unearned premium reserve	1,424,957	1,312,386
Funds held under reinsurance treaties	116,397	110,836
Losses in the course of payment	333,262	82,915
Commission reserves	39,236	52,037
Other net payable to reinsurers	906,305	815,298
4.868% Senior notes due 6/1/2044	396,774	396,714
6.6% Long term notes due 5/1/2067	236,511	236,462
Accrued interest on debt and borrowings	2,632	3,537
Income taxes	173,693	148,940
Unsettled securities payable	46,183	27,121
Other liabilities	276,316	267,349
Total liabilities	12,238,865	11,784,883
Commitments and Contingencies (Note 7)		
STOCKHOLDER'S EQUITY:		
Common stock, par value: $0.01; 3,000 shares authorized; 1,000 shares issued and outstanding (2017 and 2016)	-	-
Additional paid-in capital	387,705	387,567
Accumulated other comprehensive income (loss), net of deferred income tax expense (benefit) of ($9,175) at 2017 and ($19,549) at 2016	(17,048)	(36,315)

Retained earnings	5,152,137	4,947,301
Total stockholder's equity	5,522,794	5,298,553
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 17,761,659	$ 17,083,436

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2017	2016	2017	2016
	(unaudited)		(unaudited)	
REVENUES:				
Premiums earned	$468,197	$488,855	$939,252	$970,780
Net investment income	71,900	73,872	132,749	132,317
Net realized capital gains (losses):				
Other-than-temporary impairments on fixed maturity securities	(1,574)	(1,391)	(2,706)	(24,406)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	-	-	-	-
Other net realized capital gains (losses)	(90,717)	30,556	28,183	(12,806)
Total net realized capital gains (losses)	(92,291)	29,165	25,477	(37,212)
Other income (expense)	10,655	(10,700)	20,510	2,402
Total revenues	458,461	581,192	1,117,988	1,068,287
CLAIMS AND EXPENSES:				
Incurred losses and loss adjustment expenses	297,228	338,536	586,950	634,598
Commission, brokerage, taxes and fees	60,513	70,409	113,020	136,774
Other underwriting expenses	64,197	58,330	124,092	117,557
Corporate expenses	1,512	2,010	5,109	4,346
Interest, fee and bond issue cost amortization expense	7,954	8,858	16,813	17,717
Total claims and expenses	431,404	478,143	845,984	910,992
INCOME (LOSS) BEFORE TAXES	27,057	103,049	272,004	157,295
Income tax expense (benefit)	(8,601)	33,677	67,168	46,933
NET INCOME (LOSS)	$35,658	$69,372	$204,836	$110,362
Other comprehensive income (loss), net of tax:				
Unrealized appreciation (depreciation) ("URA(D)") on securities arising during the period	3,825	39,264	13,264	58,864
Less: reclassification adjustment for realized losses (gains) included in net income (loss)	(3,477)	(63)	(6,944)	25,852
Total URA(D) on securities arising during the period	348	39,201	6,320	84,716
Foreign currency translation adjustments	5,372	15,489	8,939	30,421
Benefit plan actuarial net gain (loss) for the period	-	-	-	-
Reclassification adjustment for amortization of net (gain) loss included in net income (loss)	2,004	1,341	4,008	2,681
Total benefit plan net gain (loss) for the period	2,004	1,341	4,008	2,681
Total other comprehensive income (loss), net of tax	7,724	56,031	19,267	117,818
COMPREHENSIVE INCOME (LOSS)	$43,382	$125,403	$224,103	$228,180

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)	Three Months Ended June 30, 2017 (unaudited)	2016	Six Months Ended June 30, 2017 (unaudited)	2016
COMMON STOCK (shares outstanding):				
Balance, beginning of period	1,000	1,000	1,000	1,000
Balance, end of period	1,000	1,000	1,000	1,000
ADDITIONAL PAID-IN CAPITAL:				
Balance, beginning of period	$387,637	$379,582	$387,567	$374,789
Share-based compensation plans	68	2,955	138	7,748
Balance, end of period	387,705	382,537	387,705	382,537
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), NET OF DEFERRED INCOME TAXES:				
Balance, beginning of period	(24,772)	(349)	(36,315)	(62,136)
Net increase (decrease) during the period	7,724	56,031	19,267	117,818
Balance, end of period	(17,048)	55,682	(17,048)	55,682
RETAINED EARNINGS:				
Balance, beginning of period	5,116,479	4,686,647	4,947,301	4,645,657
Net income (loss)	35,658	69,372	204,836	110,362
Balance, end of period	5,152,137	4,756,019	5,152,137	4,756,019
TOTAL STOCKHOLDER'S EQUITY, END OF PERIOD	$5,522,794	$5,194,238	$5,522,794	$5,194,238

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

EVEREST REINSURANCE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30,	
(Dollars in thousands)	2017	2016
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$204,836	$110,362
Adjustments to reconcile net income to net cash provided by operating activities:		
Decrease (increase) in premiums receivable	(213,530)	13,635
Decrease (increase) in funds held by reinsureds, net	2,353	(3,111)
Decrease (increase) in reinsurance receivables	(115,273)	(9,694)
Decrease (increase) in income taxes	14,411	9,279
Decrease (increase) in prepaid reinsurance premiums	(184,385)	24,418
Increase (decrease) in reserve for losses and loss adjustment expenses	(55,590)	257,415
Increase (decrease) in unearned premiums	111,848	(89,903)
Increase (decrease) in other net payable to reinsurers	89,702	(373,353)
Increase (decrease) in losses in course of payment	250,153	1,813
Change in equity adjustments in limited partnerships	(8,728)	(11,352)
Distribution of limited partnership income	12,483	22,822
Change in other assets and liabilities, net	(10,031)	13,152
Non-cash compensation expense	5,186	5,433
Amortization of bond premium (accrual of bond discount)	9,107	8,972
Amortization of underwriting discount on senior notes	2	2
Net realized capital (gains) losses	(25,477)	37,212
Net cash provided by (used in) operating activities	87,067	17,102
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from fixed maturities matured/called - available for sale, at market value	555,649	368,179
Proceeds from fixed maturities sold - available for sale, at market value	652,490	296,888
Proceeds from fixed maturities sold - available for sale, at fair value	-	1,587
Proceeds from equity securities sold - available for sale, at fair value	249,653	421,980
Distributions from other invested assets	1,018,997	696,889
Cost of fixed maturities acquired - available for sale, at market value	(1,348,415)	(923,755)
Cost of equity securities acquired - available for sale, at fair value	(237,894)	(180,406)
Cost of other invested assets acquired	(1,182,157)	(862,717)
Net change in short-term investments	130,362	178,128
Net change in unsettled securities transactions	6,648	36,119
Net cash provided by (used in) investing activities	(154,667)	32,892
CASH FLOWS FROM FINANCING ACTIVITIES:		
Tax benefit from share-based compensation	(5,048)	2,315
Net cash provided by (used in) financing activities	(5,048)	2,315
EFFECT OF EXCHANGE RATE CHANGES ON CASH	17,419	22,189
Net increase (decrease) in cash	(55,229)	74,498
Cash, beginning of period	297,794	155,429

Cash, end of period	$242,565	$229,927
SUPPLEMENTAL CASH FLOW INFORMATION:		
Income taxes paid (recovered)	$52,641	$35,375
Interest paid	17,608	17,608

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, 2017 and 2016

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) and the "Company" means Holdings and its subsidiaries.

During the third quarter of 2016, the Company established domestic subsidiaries, Everest Premier Insurance Company ("Everest Premier") and Everest Denali Insurance Company ("Everest Denali"), which will be used in the continued expansion of the Insurance operations.

Effective August 24, 2016, the Company sold its wholly-owned subsidiary, Heartland Crop Insurance Company ("Heartland"), a managing agent for crop insurance, to CGB Diversified Services, Inc. ("CGB"). The operating results of Heartland for the period owned are included within 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, 2017 and 2016 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, 2016 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, 2017 and 2016 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, 2016, 2015 and 2014 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 2017 presentation.

Application of Recently Issued Accounting Standard Changes.

Disclosures about Short-Duration Contracts. In May 2015, the FASB issued ASU 2015-09, authoritative guidance regarding required disclosures associated with short duration insurance contracts. The new disclosure requirements focus on information about initial claim estimates and subsequent claim estimate adjustment, methodologies in estimating claims and the timing, frequency and severity of claims related to short duration insurance contracts. This guidance is effective for annual reporting periods beginning after December 15, 2015 and interim reporting periods beginning after December 15, 2016. The Company implemented this guidance in the fourth quarter of 2016.

Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share. In May 2015, the FASB issued ASU 2015-07, which removes the requirement to categorize, within the fair value hierarchy, investments for which fair values are estimated using the net asset value practical expedient provided by Accounting Standards Codification 820, Fair Value Measurement. The updated guidance is effective for annual reporting periods beginning after December 15, 2015. The adoption did not have a material impact on the Company's financial statements.

Debt Issuance Costs. In April 2015, The FASB issued ASU 2015–03, authoritative guidance on the presentation of debt issuance costs. This guidance requires that debt issuance costs be presented within the balance sheet as a reduction of the carrying value of the debt liability, rather than as a separate asset. This guidance is effective for annual reporting periods beginning after December 15, 2015 and related interim reporting periods. The Company implemented this guidance effective in the second quarter of 2016. This adoption did not have any material impact on the Company's financial statements.

Consolidation. In February 2015, the FASB issued ASU 2015-02, authoritative guidance regarding consolidation of reporting entities. The new guidance focuses on the required evaluation of whether certain legal entities should be consolidated. This guidance is effective for annual and interim reporting periods beginning after December 15, 2015. The adoption did not have a material impact on the Company's financial statements.

3. REVISIONS TO FINANCIAL STATEMENTS

In preparing its current period financial statements, the Company altered its processing of ceding certain commissions and deferred acquisition costs under an affiliated quota share agreement. In previous reporting periods, these expenses were ceded based upon a quarter lag. In the current period, the quarter lag was eliminated and these expenses are now recorded on a current quarter basis. Although management determined that the impact of the ceding lag was not material to prior period financial statements, the impact of eliminating the ceding lag would have significantly impacted results within the current period. As a result, prior period balances have been revised in the applicable financial statements and corresponding footnotes to eliminate the impact of the previous recording lag.

Management assessed the materiality of this change within prior period financial statements based upon SEC Staff Accounting Bulletin Number 99, Materiality, which is since codified in Accounting Standards Codification ("ASC") 250, Accounting Changes and Error Corrections. In accordance with ASC 250, the prior period comparative financial statements that are presented herein have been revised.

The following tables present line items for prior period financial statements that have been affected by the revision. For these line items, the tables detail the amounts as previously reported, the impact upon those line items due to the revision, and the amounts as currently revised within the financial statements.

CONSOLIDATED BALANCE SHEETS	March 31, 2017		
	As Previously Reported	Impact of Revisions	As Revised
(Dollars in thousands, except par value per share)			
ASSETS:			
Deferred acquisition costs	$62,308	$(4,994)	$57,314
TOTAL ASSETS	$17,587,840	$(4,994)	$17,582,846
LIABILITIES:			
Other net payable to reinsurers	$832,307	$(41,746)	$790,561
Income taxes	223,629	5,625	229,254
Total liabilities	12,139,623	(36,121)	12,103,502
STOCKHOLDERS EQUITY:			
Retained earnings	5,085,352	31,127	5,116,479
Total stockholder's equity	5,448,217	31,127	5,479,344
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$17,587,840	$(4,994)	$17,582,846

CONSOLIDATED BALANCE SHEETS	December 31, 2016			December 31, 2015		
	As Previously Reported	Impact of Revisions	As Revised	As Previously Reported	Impact of Revisions	As Revised
(Dollars in thousands, except par value per share)						
ASSETS:						
Deferred acquisition costs	$73,924	$(5,303)	$68,621	$92,651	$(6,249)	$86,402
TOTAL ASSETS	$17,088,739	$(5,303)	$17,083,436	$16,695,203	$(6,249)	$16,688,954
LIABILITIES:						
Other net payable to reinsurers	$860,391	$(45,093)	$815,298	$1,225,260	$(37,480)	$1,187,780
Income taxes	142,143	6,797	148,940	68,024	4,132	72,156
Total liabilities	11,823,179	(38,296)	11,784,883	11,763,992	(33,348)	11,730,644
STOCKHOLDERS EQUITY:						
Retained earnings	4,914,308	32,993	4,947,301	4,618,558	27,099	4,645,657
Total stockholder's equity	5,265,560	32,993	5,298,553	4,931,211	27,099	4,958,310
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$17,088,739	$(5,303)	$17,083,436	$16,695,203	$(6,249)	$16,688,954

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS):	Year Ended December 31, 2016			Year Ended December 31, 2015		
	As Previously Reported	Impact of Revisions	As Revised	As Previously Reported	Impact of Revisions	As Revised
(Dollars in thousands)						
CLAIMS AND EXPENSES:						
Commission, brokerage, taxes and fees	$289,982	$ (8,558)	$281,424	$315,069	$ (2,744)	$312,325
Total claims and expenses	1,928,940	(8,558)	1,920,382	1,892,062	(2,744)	1,889,318
INCOME (LOSS) BEFORE TAXES	390,433	8,558	398,991	604,542	2,744	607,286
Income tax expense (benefit)	94,683	2,664	97,347	191,889	3,007	194,896
NET INCOME (LOSS)	$295,750	$ 5,894	$301,644	$412,653	$ (263)	$412,390
COMPREHENSIVE INCOME (LOSS)	$321,571	$ 5,894	$327,465	$345,998	$ (263)	$345,735

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS):	Year Ended December 31, 2014			Three Months Ended March 31, 2017		
	As Previously Reported	Impact of Revisions	As Revised	As Previously Reported	Impact of Revisions	As Revised
(Dollars in thousands)						
CLAIMS AND EXPENSES:						
Commission, brokerage, taxes and fees	$339,402	$ (427)	$338,975	$ 49,470	$ 3,037	$ 52,507
Total claims and expenses	1,930,749	(427)	1,930,322	411,543	3,037	414,580

INCOME (LOSS) BEFORE TAXES	657,688	427	658,115	247,984	(3,037)	244,947
Income tax expense (benefit)	203,562	1,125	204,687	76,940	(1,171)	75,769
NET INCOME (LOSS)	$454,126	$ (698)	$453,428	$ 171,044	$ (1,866)	$ 169,178
COMPREHENSIVE INCOME (LOSS)	$370,997	$ (698)	$370,299	$ 182,587	$ (1,866)	$ 180,721

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CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS):	Three Months Ended September 30, 2016			Nine Months Ended September 30, 2016		
	As Previously Reported	Impact of Revisions	As Revised	As Previously Reported	Impact of Revisions	As Revised
(Dollars in thousands)						
CLAIMS AND EXPENSES:						
Commission, brokerage, taxes and fees	$ 85,563	$ (2,785)	$ 82,778	$ 226,511	$ (6,959)	$ 219,552
Total claims and expenses	462,009	(2,785)	459,224	1,377,175	(6,959)	1,370,216
INCOME (LOSS) BEFORE TAXES	95,943	2,785	98,728	249,064	6,959	256,023
Income tax expense (benefit)	21,145	1,280	22,425	66,990	2,368	69,358
NET INCOME (LOSS)	$ 74,798	$ 1,505	$ 76,303	$ 182,074	$ 4,591	$ 186,665
COMPREHENSIVE INCOME (LOSS)	$ 74,465	$ 1,505	$ 75,970	$ 299,559	$ 4,591	$ 304,150

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS):	Three Months Ended June 30, 2016			Six Months Ended June 30, 2016		
	As Previously Reported	Impact of Revisions	As Revised	As Previously Reported	Impact of Revisions	As Revised
(Dollars in thousands)						
CLAIMS AND EXPENSES:						
Commission, brokerage, taxes and fees	$ 72,126	$ (1,717)	$ 70,409	$ 140,948	$ (4,174)	$ 136,774
Total claims and expenses	479,860	(1,717)	478,143	915,166	(4,174)	910,992
INCOME (LOSS) BEFORE TAXES	101,332	1,717	103,049	153,121	4,174	157,295
Income tax expense (benefit)	32,982	695	33,677	45,845	1,088	46,933
NET INCOME (LOSS)	$ 68,350	$ 1,022	$ 69,372	$ 107,276	$ 3,086	$ 110,362
COMPREHENSIVE INCOME (LOSS)	$ 124,381	$ 1,022	$ 125,403	$ 225,094	$ 3,086	$ 228,180

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS):	Three Months Ended March 31, 2016		
	As Previously Reported	Impact of Revisions	As Revised
(Dollars in thousands)			
CLAIMS AND EXPENSES:			
Commission, brokerage, taxes and fees	$ 68,822	$ (2,457)	$ 66,365
Total claims and expenses	435,306	(2,457)	432,849
INCOME (LOSS) BEFORE TAXES	51,789	2,457	54,246
Income tax expense (benefit)	12,863	393	13,256

NET INCOME (LOSS)	$ 38,926	$ 2,064	$ 40,990
COMPREHENSIVE INCOME (LOSS)	$ 100,713	$ 2,064	$ 102,777

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY	Year Ended December 31, 2016			Year Ended December 31, 2015		
	As Previously Reported	Impact of Revisions	As Revised	As Previously Reported	Impact of Revisions	As Revised
(Dollars in thousands, except share amounts)						
RETAINED EARNINGS:						
Balance, beginning of period	$4,618,558	$ 27,099	$4,645,657	$4,205,905	$ 27,362	$4,233,267
Net income (loss)	295,750	5,894	301,644	412,653	(263)	412,390
Balance, end of period	4,914,308	32,993	4,947,301	4,618,558	27,099	4,645,657
TOTAL STOCKHOLDER'S EQUITY, END OF PERIOD	$5,265,560	$ 32,993	$5,298,553	$4,931,211	$ 27,099	$4,958,310

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CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY	Year Ended December 31, 2014			Three Months Ended March 31, 2017		
	As Previously Reported	Impact of Revisions	As Revised	As Previously Reported	Impact of Revisions	As Revised
(Dollars in thousands, except share amounts)						
RETAINED EARNINGS:						
Balance, beginning of period	$3,751,779	$28,060	$3,779,839	$4,914,308	$32,993	$4,947,301
Net income (loss)	454,126	(698)	453,428	171,044	(1,866)	169,178
Balance, end of period	4,205,905	27,362	4,233,267	5,085,352	31,127	5,116,479
TOTAL STOCKHOLDER'S EQUITY, END OF PERIOD	$4,572,717	$27,362	$4,600,079	$5,448,217	$31,127	$5,479,344

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY	Three Months Ended September 30, 2016			Nine Months Ended September 30, 2016		
	As Previously Reported	Impact of Revisions	As Revised	As Previously Reported	Impact of Revisions	As Revised
(Dollars in thousands, except share amounts)						
RETAINED EARNINGS:						
Balance, beginning of period	$4,725,834	$30,185	$4,756,019	$4,618,558	$27,099	$4,645,657
Net income (loss)	74,798	1,505	76,303	182,074	4,591	186,665
Balance, end of period	4,800,632	31,690	4,832,322	4,800,632	31,690	4,832,322
TOTAL STOCKHOLDER'S EQUITY, END OF PERIOD	$5,240,955	$31,690	$5,272,645	$5,240,955	$31,690	$5,272,645

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY	Three Months Ended June 30, 2016			Six Months Ended June 30, 2016		
	As Previously Reported	Impact of Revisions	As Revised	As Previously Reported	Impact of Revisions	As Revised
(Dollars in thousands, except share amounts)						
RETAINED EARNINGS:						
Balance, beginning of period	$4,657,484	$29,163	$4,686,647	$4,618,558	$27,099	$4,645,657
Net income (loss)	68,350	1,022	69,372	107,276	3,086	110,362
Balance, end of period	4,725,834	30,185	4,756,019	4,725,834	30,185	4,756,019
TOTAL STOCKHOLDER'S EQUITY, END OF PERIOD	$5,164,053	$30,185	$5,194,238	$5,164,053	$30,185	$5,194,238

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY	Three Months Ended March 31, 2016		
	As Previously Reported	Impact of Revisions	As Revised

(Dollars in thousands, except share amounts)			
RETAINED EARNINGS:			
Balance, beginning of period	$4,618,558	$27,099	$4,645,657
Net income (loss)	38,926	2,064	40,990
Balance, end of period	4,657,484	29,163	4,686,647
TOTAL STOCKHOLDER'S EQUITY, END OF PERIOD	$5,036,717	$29,163	$5,065,880

CONSOLIDATED STATEMENTS OF CASH FLOWS	Year Ended December 31, 2016			Year Ended December 31, 2015		
	As Previously Reported	Impact of Revisions	As Revised	As Previously Reported	Impact of Revisions	As Revised
(Dollars in thousands)						
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net income (loss)	$295,750	$5,894	$301,644	$412,653	$(263)	$412,390
Decrease (increase) in income taxes	60,325	2,666	62,991	57,487	3,007	60,494
Increase (decrease) in other net payable to reinsurers	(364,242)	(7,614)	(371,856)	204,526	(8,590)	195,936
Change in other assets and liabilities, net	16,090	(946)	15,144	7,499	5,846	13,345

CONSOLIDATED STATEMENTS OF CASH FLOWS	Year Ended December 31, 2014			Three Months Ended March 31, 2017		
	As Previously Reported	Impact of Revisions	As Revised	As Previously Reported	Impact of Revisions	As Revised
(Dollars in thousands)						
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net income (loss)	$ 454,126	$ (698)	$ 453,428	$ 171,044	$ (1,866)	$ 169,178
Decrease (increase) in income taxes	68,206	1,125	69,331	75,304	(1,172)	74,132
Increase (decrease) in other net payable to reinsurers	5,130	(3,216)	1,914	(30,525)	3,347	(27,178)
Change in other assets and liabilities, net	81,388	2,789	84,177	18,204	(309)	17,895

CONSOLIDATED STATEMENTS OF CASH FLOWS	Nine Months Ended September 30, 2016			Six Months Ended June 30, 2016		
	As Previously Reported	Impact of Revisions	As Revised	As Previously Reported	Impact of Revisions	As Revised
(Dollars in thousands)						
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net income (loss)	$ 182,074	$ 4,591	$ 186,665	$ 107,276	$ 3,086	$ 110,362
Decrease (increase) in income taxes	33,279	2,368	35,647	8,190	1,089	9,279
Increase (decrease) in other net payable to reinsurers	(209,260)	(6,764)	(216,024)	(370,242)	(3,111)	(373,353)
Change in other assets and liabilities, net	(124,955)	(195)	(125,150)	14,216	(1,064)	13,152

CONSOLIDATED STATEMENTS OF CASH FLOWS	Three Months Ended March 31, 2016		
	As Previously Reported	Impact of Revisions	As Revised
(Dollars in thousands)			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 38,926	$ 2,064	$ 40,990
Decrease (increase) in income taxes	6,546	393	6,939
Increase (decrease) in other net payable to reinsurers	(106,588)	(1,122)	(107,710)
Change in other assets and liabilities, net	24,496	(1,335)	23,161

4. INVESTMENTS

The amortized cost, market value and gross unrealized appreciation and depreciation of available for sale, fixed maturity, equity security investments, carried at market value and other-than-temporary impairments ("OTTI") in accumulated other comprehensive income ("AOCI") are as follows for the periods indicated:

At June 30, 2017			
Amortized	Unrealized	Unrealized	Market

(Dollars in thousands)	Cost	Appreciation	Depreciation	Value	OTTI in AOCI (a)
Fixed maturity securities					
U.S. Treasury securities and obligations of U.S. government agencies and corporations	$667,000	$ 2,961	$ (3,184)	$666,777	$ -
Obligations of U.S. states and political subdivisions	679,940	22,970	(6,127)	696,783	-
Corporate securities	2,274,212	40,765	(13,976)	2,301,001	908
Asset-backed securities	189,598	433	(42)	189,989	-
Mortgage-backed securities					
Commercial	73,127	507	(389)	73,245	-
Agency residential	688,735	2,163	(7,217)	683,681	-
Non-agency residential	61	9	-	70	-
Foreign government securities	489,750	20,205	(8,568)	501,387	-
Foreign corporate securities	1,009,145	28,358	(10,408)	1,027,095	319
Total fixed maturity securities	$6,071,568	$ 118,371	$ (49,911)	$6,140,028	$ 1,227

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(Dollars in thousands)	At December 31, 2016 Amortized Cost	Unrealized Appreciation	Unrealized Depreciation	Market Value	OTTI in AOCI (a)
Fixed maturity securities					
U.S. Treasury securities and obligations of U.S. government agencies and corporations	$693,005	$ 2,509	$ (4,434)	$691,080	$ -
Obligations of U.S. states and political subdivisions	723,938	18,016	(11,970)	729,984	-
Corporate securities	2,119,324	50,665	(15,786)	2,154,203	4,868
Asset-backed securities	136,826	330	(129)	137,027	-
Mortgage-backed securities					
Commercial	75,435	510	(452)	75,493	-
Agency residential	721,772	2,365	(8,993)	715,144	-
Non-agency residential	76	12	-	88	-
Foreign government securities	495,572	22,088	(10,383)	507,277	-
Foreign corporate securities	944,546	30,015	(14,361)	960,200	175
Total fixed maturity securities	$5,910,494	$ 126,510	$ (66,508)	$5,970,496	$ 5,043

[a] Represents the amount of OTTI recognized in AOCI. Amount includes unrealized gains and losses on impaired securities relating to changes in the value of such securities subsequent to the impairment measurement date.

The amortized cost and market value of fixed maturity securities are shown in the following tables 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 June 30, 2017 Amortized Cost	Market Value	At December 31, 2016 Amortized Cost	Market Value
Fixed maturity securities – available for sale				
Due in one year or less	$438,873	$439,218	$394,401	$392,824
Due after one year through five years	2,912,173	2,932,487	2,925,786	2,955,325
Due after five years through ten years	1,043,485	1,063,492	879,762	894,166
Due after ten years	725,516	757,846	776,436	800,429
Asset-backed securities	189,598	189,989	136,826	137,027
Mortgage-backed securities				
Commercial	73,127	73,245	75,435	75,493
Agency residential	688,735	683,681	721,772	715,144
Non-agency residential	61	70	76	88
Total fixed maturity securities	$6,071,568	$6,140,028	$5,910,494	$5,970,496

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2017	2016	2017	2016
Increase (decrease) during the period between the market value and cost of investments carried at market value, and deferred taxes thereon:				
Fixed maturity securities	$ 32	$ 53,863	$12,274	$123,689

Fixed maturity securities, other-than-temporary impairment	(317)	6,446	(3,816)	6,643
Other invested assets	821	-	1,265	-
Change in unrealized appreciation (depreciation), pre-tax	536	60,309	9,723	130,332
Deferred tax benefit (expense)	(299)	(18,852)	(4,739)	(43,291)
Deferred tax benefit (expense), other-than-temporary impairment	111	(2,256)	1,336	(2,325)
Change in unrealized appreciation (depreciation), net of deferred taxes, included in stockholder's equity	$ 348	$ 39,201	$ 6,320	$ 84,716

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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.

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, 2017 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	$ 261,624	$ (3,184)	$ -	$ -	$ 261,624	$ (3,184)
Obligations of U.S. states and political subdivisions	157,890	(6,127)	-	-	157,890	(6,127)
Corporate securities	528,750	(10,097)	68,699	(3,879)	597,449	(13,976)
Asset-backed securities	56,504	(39)	2,525	(3)	59,029	(42)
Mortgage-backed securities						
Commercial	13,797	(317)	2,991	(72)	16,788	(389)
Agency residential	445,347	(5,091)	82,351	(2,126)	527,698	(7,217)
Non-agency residential	-	-	-	-	-	-

Foreign government securities	177,440	(2,308)	56,133	(6,260)	233,573	(8,568)
Foreign corporate securities	201,847	(2,108)	73,620	(8,300)	275,467	(10,408)
Total fixed maturity securities	$1,843,199	$ (29,271)	$286,319	$ (20,640)	$2,129,518	$ (49,911)

	Duration of Unrealized Loss at June 30, 2017 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	$ 157,063	$ (277)	$ 18,588	$ (3,005)	$ 175,651	$ (3,282)
Due in one year through five years	709,510	(9,577)	147,334	(13,549)	856,844	(23,126)
Due in five years through ten years	297,303	(7,601)	32,309	(1,879)	329,612	(9,480)
Due after ten years	163,675	(6,369)	221	(6)	163,896	(6,375)
Asset-backed securities	56,504	(39)	2,525	(3)	59,029	(42)
Mortgage-backed securities	459,144	(5,408)	85,342	(2,198)	544,486	(7,606)
Total fixed maturity securities	$ 1,843,199	$ (29,271)	$ 286,319	$ (20,640)	$ 2,129,518	$ (49,911)

The aggregate market value and gross unrealized losses related to investments in an unrealized loss position at June 30, 2017 were $2,129,518 thousand and $49,911 thousand, respectively. The market value of securities for the single issuer whose securities comprised the largest unrealized loss position at June 30, 2017, (the U.S. Government) did not exceed 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 $29,271 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 obligations of domestic corporate securities, agency residential mortgage-backed securities and U.S. states and political subdivisions. Of these unrealized losses, $23,626 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating agency. The $20,640 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, as well as foreign government securities. Of these unrealized losses, $17,428 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating agency. There was no gross unrealized depreciation for mortgage-backed securities 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, 2016 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	$469,571	$ (4,434)	$ -	$ -	$469,571	$ (4,434)
Obligations of U.S. states and political subdivisions	221,088	(11,486)	564	(484)	221,652	(11,970)
Corporate securities	431,757	(10,121)	118,172	(5,665)	549,929	(15,786)
Asset-backed securities	35,065	(122)	5,745	(7)	40,810	(129)
Mortgage-backed securities						
Commercial	27,230	(391)	3,060	(61)	30,290	(452)
Agency residential	487,000	(6,320)	90,740	(2,673)	577,740	(8,993)
Non-agency residential	-	-	-	-	-	-
Foreign government securities	218,171	(2,713)	61,542	(7,670)	279,713	(10,383)
Foreign corporate securities	264,939	(4,950)	75,489	(9,411)	340,428	(14,361)
Total fixed maturity securities	$2,154,821	$ (40,537)	$355,312	$ (25,971)	$2,510,133	$ (66,508)

	Duration of Unrealized Loss at December 31, 2016 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	$111,926	$ (322)	$21,691	$ (3,625)	$133,617	$ (3,947)
Due in one year through five years	1,015,066	(10,567)	190,960	(16,511)	1,206,026	(27,078)
Due in five years through ten years	243,082	(10,369)	41,371	(2,961)	284,453	(13,330)
Due after ten years	235,452	(12,446)	1,745	(133)	237,197	(12,579)
Asset-backed securities	35,065	(122)	5,745	(7)	40,810	(129)
Mortgage-backed securities	514,230	(6,711)	93,800	(2,734)	608,030	(9,445)
Total fixed maturity securities	$2,154,821	$ (40,537)	$355,312	$ (25,971)	$2,510,133	$ (66,508)

The aggregate market value and gross unrealized losses related to investments in an unrealized loss position at December 31, 2016 were $2,510,133 thousand and $66,508 thousand, respectively. The market value of securities for the single issuer whose securities comprised the largest unrealized loss position at December 31, 2016, did not exceed 1.0% 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 $40,537 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 obligations of U.S. states and political subdivisions, domestic and foreign corporate securities, agency residential mortgage-backed securities and foreign government securities. Of these unrealized losses, $36,646 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating agency. The $25,971 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 and agency residential mortgage-backed securities. Of these unrealized losses $22,882 thousand is attributable to net unrealized foreign exchange losses, as the U.S. dollar has strengthened against other currencies. There was no gross unrealized depreciation for mortgage-backed securities 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 tables below for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2017	2016	2017	2016
Fixed maturities	$ 49,601	$ 44,795	$ 96,581	$ 90,121
Equity securities	6,370	8,734	13,118	17,882
Short-term investments and cash	590	251	980	555
Other invested assets				
Limited partnerships	8,978	14,192	8,754	11,678
Dividends from preferred shares of affiliate	7,758	7,758	15,516	15,516
Other	1,496	729	2,748	(183)
Gross investment income before adjustments	74,793	76,459	137,697	135,569
Funds held interest income (expense)	978	974	2,917	3,628
Interest income from Parent	1,075	1,075	2,150	2,150
Gross investment income	76,846	78,508	142,764	141,347
Investment expenses	(4,946)	(4,636)	(10,015)	(9,030)
Net investment income	$ 71,900	$ 73,872	$ 132,749	$ 132,317

(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 $364,196 thousand in limited partnerships at June 30, 2017. These commitments will be funded when called in accordance with the partnership agreements, which have investment periods that expire, unless extended, through 2023.

The Company's other invested assets at June 30, 2017 and December 31, 2016 included $142,964 thousand and $57,126 thousand, respectively, related to a private placement liquidity sweep facility. The primary purpose of the facility is to enhance the Company's return on its short-term investments and cash positions. The facility invests in high quality, short-duration securities and permits daily liquidity.

Other invested assets, at fair value, as of June 30, 2017 and December 31, 2016, were comprised of preferred shares held in Preferred Holdings, an affiliated company.

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)	2017	2016	2017	2016
Fixed maturity securities, market value:				
Other-than-temporary impairments	$ (1,574)	$ (1,391)	$ (2,706)	$ (24,406)
Gains (losses) from sales	6,507	2,244	12,972	(14,611)
Fixed maturity securities, fair value:				
Gain (losses) from sales	-	(1,854)	-	(1,854)
Gains (losses) from fair value adjustments	-	1,571	-	1,339
Equity securities, fair value:				

Gains (losses) from sales	604	(7,636)	4,944	(15,586)
Gains (losses) from fair value adjustments	14,943	36,987	52,361	18,662
Other invested assets	(2)	-	(1)	-
Other invested assets, fair value:				
Gains (losses) from fair value adjustments	(112,769)	(756)	(42,094)	(756)
Short-term investment gains (losses)	-	-	1	-
Total net realized capital gains (losses)	$(92,291)	$29,165	$25,477	$(37,212)

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)	2017	2016	2017	2016
Proceeds from sales of fixed maturity securities	$359,496	$110,429	$652,490	$298,475
Gross gains from sales	7,748	6,154	15,743	7,618
Gross losses from sales	(1,241)	(5,764)	(2,771)	(24,083)
Proceeds from sales of equity securities	$115,602	$335,831	$249,653	$421,980
Gross gains from sales	3,562	4,853	11,575	6,635
Gross losses from sales	(2,958)	(12,489)	(6,631)	(22,221)

5. RESERVES FOR LOSSES AND LAE

Activity in the reserve for losses and LAE is summarized for the periods indicated:

	Six Months Ended June 30,	Twelve Months Ended At December 31,
(Dollars in thousands)	2017	2016
Gross reserves at beginning of period	$ 8,331,288	$ 7,940,720
Less reinsurance recoverables	(4,199,791)	(3,875,073)
Net reserves at beginning of period	4,131,497	4,065,647
Incurred related to:		
Current year	584,656	1,441,962
Prior years	2,294	(91,682)
Total incurred losses and LAE	586,950	1,350,280
Paid related to:		
Current year	165,100	400,489
Prior years	493,405	892,207
Total paid losses and LAE	658,505	1,292,696
Foreign exchange/translation adjustment	(6,122)	8,266
Net reserves at end of period	4,053,820	4,131,497
Plus reinsurance recoverables	4,232,779	4,199,791
Gross reserves at end of period	$ 8,286,599	$ 8,331,288

Incurred prior years' reserves increased by $2,294 thousand and decreased by $91,682 thousand for the six months ended June 30, 2017 and the year ended December 31, 2016, respectively.

The decrease for the year ended December 31, 2016 was attributable to favorable development in the reinsurance segments of $187,909 thousand related primarily to property and short-tail business in the U.S., property business in

Canada, Latin America, Middle East and Africa, as well as favorable development on prior year catastrophe losses, partially offset by $45,668 thousand of adverse development on A&E reserves. Part of the favorable development in the reinsurance segment related to the 2015 loss from the explosion at the Chinese port of Tianjin. In 2015, this loss was originally estimated to be $21,566 thousands. At December 31, 2016, this loss was projected to be $6,261 thousands resulting in $15,305 thousands of favorable development in 2016. The net favorable development in the reinsurance segments was partially offset by $96,227 thousand of unfavorable development in the insurance segment primarily related to run-off construction liability and umbrella program business.

6. FAIR VALUE

GAAP guidance regarding fair value measurements address how companies should measure fair value when they are required to use fair value measures for recognition or disclosure purposes under GAAP and provides a common definition of fair value to be used throughout GAAP. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly fashion between market participants at the measurement date. In addition, it establishes a three-level valuation hierarchy for the disclosure of fair value measurements. The valuation hierarchy is based on the transparency of inputs to the valuation of an asset or liability. The level in the hierarchy within which a given fair value measurement falls is determined based on the lowest level input that is significant to the measurement, with Level 1 being the highest priority and Level 3 being the lowest priority.

The levels in the hierarchy are defined as follows:

Level 1: Inputs to the valuation methodology are observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in an active market;

Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument;

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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. Due to the unavailability of prices for 46 private placement securities, the investment manager's valuation committee valued the 46 securities at $89,291 thousand at June 30, 2017. Due to the unavailability of prices for forty-two private placement securities, the investment manager's valuation committee valued the forty-two securities at $86,536 thousand at December 31, 2016.

The Company internally manages a public equity portfolio which had a fair value at June 30, 2017 and December 31, 2016 of $169,165 thousand and $133,755 thousand, respectively, and all prices were obtained from publically published sources.

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Equity securities denominated in U.S. currency with quoted prices in active markets for identical assets are categorized as level 1 since the quoted prices are directly observable. Equity securities traded on foreign exchanges are categorized as level 2 due to the added input of a foreign exchange conversion rate to determine fair or market value. The Company uses foreign currency exchange rates published by nationally recognized sources.

All categories of fixed maturity securities listed in the tables below are generally categorized as level 2, 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. For foreign government securities and foreign corporate securities, the fair values provided by the third party pricing services in local currencies, and where applicable, are converted to U.S. dollars using currency exchange rates from nationally recognized sources.

The fixed maturities with fair values categorized as level 3 result when prices are not available from the nationally recognized pricing services. The asset managers will then obtain non-binding price quotes for the securities from brokers. 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. If the broker quotes are for foreign denominated securities, the quotes are converted to U.S. dollars using currency exchange rates from nationally recognized sources. In limited circumstances when broker prices are not available for private placements, the Company will value the securities using comparable market information.

The composition and valuation inputs for the presented fixed maturities categories are as follows:

- U.S. Treasury securities and obligations of U.S. government agencies and corporations are primarily comprised of U.S. Treasury bonds and the fair value is based on observable market inputs such as quoted prices, reported trades, quoted prices for similar issuances or benchmark yields;

- Obligations of U.S. states and political subdivisions are comprised of state and municipal bond issuances and the fair values are based on observable market inputs such as quoted market prices, quoted prices for similar securities, benchmark yields and credit spreads;

- Corporate securities are primarily comprised of U.S. corporate and public utility bond issuances and the fair values are based on observable market inputs such as quoted market prices, quoted prices for similar securities, benchmark yields and credit spreads;

- Asset-backed and mortgage-backed securities fair values are based on observable inputs such as quoted prices, reported trades, quoted prices for similar issuances or benchmark yields and cash flow models using observable inputs such as prepayment speeds, collateral performance and default spreads;

- Foreign government securities are comprised of global non-U.S. sovereign bond issuances and the fair values are based on observable market inputs such as quoted market prices, quoted prices for similar securities and models with observable inputs such as benchmark yields and credit spreads and then, where applicable, converted to U.S. dollars using an exchange rate from a nationally recognized source;

- Foreign corporate securities are comprised of global non-U.S. corporate bond issuances and the fair values are based on observable market inputs such as quoted market prices, quoted prices for similar securities and models with observable inputs such as benchmark yields and credit spreads and then, where applicable, converted to U.S. dollars using an exchange rate from a nationally recognized source.

Other invested assets, at fair value, was categorized as Level 3 at June 30, 2017 and December 31, 2016, since it represented a privately placed convertible preferred stock issued by an affiliate. The stock was received in exchange for shares of the Company's parent. The fair value of the preferred stock at June 30, 2017 and December 31, 2016 was determined using a pricing model.

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

		Fair Value Measurement Using:		
(Dollars in thousands)	June 30, 2017	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	$ 666,777	$-	$666,777	$ -
Obligations of U.S. States and political subdivisions	696,783	-	696,783	-
Corporate securities	2,301,001	-	2,214,861	86,140
Asset-backed securities	189,989	-	189,989	-
Mortgage-backed securities				
Commercial	73,245	-	73,245	-
Agency residential	683,681	-	683,681	-
Non-agency residential	70	-	70	-
Foreign government securities	501,387	-	501,387	-
Foreign corporate securities	1,027,095	-	1,023,944	3,151
Total fixed maturities, market value	6,140,028	-	6,050,737	89,291
Equity securities, fair value	934,110	893,660	40,450	-
Other invested assets, fair value	1,724,532	-	-	1,724,532

There were no transfers between Level 1 and Level 2 for the six months ended June 30, 2017.

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

		Fair Value Measurement Using:		
(Dollars in thousands)	December 31, 2016	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	$ 691,080	$-	$691,080	$ -
Obligations of U.S. States and political subdivisions	729,984	-	729,984	-
Corporate securities	2,154,203	-	2,089,006	65,197
Asset-backed securities	137,027	-	137,027	-

Mortgage-backed securities				
Commercial	75,493	-	75,493	-
Agency residential	715,144	-	715,144	-
Non-agency residential	88	-	88	-
Foreign government securities	507,277	-	507,277	-
Foreign corporate securities	960,200	-	957,662	2,538
Total fixed maturities, market value	5,970,496	-	5,902,761	67,735
Equity securities, fair value	887,800	827,237	60,563	-
Other invested assets, fair value	1,766,626	-	-	1,766,626

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In addition $52,139 thousand and $18,801 thousand of investments within other invested assets on the consolidated balance sheets as of June 30, 2017 and December 31, 2016, respectively, are not included within the fair value hierarchy tables as the assets are valued using the NAV practical expedient guidance within ASU 2015-07.

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

	Three Months Ended June 30, 2017			Six Months Ended June 30, 2017		
(Dollars in thousands)	Corporate Securities	Foreign Corporate	Total	Corporate Securities	Foreign Corporate	Total
Beginning balance	$ 84,322	$ 2,802	$ 87,124	$ 65,197	$ 2,538	$ 67,735
Total gains or (losses) (realized/unrealized)						
Included in earnings	711	128	839	925	104	1,029
Included in other comprehensive income (loss)	172	-	172	143	-	143
Purchases, issuances and settlements	935	221	1,156	19,875	509	20,384
Transfers in and/or (out) of Level 3	-	-	-	-	-	-
Ending balance	$ 86,140	$ 3,151	$ 89,291	$ 86,140	$ 3,151	$ 89,291
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, 2016			Six Months Ended June 30, 2016		
(Dollars in thousands)	Corporate Securities	Foreign Corporate	Total	Corporate Securities	Foreign Corporate	Total
Beginning balance	$ 15,706	$ 596	$ 16,302	$ 3,933	$ 1,593	$ 5,526
Total gains or (losses) (realized/unrealized)						
Included in earnings	(18)	-	(18)	(10)	(997)	(1,007)
Included in other comprehensive income (loss)	(27)	1,425	1,398	(33)	1,425	1,392
Purchases, issuances and settlements	16,749	-	16,749	28,520	-	28,520
Transfers in and/or (out) of Level 3	-	-	-	-	-	-
Ending balance	$ 32,410	$ 2,021	$ 34,431	$ 32,410	$ 2,021	$ 34,431
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	$ -	$ -	$ -	$ -	$ (997)	$ (997)

The following table presents the activity under Level 3, fair value measurements using significant unobservable inputs by other invested assets, for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2017	2016	2017	2016
Other invested assets, fair value:				
Beginning balance	$1,837,302	$1,773,214	$1,766,626	$1,773,214
Total gains or (losses) (realized/unrealized)				
Included in earnings	(112,769)	(756)	(42,094)	(756)
Included in other comprehensive income (loss)	-	-	-	-
Purchases, issuances and settlements	-	-	-	-
Transfers in and/or (out) of Level 3	-	-	-	-
Ending balance	1,724,532	$1,772,458	$1,724,532	$1,772,458
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.)

7. COMMITMENTS AND 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.

The Company has entered into separate annuity agreements with The Prudential Insurance of America ("The Prudential") and an additional unaffiliated life insurance company in which the Company has either purchased annuity contracts or become the assignee of annuity proceeds that are meant to settle claim payment obligations in the future. In both instances, the Company would become contingently liable if either
The Prudential or the unaffiliated life insurance company were unable to make payments related to the respective annuity contact.

The table below presents the estimated cost to replace all such annuities for which the Company was contingently liable for the periods indicated:

	At June 30,	At December 31,
(Dollars in thousands)	2017	2016
The Prudential	$ 146,923	$ 146,507
Unaffiliated life insurance company	33,107	33,860

8. COMPREHENSIVE INCOME (LOSS)

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

	Three Months Ended June 30, 2017			Six Months Ended June 30, 2017		
(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	$ 5,784	$ (1,753)	$ 4,031	$ 23,804	$ (8,060)	$ 15,744
URA(D) on securities - OTTI	(317)	111	(206)	(3,816)	1,336	(2,480)
Reclassification of net realized losses (gains) included in net income (loss)	(4,931)	1,454	(3,477)	(10,265)	3,321	(6,944)
Foreign currency translation adjustments	8,265	(2,893)	5,372	13,752	(4,813)	8,939
Benefit plan actuarial net gain (loss)	-	-	-	-	-	-
Reclassification of amortization of net gain (loss) included in net income (loss)	3,083	(1,079)	2,004	6,166	(2,158)	4,008
Total other comprehensive income (loss)	$ 11,884	$ (4,160)	$ 7,724	$ 29,641	$ (10,374)	$ 19,267

(Some amounts may not reconcile due to rounding)

	Three Months Ended June 30, 2016			Six Months Ended June 30, 2016		
(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	$ 53,960	$ (18,886)	$ 35,074	$ 83,916	$ (29,370)	$ 54,546
URA(D) on securities - OTTI	6,446	(2,256)	4,190	6,643	(2,325)	4,318
Reclassification of net realized losses (gains) included in net income (loss)	(97)	34	(63)	39,773	(13,921)	25,852
Foreign currency translation adjustments	23,830	(8,341)	15,489	46,807	(16,386)	30,421
Benefit plan actuarial net gain (loss)	-	-	-	-	-	-
Reclassification of amortization of net gain (loss) included in net income (loss)	2,063	(722)	1,341	4,125	(1,444)	2,681
Total other comprehensive income (loss)	$ 86,202	$ (30,171)	$ 56,031	$ 181,264	$ (63,446)	$ 117,818

(Some amounts may not reconcile due to rounding)

The following table presents details of the amounts reclassified from AOCI for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,		Affected line item within the statements of operations and comprehensive income (loss)
AOCI component	2017	2016	2017	2016	
(Dollars in thousands)					
URA(D) on securities	$ (4,931)	$ (97)	$ (10,265)	$ 39,773	Other net realized capital gains (losses)
	1,454	34	3,321	(13,921)	Income tax expense (benefit)
	$ (3,477)	$ (63)	$ (6,944)	$ 25,852	Net income (loss)

Benefit plan net gain (loss)	$ 3,083	$ 2,063	$ 6,166	$ 4,125	Other underwriting expenses
	(1,079)	(722)	(2,158)	(1,444)	Income tax expense (benefit)
	$ 2,004	$ 1,341	$ 4,008	$ 2,681	Net income (loss)

(Some amounts may not reconcile due to rounding)

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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)	Six Months Ended June 30, 2017	Twelve Months Ended December 31, 2016
Beginning balance of URA (D) on securities	$ 39,041	$ 13,654
Current period change in URA (D) of investments - temporary	8,800	22,063
Current period change in URA (D) of investments - non-credit OTTI	(2,480)	3,324
Ending balance of URA (D) on securities	45,361	39,041
Beginning balance of foreign currency translation adjustments	(9,852)	(12,701)
Current period change in foreign currency translation adjustments	8,939	2,849
Ending balance of foreign currency translation adjustments	(913)	(9,852)
Beginning balance of benefit plan net gain (loss)	(65,504)	(63,089)
Current period change in benefit plan net gain (loss)	4,008	(2,415)
Ending balance of benefit plan net gain (loss)	(61,496)	(65,504)
Ending balance of accumulated other comprehensive income (loss)	$ (17,048)	$ (36,315)

9. COLLATERALIZED REINSURANCE AND TRUST AGREEMENTS

A subsidiary of the Company, Everest Re, has established a trust agreement, which effectively uses Everest Re's investments as collateral, as security for assumed losses payable to a non-affiliated ceding company. At June 30, 2017, the total amount on deposit in the trust account was $649,841 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.

On November 18, 2014, the Company entered into a collateralized reinsurance agreement with Kilimanjaro Re to provide the Company with catastrophe reinsurance coverage. This agreement is a multi-year reinsurance contract which covers specified earthquake events. The agreement provides up to $500,000 thousand of reinsurance coverage from earthquakes in the United States, Puerto Rico and Canada.

On December 1, 2015 the Company entered into two collateralized reinsurance agreements with Kilimanjaro Re to provide the Company with catastrophe reinsurance coverage. These agreements are multi-year reinsurance contracts which cover named storm and earthquake events. The first agreement provides up to $300,000 thousand of reinsurance coverage from named storms and earthquakes in the United States, Puerto Rico and Canada. The second agreement provides up to $325,000 thousand of reinsurance coverage from named storms and earthquakes in the United States, Puerto Rico and Canada.

On April 13, 2017 the Company entered into six collateralized reinsurance agreements with Kilimanjaro Re to provide the Company with annual aggregate catastrophe reinsurance coverage. The initial three agreements are four year reinsurance contracts which cover named storm and earthquake events. These agreements provide up to $225,000 thousand, $400,000 thousand and $325,000 thousand, respectively, of annual aggregate reinsurance coverage from named storms and earthquakes in the United States, Puerto

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Rico and Canada. The subsequent three agreements are five year reinsurance contracts which cover named storm and earthquake events. These agreements provide up to $50,000 thousand, $75,000 thousand and $175,000 thousand, respectively, of annual aggregate reinsurance coverage from named storms and earthquakes in the United States, Puerto Rico and Canada.

Kilimanjaro has financed the various property catastrophe reinsurance coverages by issuing catastrophe bonds to unrelated, external investors. On April 24, 2014, Kilimanjaro issued $450,000 thousand of notes ("Series 2014-1 Notes"). On November 18, 2014, Kilimanjaro issued $500,000 thousand of notes ("Series 2014-2 Notes"). On December 1, 2015, Kilimanjaro issued $625,000 thousand of notes ("Series 2015-1 Notes). On April 13, 2017, Kilimanjaro issued $950,000 thousand of notes ("Series 2017-1 Notes) and $300,000 thousand of notes ("Series 2017-2 Notes). The proceeds from the issuance of the Notes listed above are held in reinsurance trust throughout the duration of the applicable reinsurance agreements and invested solely in US government money market funds with a rating of at least "AAAm" by Standard & Poor's.

10. 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, 2017		December 31, 2016	
(Dollars in thousands)	Date Issued	Date Due	Principal Amounts	Consolidated Balance Sheet Amount	Market Value	Consolidated Balance Sheet Amount	Market Value
4.868% Senior notes	06/05/2014	06/01/2044	400,000	$ 396,774	$ 421,764	$ 396,714	$ 383,612

On June 5, 2014, Holdings issued $400,000 thousand of 30 year senior notes at 4.868%, which will mature on June 1, 2044. 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)	2017	2016	2017	2016
Interest expense incurred	$ 4,868	$ 4,868	$ 9,736	$ 9,736

11. 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, 2017		December 31, 2016	
(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	$ 236,511	$ 223,053	$ 236,462	$ 204,636

During the fixed rate interest period from May 3, 2007 through May 14, 2017, interest was 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. 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 quarterly for periods from and including May 15, 2017. The reset quarterly interest rate for May 15, 2017 to August 14, 2017 is 3.56678%.

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. Effective upon the maturity of the Company's 5.40% senior notes on October 15, 2014, the Company's 4.868% senior notes, due on June 1, 2044, have become the Company's long term indebtedness that ranks senior to the long term 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)	2017	2016	2017	2016
Interest expense incurred	$ 3,033	$ 3,937	$ 6,970	$ 7,874

12. 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, Singapore and through offices in Brazil, Miami and New Jersey. The Insurance operation writes property and casualty insurance directly and through brokers, surplus lines brokers and general agents mainly within the U.S.

These segments 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.

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.

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)	2017	2016	2017	2016
Gross written premiums	$474,992	$405,530	$1,053,951	$942,236
Net written premiums	135,177	161,031	354,239	384,458
Premiums earned	$202,289	$224,618	$410,603	$459,861
Incurred losses and LAE	119,747	110,152	240,181	226,322
Commission and brokerage	43,173	50,130	83,545	99,861
Other underwriting expenses	14,278	12,133	28,529	25,591
Underwriting gain (loss)	$25,091	$52,203	$58,348	$108,087

International	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2017	2016	2017	2016
Gross written premiums	$333,535	$348,178	$612,110	$586,656
Net written premiums	111,961	124,438	215,207	212,154
Premiums earned	$113,300	$131,285	$231,451	$244,458
Incurred losses and LAE	78,459	91,427	146,873	164,842
Commission and brokerage	23,790	26,140	47,325	52,250
Other underwriting expenses	9,163	7,969	18,052	15,792
Underwriting gain (loss)	$1,888	$5,749	$19,201	$11,574

Insurance	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2017	2016	2017	2016
Gross written premiums	$527,047	$424,083	$921,898	$778,803
Net written premiums	170,774	155,786	297,302	308,712
Premiums earned	$152,608	$132,952	$297,198	$266,461
Incurred losses and LAE	99,022	136,957	199,896	243,434
Commission and brokerage	(6,450)	(5,861)	(17,850)	(15,337)
Other underwriting expenses	40,756	38,228	77,511	76,174
Underwriting gain (loss)	$19,280	$(36,372)	$37,641	$(37,810)

The following table reconciles the underwriting results for the operating segments to income (loss) 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)	2017	2016	2017	2016
Underwriting gain (loss)	$46,259	$21,580	$115,190	$81,851
Net investment income	71,900	73,872	132,749	132,317
Net realized capital gains (losses)	(92,291)	29,165	25,477	(37,212)
Corporate expense	(1,512)	(2,010)	(5,109)	(4,346)
Interest, fee and bond issue cost amortization expense	(7,954)	(8,858)	(16,813)	(17,717)
Other income (expense)	10,655	(10,700)	20,510	2,402
Income (loss) before taxes	$27,057	$103,049	$272,004	$157,295

The Company produces business in the U.S. and internationally. The net income deriving from 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 periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2017	2016	2017	2016
Canada gross written premiums	$ 36,195	$ 34,630	$ 64,152	$ 58,216

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

13. RELATED-PARTY TRANSACTIONS

Parent

Group entered into a $250,000 thousand long term promissory note agreement with Holdings as of December 31, 2014. The note will mature on December 31, 2023 and has an interest rate of 1.72% that is payable annually. This transaction is presented as a Note Receivable – Affiliated in the Consolidated Balance Sheets of Holdings. Interest income in the amount of $2,150 thousand and $2,150 thousand was recorded by Holdings for the six months ended June 30, 2017, and June 30, 2016, respectively.

Group's Board of Directors approved an amended share repurchase program authorizing Group and/or its subsidiary Holdings to purchase Group's common shares through open market transactions, privately negotiated transactions or both. The table below represents the amendments to the share repurchase program for the common shares approved for repurchase.

Amendment Date (Dollars in thousands)	Common Shares Authorized for Repurchase
09/21/2004	5,000,000
07/21/2008	5,000,000
02/24/2010	5,000,000
02/22/2012	5,000,000
05/15/2013	5,000,000
11/19/2014	5,000,000
	30,000,000

Holdings had purchased and held 9,719,971 Common Shares of Group, which were purchased in the open market between February 2007 and March 2011.

In December, 2015, Holdings transferred the 9,719,971 Common Shares of Group, which it held as other invested assets, at fair value, valued at $1,773,214 thousand, to Preferred Holdings, an affiliated entity and subsidiary of Group, in exchange for 1,773.214 preferred shares of Preferred Holdings with a $1,000 thousand par value and 1.75% annual dividend rate. After the exchange, Holdings no longer holds any shares or has any ownership interest in Group.

Holdings reported both its Parent shares and preferred shares in Preferred Holdings, as other invested assets, fair value, in the consolidated balance sheets with changes in fair value re-measurement recorded in net realized capital gains (losses) in the consolidated statements of operations and comprehensive income (loss). The following table presents the dividends received on the preferred shares of Preferred Holdings and on the Parent shares that are reported as net investment income in the consolidated statements of operations and comprehensive income (loss) for the period indicated.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2017	2016	2017	2016
Dividends received on preferred stock of affiliate	7,758	7,758	$ 15,516	15,516

Affiliated Companies

Everest Global Services, Inc. ("Global Services"), an affiliate of Holdings, provides centralized management and home office services, through a management agreement, to Holdings and other affiliated companies within Holdings' consolidated structure. Services provided by Everest Global include executive managerial services, legal services, actuarial services, accounting services, information technology services and others.

The following table presents the expenses incurred by Holdings from services provided by Everest Global for the periods indicated.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2017	2016	2017	2016
Expenses incurred	$ 23,046	$ 20,289	$ 46,229	$ 41,459

Affiliates

The table below represents affiliated quota share reinsurance agreements ("whole account quota share") for all new and renewal business for the indicated coverage period:

(Dollars in thousands)

Coverage Period	Ceding Company	Percent Ceded	Assuming Company	Type of Business	Single Occurrence Limit	Aggregate Limit
01/01/2010-12/31/2010	Everest Re	44.0%	Bermuda Re	property / casualty business	150,000	325,000
01/01/2011-12/31/2011	Everest Re	50.0%	Bermuda Re	property / casualty business	150,000	300,000
01/01/2012-12/31/2014	Everest Re	50.0%	Bermuda Re	property / casualty business	100,000	200,000
01/01/2015-12/31/2016	Everest Re	50.0%	Bermuda Re	property / casualty business	162,500	325,000
01/01/2017						