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

_X_ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2019

___ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number 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 every Interactive Data File required to be submitted 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 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	
		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 ___ NO _X_

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

YES ___ NO _X_

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

Class	Number of Shares Outstanding At August 1, 2019
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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EVEREST REINSURANCE HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share amounts and par value per share)	June 30, 2019	December 31, 2018
	(unaudited)	
ASSETS:		
Fixed maturities - available for sale, at market value	$ 6,971,971	$ 6,962,075
(amortized cost: 2019, $6,838,605; 2018, $7,032,749)		
Fixed maturities - available for sale, at fair value	-	2,337
Equity securities, at fair value	751,642	564,338
Short-term investments (cost: 2019, $368,833; 2018, $174,155)	368,898	174,131
Other invested assets (cost: 2019, $943,022; 2018, $882,647)	943,022	882,647
Other invested assets, at fair value	1,892,988	1,717,336
Cash	377,189	404,522
Total investments and cash	11,305,710	10,707,386
Accrued investment income	50,276	47,232
Premiums receivable	1,564,911	1,471,805
Reinsurance receivables - unaffiliated	1,293,452	1,295,961
Reinsurance receivables - affiliated	3,467,105	3,544,975
Income taxes	151,109	409,892
Funds held by reinsureds	250,903	238,566
Deferred acquisition costs	361,621	353,630
Prepaid reinsurance premiums	439,433	328,796
Other assets	351,312	289,962
TOTAL ASSETS	$ 19,235,832	$ 18,688,205
LIABILITIES:		
Reserve for losses and loss adjustment expenses	$ 10,148,412	$ 10,167,018
Unearned premium reserve	2,003,530	1,826,868
Funds held under reinsurance treaties	39,275	41,600
Other net payable to reinsurers	320,100	316,826
Senior notes due 6/1/2044	397,014	396,954
Long term notes due 5/1/2067	236,709	236,659
Note payable - affiliated	-	300,000
Accrued interest on debt and borrowings	3,063	3,093
Unsettled securities payable	63,050	50,912
Other liabilities	280,933	303,610
Total liabilities	13,492,086	13,643,540
Commitments and Contingencies (Note 6)		
STOCKHOLDER'S EQUITY:		
Common stock, par value: $0.01; 3,000 shares authorized;		
1,000 shares issued and outstanding (2019 and 2018)	-	-
Additional paid-in capital	1,100,489	1,100,315
Accumulated other comprehensive income (loss), net of deferred income tax expense		
(benefit) of $10,403 at 2019 and ($33,506) at 2018	39,523	(126,254)
Retained earnings	4,603,734	4,070,604
Total stockholder's equity	5,743,746	5,044,665
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 19,235,832	$ 18,688,205

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 June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
	(unaudited)		(unaudited)	
REVENUES:				
Premiums earned	$ 1,375,623	$ 1,179,836	$ 2,646,077	$ 2,295,846
Net investment income	90,709	72,070	175,243	141,979
Net realized capital gains (losses):				
Other-than-temporary impairments on fixed maturity securities	(4,929)	(872)	(7,219)	(907)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	-	-	-	-
Other net realized capital gains (losses)	147,492	(41,399)	284,838	(101,565)
Total net realized capital gains (losses)	142,563	(42,271)	277,619	(102,472)
Other income (expense)	(3,812)	77,682	(5,026)	2,805
Total revenues	1,605,083	1,287,317	3,093,913	2,338,158
CLAIMS AND EXPENSES:				
Incurred losses and loss adjustment expenses	843,222	1,228,760	1,639,318	1,942,015
Commission, brokerage, taxes and fees	316,775	288,002	604,993	544,459
Other underwriting expenses	83,351	74,226	161,733	151,577
Corporate expenses	2,519	1,513	4,170	5,109
Interest, fee and bond issue cost amortization expense	9,684	7,623	19,512	14,936
Total claims and expenses	1,255,551	1,600,124	2,429,726	2,658,096
INCOME (LOSS) BEFORE TAXES	349,532	(312,807)	664,187	(319,938)
Income tax expense (benefit)	67,628	(47,399)	131,057	(42,358)
NET INCOME (LOSS)	$ 281,904	$ (265,408)	$ 533,130	$ (277,580)
Other comprehensive income (loss), net of tax:				
Unrealized appreciation (depreciation) ("URA(D)") on securities arising during the period	68,095	(18,165)	156,544	(64,987)
Less: reclassification adjustment for realized losses (gains) included in net income (loss)	5,858	154	4,842	(4,681)
Total URA(D) on securities arising during the period	73,953	(18,011)	161,386	(69,668)
Foreign currency translation adjustments	(7,475)	(20,812)	2,089	(22,154)
Reclassification adjustment for amortization of net (gain) loss included in net income (loss)	1,151	1,815	2,302	3,630
Total benefit plan net gain (loss) for the period	1,151	1,815	2,302	3,630
Total other comprehensive income (loss), net of tax	67,629	(37,008)	165,777	(88,192)
COMPREHENSIVE INCOME (LOSS)	$ 349,533	$ (302,416)	$ 698,907	$ (365,772)

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)	2019	2018
	(unaudited)	
COMMON STOCK (shares outstanding):		
Balance, January 1	1,000	1,000
Balance, March 31	1,000	1,000
Balance, June 30	1,000	1,000
ADDITIONAL PAID-IN CAPITAL:		
Balance, January 1	$ 1,100,315	$ 387,841
Share-based compensation plans	87	48
Balance, March 31	1,100,402	387,889
Share-based compensation plans	87	47
Balance, June 30	1,100,489	387,936
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), NET OF DEFERRED INCOME TAXES:		
Balance, January 1	(126,254)	(942)
Change to beginning balance due to adoption of ASU 2016-01	-	(2,447)
Net increase (decrease) during the period	98,148	(51,184)
Balance, March 31	(28,106)	(54,573)
Net increase (decrease) during the period	67,629	(37,008)
Balance, June 30	39,523	(91,581)
RETAINED EARNINGS:		
Balance, January 1	4,070,604	5,025,824
Change to beginning balance due to adoption of ASU 2016-01	-	2,447
Net income (loss)	251,226	(12,172)
Balance, March 31	4,321,830	5,016,099
Net income (loss)	281,904	(265,408)
Balance, June 30	4,603,734	4,750,691
TOTAL STOCKHOLDER'S EQUITY, June 30	$ 5,743,746	$ 5,047,046

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

EVEREST REINSURANCE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Six Months Ended June 30, 2019	2018
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 533,130	$ (277,580)
Adjustments to reconcile net income to net cash provided by operating activities:		
Decrease (increase) in premiums receivable	(93,371)	(31,486)
Decrease (increase) in funds held by reinsureds, net	(14,688)	(13,233)
Decrease (increase) in reinsurance receivables	82,701	627,965
Decrease (increase) in income taxes	214,830	4,652
Decrease (increase) in prepaid reinsurance premiums	(110,643)	(6,626)
Increase (decrease) in reserve for losses and loss adjustment expenses	(21,387)	(34,332)
Increase (decrease) in unearned premiums	176,412	54,516
Increase (decrease) in other net payable to reinsurers	3,307	(76,825)
Increase (decrease) in losses in course of payment	(22,634)	78,740
Change in equity adjustments in limited partnerships	(23,662)	(29,160)
Distribution of limited partnership income	24,969	28,278
Change in other assets and liabilities, net	(65,421)	14,713
Non-cash compensation expense	13,913	5,903
Amortization of bond premium (accrual of bond discount)	826	3,478
Net realized capital (gains) losses	(277,619)	102,472
Net cash provided by (used in) operating activities	420,663	451,475
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from fixed maturities matured/called - available for sale, at market value	437,371	416,065
Proceeds from fixed maturities sold - available for sale, at market value	2,004,602	368,858
Proceeds from fixed maturities sold - available for sale, at fair value	2,706	1,065
Proceeds from equity securities sold - at fair value	148,973	429,927
Distributions from other invested assets	76,149	941,415
Cost of fixed maturities acquired - available for sale, at market value	(2,251,818)	(971,395)
Cost of fixed maturities acquired - available for sale, at fair value	-	(4,381)
Cost of equity securities acquired - at fair value	(228,872)	(555,998)
Cost of other invested assets acquired	(138,096)	(964,209)
Net change in short-term investments	(192,889)	47,613
Net change in unsettled securities transactions	13,100	(16,558)
Net cash provided by (used in) investing activities	(128,774)	(307,598)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Tax benefit from share-based compensation, net of expense	(13,739)	(3,362)
Cost of repayment of note payable-affiliated	(300,000)	-
Net cash provided by (used in) financing activities	(313,739)	(3,362)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(5,483)	(5,217)
Net increase (decrease) in cash	(27,333)	135,298
Cash, beginning of period	404,522	229,552
Cash, end of period	$ 377,189	$ 364,850
SUPPLEMENTAL CASH FLOW INFORMATION:		
Income taxes paid (recovered)	$ (87,045)	$ (46,386)
Interest paid	19,433	14,544

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, 2019, and 2018

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 fourth quarter of 2018, Everest Global Services (“Global Services”), a previously affiliated company, was contributed to Holdings from its parent company, Holdings Ireland.

2. BASIS OF PRESENTATION

The unaudited consolidated financial statements of the Company for the three and six months ended June 30, 2019 and 2018 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, 2018 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, 2019 and 2018 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, 2018, 2017 and 2016 included in the Company’s most recent Form 10-K filing.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities (and disclosure of contingent assets and liabilities) at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Ultimate actual results could differ, possibly materially, from those estimates.

All intercompany accounts and transactions have been eliminated.

Certain reclassifications and format changes have been made to prior years’ amounts to conform to the 2019 presentation.

<u>Application of Recently Issued Accounting Standard Changes.</u>

Accounting for Cloud Computing Arrangement. In August 2018, The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2018-15, which outlines accounting for implementation costs of a cloud computing arrangement that is a service contract. This guidance requires that implementation costs of a cloud computing arrangement that is a service contract must be capitalized and expensed in accordance with the existing provisions provided in Subtopic 350-40 regarding development of internal use software. In addition, any capitalized implementation costs should be amortized over the term of the hosting arrangement. The guidance is effective for annual reporting periods beginning after December 15, 2019 and interim periods within that annual reporting period. The Company is currently evaluating the impact of the adoption of ASU 2018-15 on its financial statements.

Accounting for Long Duration Contracts. In August 2018, FASB issued ASU 2018-12, which discusses changes to the recognition, measurement and presentation of long duration contracts. The main provisions of this guidance address the following: 1) In determining liability for future policy benefits, companies must review cash flow assumptions at least annually and the discount rate assumption at each reporting period date 2) Amortization of deferred acquisition costs has been simplified to be in constant level proportion to either premiums, gross profits or gross margins 3) Disaggregated roll forwards of beginning and ending liabilities for future policy benefits are required. The guidance is effective for annual reporting periods beginning after December 15, 2020 and interim periods within that annual reporting period. The Company is currently evaluating the impact of the adoption of ASU 2018-12 on its financial statements.

Accounting for Deferred Taxes in Accumulated Other Comprehensive Income (AOCI). In February 2018, FASB issued ASU 2018-02, which outlines guidance on the treatment of trapped deferred taxes contained within AOCI on the consolidated balance sheets. The new guidance allows the amount of trapped deferred taxes in AOCI, resulting from the change in the U.S. tax rate from 35% to 21% upon enactment of the Tax Cuts and Jobs Act ("TCJA"), to be reclassed as part of retained earnings in the consolidated balance sheets. The guidance is effective for annual and interim reporting periods beginning after December 15, 2018, but early adoption is allowed. The Company decided to early adopt the guidance as of December 31, 2017. The adoption resulted in a reclass of $325 thousand between AOCI and retained earnings during the fourth quarter of 2017. As an accounting policy, the Company has adopted the aggregate portfolio approach for releasing disproportionate income tax effects from AOCI.

Accounting for Impact on Income Taxes due to Tax Reform. In December 2017, the SEC issued Staff Accounting Bulletin ("SAB") 118, which provides guidance on the application of FASB Accounting Standards Codification ("ASC") Topic 740, Income Taxes, due to the enactment of TCJA. SAB 118 became effective upon release. The Company has adopted the provisions of SAB 118 with respect to measuring the tax effects for the modifications to the determination of tax basis loss reserves. In 2018, the Company recorded adjustments to the amount of tax expense it recorded in 2017 with respect to the TCJA as estimated amounts were finalized, which did not have a material impact on the Company's financial statements.

Amortization of Bond Premium. In March 2017, FASB issued ASU 2017-08 which outlines guidance on the amortization period for premium on callable debt securities. The new guidance requires that the premium on callable debt securities be amortized through the earliest call date rather than through the maturity date of the callable security. The guidance is effective for annual and interim reporting periods beginning after December 15, 2018. The adoption of ASU 2017-08 did not have a material impact on the Company's financial statements.

Presentation and Disclosure of Net Periodic Benefit Costs. In March 2017, FASB issued ASU 2017-07, which outlines guidance on the presentation of net periodic costs of benefit plans. The new guidance requires that the service cost component of net periodic benefit costs be reported within the same line item of the statements of operations as other compensation costs are reported. Other components of net periodic benefit costs should be reported separately. Footnote disclosure is required to state within which line items of the statements of operations the components are reported. The guidance is effective for annual and interim reporting periods beginning after December 15, 2017. The Company adopted the guidance effective January 1, 2018. The adoption of ASU 2017-07 did not have a material impact on the Company's financial statements.

Disclosure of Restricted Cash. In November 2016, FASB issued ASU 2016-18 and in August 2016, FASB issued ASU 2016-15, which outlines guidance on the presentation in the statements of cash flows of changes in restricted cash. The new guidance requires that the statements of cash flows should reflect all changes in cash, cash equivalents and restricted cash in total and not segregated individually. The guidance is effective for annual and interim reporting periods beginning after December 15, 2017. The Company adopted the guidance effective January 1, 2018. The adoption of ASU 2016-18 and ASU 2016-15 did not have a material impact on the Company's financial statements.

Intra-Entity Asset Transfers. In October 2016, FASB issued ASU 2016-16, which outlines guidance on the tax accounting for intra-entity asset sales and transfers, other than inventory. The new guidance requires that reporting entities recognize tax expense from the intra-entity transfer of an asset in the seller's tax jurisdiction at the time of transfer and recognize any deferred tax asset in the buyer's tax jurisdiction at the time of transfer. The guidance is effective for annual and interim reporting periods beginning after December 15, 2017. The Company adopted the guidance effective January 1, 2018. The adoption of ASU 2016-16 did not have a material impact on the Company's financial statements.

Valuation of Financial Instruments. In June 2016, FASB issued ASU 2016-13, which outline guidance on the valuation of and accounting for assets measured at amortized cost and available for sale debt securities. The carrying value of assets measured at amortized cost will now be presented as the amount expected to be collected on the financial asset (amortized cost less an allowance for credit losses valuation account). Available for sale debt securities will now record credit losses through an allowance for credit losses, which will be limited to the amount by which fair value is below amortized cost. The guidance is effective for annual and interim reporting periods beginning after December 15, 2019. The Company is currently evaluating the impact of the adoption of ASU 2016-13 on its financial statements.

Leases. In February 2016, FASB issued ASU 2016-02 (and subsequently issued ASU 2018-11 in July, 2018) which outline new guidance on the accounting for leases. The new guidance requires the recognition of lease assets and lease liabilities on the balance sheets for most leases that were previously deemed operating leases and required only lease expense presentation in the statements of operations. The guidance is effective for annual and interim reporting periods beginning after December 15, 2018. The Company adopted ASU 2016-02 effective January 1, 2019 and elected to utilize a cumulative-effect adjustment to the opening balance of retained earnings for the year of adoption. Accordingly, the Company's reporting for the comparative periods prior to adoption continue to be presented in the financial statements in accordance with previous lease accounting guidance. The Company also elected to apply the package of practical expedients applicable to the Company in the updated guidance for transition for leases in effect at adoption. The Company did not elect the hindsight practical expedient to determine the lease term of existing leases (e.g. The Company did not re-assess lease renewals, termination options nor purchase options in determining lease terms). The adoption of the updated guidance resulted in the Company recognizing a right-of-use asset of $60,325 thousand as part of other assets and a lease liability of $66,551 thousand as part of other liabilities in the consolidated balance sheet, as well as de-recognizing the liability for deferred rent that was required under the previous guidance. The cumulative effect adjustment to the opening balance of retained earnings was zero. The adoption of the updated guidance did not have a material effect on the Company's results of operations or liquidity.

Recognition and Measurement of Financial Instruments. In January 2016, the FASB issued ASU 2016-01, which outlines revised guidance on the accounting for equity investments. The new guidance states that all equity investments in unconsolidated entities will be measured at fair value, with the change in value being recorded through the income statement rather than being recorded within other comprehensive income. The updated guidance is effective for annual and interim reporting periods beginning after December 15, 2017. The Company adopted the guidance effective January 1, 2018. The adoption of ASU 2016-01 resulted in a cumulative change adjustment of $2,447 thousand between AOCI and retained earnings, which is disclosed separately within the consolidated statement of changes in shareholders equity.

Revenue Recognition. In May 2014, the FASB issued ASU 2014-09 and in August 2015, FASB issued ASU 2015-14, which outline revised guidance on the recognition of revenue arising from contracts with customers. The new guidance states that reporting entities should apply certain steps to determine when revenue should be recognized, based upon fulfillment of performance obligations to complete contracts. The updated guidance is effective for annual and interim reporting periods beginning after December 15, 2017. The Company adopted the guidance effective January 1, 2018. The adoption of ASU 2014-09 and ASU 2015-14 did not have a material impact on the Company's financial statements.

Any issued guidance and pronouncements, other than those directly referenced above, are deemed by the Company to be either not applicable or immaterial to its financial statements.

3. INVESTMENTS

The amortized cost, market value and gross unrealized appreciation and depreciation of available for sale, fixed maturity, 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, 2019				
(Dollars in thousands)	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	$ 892,226	$ 11,066	$ (2,043)	$ 901,249	$ -
Obligations of U.S. states and political subdivisions	501,019	27,035	(348)	527,706	-
Corporate securities	2,518,720	59,026	(23,056)	2,554,690	135
Asset-backed securities	516,941	1,201	(935)	517,207	-
Mortgage-backed securities					
Commercial	271,298	15,385	(72)	286,611	-
Agency residential	602,695	14,283	(387)	616,591	-
Non-agency residential	2,701	3	-	2,704	-
Foreign government securities	520,922	21,323	(6,517)	535,728	-
Foreign corporate securities	1,012,083	32,315	(14,913)	1,029,485	316
Total fixed maturity securities	$ 6,838,605	$ 181,637	$ (48,271)	$ 6,971,971	$ 451

	At December 31, 2018				
(Dollars in thousands)	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	$ 2,250,312	$ 3,573	$ (11,088)	$ 2,242,797	$ -
Obligations of U.S. states and political subdivisions	489,013	12,915	(2,839)	499,089	440
Corporate securities	2,273,581	12,487	(69,915)	2,216,153	430
Asset-backed securities	223,192	102	(2,039)	221,255	-
Mortgage-backed securities					
Commercial	135,380	1,947	(723)	136,604	-
Agency residential	149,306	1,177	(1,709)	148,774	-
Non-agency residential	3,115	3	(4)	3,114	-
Foreign government securities	576,540	14,399	(11,353)	579,586	-
Foreign corporate securities	932,310	13,325	(30,932)	914,703	281
Total fixed maturity securities	$ 7,032,749	$ 59,928	$ (130,602)	$ 6,962,075	$ 1,151

[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.

Effective January 1, 2018, the Company adopted ASU 2016-01, which requires equity investments in unconsolidated entities to be measured at fair value, with any change in value being recorded within net realized capital gains/(losses) as part of the consolidated statements of operations and comprehensive income (loss). Previously, changes in the market value had been recorded within AOCI as part of the consolidated balance sheets. Therefore, effective January 1, 2018, equity security investments no longer have an impact upon the AOCI balance.

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.

	At June 30, 2019		At December 31, 2018	
(Dollars in thousands)	Amortized Cost	Market Value	Amortized Cost	Market Value
Fixed maturity securities – available for sale				
Due in one year or less	$ 637,109	$ 631,917	$ 511,193	$ 507,572
Due after one year through five years	2,922,404	2,955,499	4,271,245	4,230,451
Due after five years through ten years	1,294,439	1,348,170	1,177,752	1,163,831
Due after ten years	591,018	613,272	561,566	550,474
Asset-backed securities	516,941	517,207	223,192	221,255
Mortgage-backed securities				
Commercial	271,298	286,611	135,380	136,604
Agency residential	602,695	616,591	149,306	148,774
Non-agency residential	2,701	2,704	3,115	3,114
Total fixed maturity securities	$ 6,838,605	$ 6,971,971	$ 7,032,749	$ 6,962,075

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)	2019	2018	2019	2018
Increase (decrease) during the period between the market value and cost of investments carried at market value, and deferred taxes thereon:				
Fixed maturity securities	$ 93,919	$ (23,064)	$ 204,828	$ (88,552)
Fixed maturity securities, other-than-temporary impairment	(368)	266	(700)	365
Change in unrealized appreciation (depreciation), pre-tax	93,551	(22,798)	204,128	(88,187)
Deferred tax benefit (expense)	(19,675)	4,843	(42,889)	18,596
Deferred tax benefit (expense), other-than-temporary impairment	77	(56)	147	(77)
Change in unrealized appreciation (depreciation), net of deferred taxes, included in stockholder's equity	$ 73,953	$ (18,011)	$ 161,386	$ (69,668)

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.

Upon the adoption of ASU 2016-01 as of January 1, 2018, all equity investments in unconsolidated entities are recorded at fair value. Prior to the adoption of ASU 2016-01, the Company presented certain equity securities at market value. The majority of the Company's equity securities presented at market value prior to January 1, 2018 were primarily comprised of mutual fund investments whose underlying securities consisted of fixed maturity securities. When a fund's value reflected an unrealized loss, the Company assessed whether the decline in value was temporary or other-than-temporary. In making its assessment, the Company considered the composition of its portfolios and their related markets, reports received from the portfolio managers and discussions with portfolio managers. If the Company determined that the declines were temporary and it had the ability and intent to continue to hold the investments, then the declines were recorded as unrealized losses in accumulated other comprehensive income (loss). If declines were deemed to be other-than-temporary, then the carrying value of the investment was 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 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, 2019 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	$ 37,960	$ (12)	$ 304,142	$ (2,031)	$ 342,102	$ (2,043)
Obligations of U.S. states and political subdivisions	1,991	(48)	9,840	(300)	11,831	(348)
Corporate securities	191,106	(8,266)	307,906	(14,790)	499,012	(23,056)
Asset-backed securities	295,890	(833)	52,686	(102)	348,576	(935)
Mortgage-backed securities						
Commercial	1,578	(2)	17,342	(70)	18,920	(72)
Agency residential	13,049	(32)	38,667	(355)	51,716	(387)
Non-agency residential	1,435	-	-	-	1,435	-
Foreign government securities	16,603	(124)	138,472	(6,393)	155,075	(6,517)
Foreign corporate securities	27,650	(350)	225,895	(14,563)	253,545	(14,913)
Total fixed maturity securities	$ 587,262	$ (9,667)	$ 1,094,950	$ (38,604)	$ 1,682,212	$ (48,271)

	Duration of Unrealized Loss at June 30, 2019 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	$ 37,823	$ (624)	$ 188,033	$ (9,133)	$ 225,856	$ (9,757)
Due in one year through five years	115,774	(960)	593,416	(15,494)	709,190	(16,454)
Due in five years through ten years	101,238	(6,438)	95,780	(3,859)	197,018	(10,297)
Due after ten years	20,475	(778)	109,026	(9,591)	129,501	(10,369)
Asset-backed securities	295,890	(833)	52,686	(102)	348,576	(935)
Mortgage-backed securities	16,062	(34)	56,009	(425)	72,071	(459)
Total fixed maturity securities	$ 587,262	$ (9,667)	$ 1,094,950	$ (38,604)	$ 1,682,212	$ (48,271)

The aggregate market value and gross unrealized losses related to investments in an unrealized loss position at June 30, 2019 were $1,682,212 thousand and $48,271 thousand, respectively. The market value of securities for the single issuer whose securities comprised the largest unrealized loss position at June 30, 2019, did not exceed 0.5% of the overall market value of the Company's fixed maturity securities. In addition, as indicated on the above table, there was no significant concentration of unrealized losses in any one market sector. The $9,667 thousand of unrealized losses related to fixed maturity securities that have been in an unrealized loss position for less than one year were generally comprised of domestic corporate securities. Of these unrealized losses, $1,291 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating agency. The $38,604 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 U.S. government agencies. Of these unrealized losses $26,147 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 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, 2018 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	$ 245,357	$ (6,099)	$ 373,377	$ (4,989)	$ 618,734	$ (11,088)
Obligations of U.S. states and political subdivisions	107,183	(2,829)	1,475	(10)	108,658	(2,839)
Corporate securities	1,390,942	(57,043)	194,770	(12,872)	1,585,712	(69,915)
Asset-backed securities	127,052	(1,408)	47,551	(631)	174,603	(2,039)
Mortgage-backed securities						
Commercial	51,357	(695)	2,259	(28)	53,616	(723)
Agency residential	44,071	(1,221)	21,889	(488)	65,960	(1,709)
Non-agency residential	3,093	(4)	-	-	3,093	(4)
Foreign government securities	192,510	(10,690)	101,137	(663)	293,647	(11,353)
Foreign corporate securities	501,532	(25,821)	65,279	(5,111)	566,811	(30,932)
Total fixed maturity securities	$ 2,663,097	$ (105,810)	$ 807,737	$ (24,792)	$ 3,470,834	$ (130,602)

	Duration of Unrealized Loss at December 31, 2018 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	$ 165,545	$ (7,618)	$ 118,322	$ (1,164)	$ 283,867	$ (8,782)
Due in one year through five years	1,423,431	(44,924)	525,554	(9,530)	1,948,985	(54,454)
Due in five years through ten years	624,875	(35,360)	42,902	(2,773)	667,777	(38,133)
Due after ten years	223,673	(14,580)	49,260	(10,178)	272,933	(24,758)
Asset-backed securities	127,052	(1,408)	47,551	(631)	174,603	(2,039)
Mortgage-backed securities	98,521	(1,920)	24,148	(516)	122,669	(2,436)
Total fixed maturity securities	$ 2,663,097	$ (105,810)	$ 807,737	$ (24,792)	$ 3,470,834	$ (130,602)

The aggregate market value and gross unrealized losses related to investments in an unrealized loss position at December 31, 2018 were $3,470,834 thousand and $130,602 thousand, respectively. The market value of securities for the single issuer (the United States government) whose securities comprised the largest unrealized loss position at December 31, 2018, did not exceed 9.0% of the overall market value of the Company's fixed maturity securities. The market value of securities for the issuer with the second largest unrealized loss comprised less than 0.8% 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 $105,810 thousand of unrealized losses related to fixed maturity securities that have been in an unrealized loss position for less than one year were generally comprised of domestic and foreign corporate securities, foreign government securities and U.S. government agencies and corporations. Of these unrealized losses, $68,010 thousand related to securities that were rated investment grade by at least one nationally recognized statistical rating agency. The $24,792 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 and U.S. government agencies. Of these unrealized losses, $14,802 thousand 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 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)	2019	2018	2019	2018
Fixed maturities	$ 65,374	$ 48,523	$ 132,428	$ 90,942
Equity securities	2,319	3,627	3,750	8,030
Short-term investments and cash	3,169	1,302	5,905	2,230
Other invested assets				
Limited partnerships	15,116	14,168	23,171	28,640
Dividends from preferred shares of affiliate	7,758	7,758	15,516	15,516
Other	3,299	1,460	6,279	4,655
Gross investment income before adjustments	97,035	76,838	187,049	150,013
Funds held interest income (expense)	1,445	731	4,326	3,599
Interest income from Parent	-	1,075	-	2,150
Gross investment income	98,480	78,644	191,375	155,762
Investment expenses	(7,771)	(6,574)	(16,132)	(13,783)
Net investment income	$ 90,709	$ 72,070	$ 175,243	$ 141,979

(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 $565,479 thousand in limited partnerships and private placement loans at June 30, 2019. These commitments will be funded when called in accordance with the partnership and loan agreements, which have investment periods that expire, unless extended, through 2023.

Beginning in the first quarter of 2016, the Company participated in a private placement liquidity sweep facility ("the 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. Through the second quarter of 2018, the Company's participation in the facility was classified within other invested assets on the Company's Balance Sheets.

As of the third quarter of 2018, the Company has consolidated its participation in the facility. As a result, the underlying investments are now recorded in the various investment line items within the Company's balance sheet, rather than as part of other invested assets. As of June 30, 2019, the market value of investments in the facility consolidated within the Company's balance sheets was $305,548 thousand.

Other invested assets, at fair value, as of June 30, 2019 and December 31, 2018, 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)	2019	2018	2019	2018
Fixed maturity securities, market value:				
Other-than-temporary impairments	$ (4,929)	$ (872)	$ (7,219)	$ (907)
Gains (losses) from sales	(2,313)	(172)	1,113	5,958
Fixed maturity securities, fair value:				
Gains (losses) from sales	356	(1,068)	356	(1,082)
Gains (losses) from fair value adjustments	-	958	13	958
Equity securities, fair value:				
Gains (losses) from sales	(1,314)	(1,601)	3,730	(4,082)
Gains (losses) from fair value adjustments	25,829	25,550	103,675	(1,464)
Other invested assets	(152)	581	244	584
Other invested assets, fair value:				
Gains (losses) from fair value adjustments	125,024	(65,647)	175,651	(102,436)
Short-term investment gains (losses)	62	-	56	(1)
Total net realized capital gains (losses)	$ 142,563	$ (42,271)	$ 277,619	$ (102,472)

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)	2019	2018	2019	2018
Proceeds from sales of fixed maturity securities	$ 403,419	$ 214,942	$ 2,007,308	$ 369,923
Gross gains from sales	3,133	2,066	11,237	8,993
Gross losses from sales	(5,090)	(3,306)	(9,768)	(4,117)
Proceeds from sales of equity securities	$ 79,735	$ 301,448	$ 148,973	$ 429,927
Gross gains from sales	2,577	4,678	8,248	7,906
Gross losses from sales	(3,891)	(6,279)	(4,518)	(11,988)

4. RESERVES FOR LOSSES AND LAE

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

(Dollars in thousands)	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Gross reserves beginning of period	$ 10,167,018	$ 9,343,028
Less reinsurance recoverables	(4,697,543)	(5,727,268)
Net reserves beginning of period	5,469,475	3,615,760
Incurred related to:		
Current year	1,615,277	1,451,011
Prior years	24,041	491,004
Total incurred losses and LAE	1,639,318	1,942,015
Paid related to:		
Current year	391,381	378,985
Prior years	1,144,204	912,199
Total paid losses and LAE	1,535,585	1,291,184
Foreign exchange/translation adjustment	228	(16,509)
Net reserves end of period	5,573,437	4,250,082
Plus reinsurance recoverables	4,574,975	5,037,479
Gross reserves end of period	$ 10,148,412	$ 9,287,561

(Some amounts may not reconcile due to rounding.)

Incurred prior years losses increased by $24,041 thousand for the six months ended June 30, 2019 and by $491,004 thousand for the six months ended June 30, 2018, respectively. The increase for 2018 was mainly due to $494,221 thousand of adverse development on prior years catastrophe losses, primarily related to Hurricanes Harvey, Irma and Maria, as well as the 2017 California wildfires. The increase in loss estimates for Hurricanes Harvey, Irma and Maria was mostly driven by re-opened claims, loss inflation from higher than expected loss adjustment expenses and in particular, their impact on aggregate covers.

5. 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. At June 30, 2019, $474,322 thousand of fixed maturities, market value were fair valued using unobservable inputs. The majority of the fixed maturities, market value, $412,095 thousand were valued by investment managers' valuation committees and a majority of these fair values were substantiated by valuations from independent third parties. The Company has procedures in place to review and evaluate these independent third party valuations. The remaining Level 3 fixed maturities of $62,228 thousand were fair valued by the Company at either par or amortized cost, which the Company believes approximates fair value. At December 31, 2018, $383,994 thousand of fixed maturities, market value and $2,337 thousand of fixed maturities, fair value were fair valued using unobservable inputs. The majority of the fixed maturities, market value, $354,133 thousand and all of the $2,337 thousand of fixed maturities, fair value, were valued by investment managers' valuation committees and a majority of these fair values were substantiated by valuations from independent third parties. The remaining Level 3 fixed maturities of $28,708 thousand were fair valued by the Company at either par or amortized cost and $1,153 thousand were priced using a non-binding broker quote.

The Company internally manages a public equity portfolio which had a fair value at June 30, 2019 and December 31, 2018 of $155,784 thousand and $124,228 thousand, respectively, and all prices were obtained from publicly published sources.

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 or receive fair values from investment managers.

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, 2019 and December 31, 2018, 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 25 year redeemable, convertible preferred stock with a 1.75% coupon is valued using a pricing model. The pricing model includes observable inputs such as the U.S. Treasury yield curve rate T note constant maturity 20 year and the swap rate on the Company's June 1, 2044, 4.868% senior notes, with adjustments to reflect the Company's own assumptions about the inputs that market participants would use in pricing the asset.

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, 2019	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	$ 901,249	$ -	$ 901,249	$ -
Obligations of U.S. States and political subdivisions	527,706	-	527,706	-
Corporate securities	2,554,690	-	2,082,461	472,229
Asset-backed securities	517,207	-	517,207	-
Mortgage-backed securities				
Commercial	286,611	-	286,611	-
Agency residential	616,591	-	616,591	-
Non-agency residential	2,704	-	2,704	-
Foreign government securities	535,728	-	535,728	-
Foreign corporate securities	1,029,485	-	1,027,392	2,093
Total fixed maturities, market value	6,971,971	-	6,497,649	474,322
Fixed maturities, fair value	-	-	-	-
Equity securities, fair value	751,642	690,230	61,412	-
Other invested assets, fair value	1,892,988	-	-	1,892,988

There were no transfers between Level 1 and Level 2 for the six months ended June 30, 2019.

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, 2018	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	$ 2,242,797	$ -	$ 2,242,797	$ -
Obligations of U.S. States and political subdivisions	499,089	-	499,089	-
Corporate securities	2,216,153	-	1,839,903	376,250
Asset-backed securities	221,255	-	221,255	-
Mortgage-backed securities				
Commercial	136,604	-	136,604	-
Agency residential	148,774	-	148,774	-
Non-agency residential	3,114	-	3,114	-
Foreign government securities	579,586	-	579,586	-
Foreign corporate securities	914,703	-	906,959	7,744
Total fixed maturities, market value	6,962,075	-	6,578,081	383,994
Fixed maturities, fair value	2,337	-	-	2,337
Equity securities, fair value	564,338	540,894	23,444	-
Other invested assets, fair value	1,717,336	-	-	1,717,336

In addition, $154,908 thousand and $117,662 thousand of investments within other invested assets on the consolidated balance sheets as of June 30, 2019 and December 31, 2018, respectively, are not included within the fair value hierarchy tables as the assets are measured at NAV as a practical expedient to determine fair value.

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

	Total Fixed Maturities, Market Value					
	Three Months Ended June 30, 2019			Six Months Ended June 30, 2019		
(Dollars in thousands)	Corporate Securities	Foreign Corporate	Total	Corporate Securities	Foreign Corporate	Total
Beginning balance	$ 367,178	$ 7,298	$ 374,476	$ 376,250	$ 7,744	$ 383,994
Total gains or (losses) (realized/unrealized)						
Included in earnings	(2,528)	(238)	(2,766)	2,330	(119)	2,211
Included in other comprehensive income (loss)	1,870	-	1,870	2,444	-	2,444
Purchases, issuances and settlements	101,732	(4,967)	96,765	89,686	(5,532)	84,154
Transfers in and/or (out) of Level 3	3,977	-	3,977	1,519	-	1,519
Ending balance	$ 472,229	$ 2,093	$ 474,322	$ 472,229	$ 2,093	$ 474,322
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.)

	Total Fixed Maturities, Market Value					
	Three Months Ended June 30, 2018			Six Months Ended June 30, 2018		
(Dollars in thousands)	Corporate Securities	Foreign Corporate	Total	Corporate Securities	Foreign Corporate	Total
Beginning balance	$ 168,590	$ 11,368	$ 179,958	$ 158,221	$ 6,952	$ 165,173
Total gains or (losses) (realized/unrealized)						
Included in earnings	623	(504)	119	1,345	(410)	935
Included in other comprehensive income (loss)	190	-	190	425	-	425
Purchases, issuances and settlements	159,846	1	159,847	169,258	4,323	173,581
Transfers in and/or (out) of Level 3	-	1,750	1,750	-	1,750	1,750
Ending balance	$ 329,249	$ 12,615	$ 341,864	$ 329,249	$ 12,615	$ 341,864
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.)

	Total Fixed Maturities, Fair Value			
	Three Months Ended June 30, 2019		Six Months Ended June 30, 2019	
(Dollars in thousands)	Foreign Corporate	Total	Foreign Corporate	Total
Beginning balance fixed maturities at fair value	$ 2,350	$ 2,350	$ 2,337	$ 2,337
Total gains or (losses) (realized/unrealized)				
Included in earnings	356	356	369	369
Included in other comprehensive income (loss)	-	-	-	-
Purchases, issuances and settlements	(2,706)	(2,706)	(2,706)	(2,706)
Transfers in and/or (out) of Level 3	-	-	-	-
Ending balance	$ -	$ -	$ -	$ -
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.)

	Total Fixed Maturities, Fair Value			
	Three Months Ended June 30, 2018		Six Months Ended June 30, 2018	
(Dollars in thousands)	Foreign Corporate	Total	Foreign Corporate	Total
Beginning balance fixed maturities at fair value	$ 1,821	$ 1,821	$ -	$ -
Total gains or (losses) (realized/unrealized)				
Included in earnings	(142)	(142)	(156)	(156)
Included in other comprehensive income (loss)	32	32	32	32
Purchases, issuances and settlements	1,481	1,481	3,316	3,316
Transfers in and/or (out) of Level 3	-	-	-	-
Ending balance	$ 3,192	$ 3,192	$ 3,192	$ 3,192
The amount of total gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	$ -	$ -	$ -	$ -

(Some amounts may not reconcile due to rounding.)

The net transfers to/(from) level 3, fair value measurements using significant unobservable inputs for fixed maturities, market value were $3,977 thousand and $1,519 thousand for the three and six months ended June 30, 2019. The transfers during 2019 were related to securities that were priced using a recognized pricing service as of December 31, 2018. These securities were subsequently priced using single non-binding broker quotes as of June 30, 2019.

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)	2019	2018	2019	2018
Other invested assets, fair value:				
Beginning balance	$ 1,767,963	$ 1,770,684	$ 1,717,336	$ 1,807,473
Total gains or (losses) (realized/unrealized)	-			
Included in earnings	125,025	(65,647)	175,652	(102,436)
Included in other comprehensive income (loss)	-	-	-	-
Purchases, issuances and settlements	-	-	-	-
Transfers in and/or (out) of Level 3	-	-	-	-
Ending balance	$ 1,892,988	$ 1,705,037	$ 1,892,988	$ 1,705,037
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.)

6. 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 Company 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 contract.

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

(Dollars in thousands)	At June 30, 2019	At December 31, 2018
The Prudential	$ 141,386	$ 142,754
Unaffiliated life insurance company	33,720	34,717

7. COMPREHENSIVE INCOME (LOSS)

The following tables present 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, 2019			Six Months Ended June 30, 2019		
(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	$ 86,524	$ (18,138)	$ 68,386	$ 198,965	$(41,868)	$ 157,097
URA(D) on securities - OTTI	(368)	77	(291)	$ (700)	147	$ (553)
Reclassification of net realized losses (gains) included in net income (loss)	7,394	(1,536)	5,858	5,862	(1,020)	4,842
Foreign currency translation adjustments	(9,465)	1,990	(7,475)	2,645	(556)	2,089
Reclassification of amortization of net gain (loss) included in net income (loss)	1,457	(306)	1,151	2,914	(612)	2,302
Total other comprehensive income (loss)	$ 85,542	$ (17,913)	$ 67,629	$ 209,686	$(43,909)	$ 165,777

(Some amounts may not reconcile due to rounding)

	Three Months Ended June 30, 2018			Six Months Ended June 30, 2018		
(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	$ (23,527)	$ 5,152	$ (18,375)	$ (82,917)	$ 17,642	$ (65,275)
URA(D) on securities - OTTI	266	(56)	210	365	(77)	288
Reclassification of net realized losses (gains) included in net income (loss)	463	(309)	154	(5,635)	954	(4,681)
Foreign currency translation adjustments	(26,362)	5,550	(20,812)	(28,058)	5,904	(22,154)
Reclassification of amortization of net gain (loss) included in net income (loss)	2,297	(482)	1,815	4,595	(965)	3,630
Total other comprehensive income (loss)	$ (46,863)	$ 9,855	$ (37,008)	$(111,650)	$ 23,458	$ (88,192)

(Some amounts may not reconcile due to rounding)

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

AOCI component	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	Affected line item within the statements of operations and comprehensive income (loss)
(Dollars in thousands)					
URA(D) on securities	$ 7,394	$ 463	$ 5,862	$ (5,635)	Other net realized capital gains (losses)
	(1,536)	(309)	(1,020)	954	Income tax expense (benefit)
	$ 5,858	$ 154	$ 4,842	$ (4,681)	Net income (loss)
Benefit plan net gain (loss)	$ 1,457	$ 2,297	$ 2,914	$ 4,595	Other underwriting expenses
	(306)	(482)	(612)	(965)	Income tax expense (benefit)
	$ 1,151	$ 1,815	$ 2,302	$ 3,630	Net income (loss)

(Some amounts may not reconcile due to rounding)

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)	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Beginning balance of URA (D) on securities	$ 31,483	$ (16,662)	$ (55,950)	$ 37,442
Change to beginning balance due to adoption of ASU 2016-01	-	-	-	(2,447)
Current period change in URA (D) of investments - temporary	74,244	(18,221)	161,939	(69,956)
Current period change in URA (D) of investments - non-credit OTTI	(291)	210	(553)	288
Ending balance of URA (D) on securities	105,436	(34,673)	105,436	(34,673)
Beginning balance of foreign currency translation adjustments	6,678	32,203	(2,886)	33,545
Current period change in foreign currency translation adjustments	(7,475)	(20,812)	2,089	(22,154)
Ending balance of foreign currency translation adjustments	(797)	11,391	(797)	11,391
Beginning balance of benefit plan net gain (loss)	(66,267)	(70,114)	(67,418)	(71,929)
Current period change in benefit plan net gain (loss)	1,151	1,815	2,302	3,630
Ending balance of benefit plan net gain (loss)	(65,116)	(68,299)	(65,116)	(68,299)
Ending balance of accumulated other comprehensive income (loss)	$ 39,523	$ (91,581)	$ 39,523	$ (91,581)

8. 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 non-affiliated ceding companies. At June 30, 2019, the total amount on deposit in the trust account was $644,803 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. These reinsurance agreements expired in April 2018.

On November 18, 2014, the Company entered into a collateralized reinsurance agreement with Kilimanjaro 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 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 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 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.

On April 30, 2018, the Company entered into four collateralized reinsurance agreements with Kilimanjaro to provide the Company with catastrophe reinsurance coverage. These agreements are multi-year reinsurance contracts which cover named storm and earthquake events. The first two agreements are four year reinsurance contracts which provide up to $62,500 thousand and $200,000 thousand, respectively, of annual aggregate reinsurance coverage from named storms and earthquakes in the United States, Puerto Rico, the U.S. Virgin Islands and Canada. The remaining two agreements are five year reinsurance contracts which provide up to $62,500 thousand and $200,000 thousand, respectively, of annual aggregate reinsurance coverage from named storms and earthquakes in the United States, Puerto Rico, the U.S. Virgin Islands and Canada.

Recoveries under these collateralized reinsurance agreements with Kilimanjaro are primarily dependent on estimated industry level insured losses from covered events, as well as, the geographic location of the events. The estimated industry level of insured losses is obtained from published estimates by an independent recognized authority on insured property losses. Currently, none of the published insured loss estimates for the 2017 catastrophe events have exceeded the single event retentions under the terms of the agreements that would result in a recovery. In addition, the aggregation of the to date published insured loss estimates for the 2017 covered events have not exceeded the aggregated retentions for recovery. However, if the published estimates for insured losses for the covered 2017 events increase, the aggregate losses may exceed the aggregate event retentions under the agreements resulting in a recovery.

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"). The $450,000 thousand of Series 2014-1 Notes were fully redeemed on April 30, 2018 and are no longer outstanding. 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). On April 30, 2018, Kilimanjaro issued $262,500 thousand of notes ("Series 2018-1 Notes") and $262,500 thousand of notes ("Series 2018-2 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.

9. 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, 2019		December 31, 2018	
(Dollars in thousands)	Date Issued	Date Due	Principal Amounts	Consolidated Balance Sheet Amount	Market Value	Consolidated Balance Sheet Amount	Market Value
Senior notes	06/05/2014	06/01/2044	400,000	$ 397,014	$ 429,048	$ 396,954	$ 396,968

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)	2019	2018	2019	2018
Interest expense incurred	$ 4,868	$ 4,868	$ 9,736	$ 9,736

10. 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, 2019		December 31, 2018	
(Dollars in thousands)	Date Issued	Original Principal Amount	Scheduled	Final	Consolidated Balance Sheet Amount	Market Value	Consolidated Balance Sheet Amount	Market Value
Long term subordinated notes	04/26/2007	$ 400,000	05/15/2037	05/01/2067	$ 236,709	$ 211,125	$ 236,659	$ 200,390

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, 2019 to August 14, 2019 is 4.9%.

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:

(Dollars in thousands)	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Interest expense incurred	$ 3,406	$ 2,702	$ 6,011	$ 5,093

11. LEASES

Effective January 1, 2019, the Company adopted ASU 2016-02 and ASU 2018-11 which outline new guidance on the accounting for leases. The Company enters into lease agreements for real estate that is primarily used for office space in the ordinary course of business. These leases are accounted for as operating leases, whereby lease expense is recognized on a straight-line basis over the term of the lease. Most leases include an option to extend or renew the lease term. The exercise of the renewal is at the Company's discretion. The operating lease liability includes lease payments related to options to extend or renew the lease term if the Company is reasonably certain of exercise those options. The Company, in determining the present value of lease payments utilizes either the rate implicit in the lease if that rate is readily determinable or the Company's incremental secured borrowing rate commensurate with terms of the underlying lease.

Supplemental information related to operating leases is as follows for the periods indicated:

(Dollars in thousands)	Six Months Ended June 30, 2019
Lease expense incurred:	
Operating lease cost	$ 9,355

(Dollars in thousands)	At June 30, 2019
Operating lease right of use assets	$ 53,690
Operating lease liabilities	59,335

(Dollars in thousands)	Six Months Ended June 30, 2019
Operating cash flows from operating leases	$ 8,617

	At June 30, 2019
Weighted average remaining operating lease term	5.9 years
Weighted average discount rate on operating leases	4.48%

Maturities of the existing lease liabilities are expected to occur as follows:

(Dollars in thousands)	
Remainder of 2019	$ 8,464
2020	16,883
2021	8,160
2022	7,864
2023	7,757
2024	7,611
Thereafter	12,480
Undiscounted lease payments	69,219
Less: present value adjustment	9,884
Total operating lease liability	$ 59,335

The amount of operating lease liabilities is not separately presented in the consolidated financial statements but is included in other liabilities. Disclosures regarding minimum lease payments under previous lease accounting guidance can be found in the Company's 2018 Form 10-K.

On July 2, 2019, the Company entered into a lease agreement to relocate its corporate offices from Liberty Corner, New Jersey to a corporate complex in Warren, New Jersey. The new lease, which covers approximately 315,000 square feet of office space, will be effective October 1, 2019 and runs through 2036. The initial base rent payment of the lease will be approximately $650 thousand per month or $7,800 thousand per year. The Company expects to relocate the existing operations and employees of the Liberty Corner, New Jersey facility to the new corporate complex by the end of 2020.

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 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)	2019	2018	2019	2018
Gross written premiums	$ 641,763	$ 652,110	$ 1,405,903	$ 1,296,332
Net written premiums	487,694	429,931	1,105,835	853,762
Premiums earned	$ 605,136	$ 467,509	$ 1,180,040	$ 908,894
Incurred losses and LAE	367,473	708,524	684,111	1,009,728
Commission and brokerage	172,589	148,711	339,692	276,031
Other underwriting expenses	15,728	15,472	31,319	32,358
Underwriting gain (loss)	$ 49,346	$ (405,198)	$ 124,918	$ (409,223)

International	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2019	2018	2019	2018
Gross written premiums	$ 372,671	$ 398,714	$ 761,642	$ 765,738
Net written premiums	350,219	337,357	708,077	672,232
Premiums earned	$ 353,086	$ 343,133	$ 675,460	$ 672,072
Incurred losses and LAE	213,808	259,487	450,884	435,846
Commission and brokerage	85,974	84,379	155,836	162,773
Other underwriting expenses	9,632	9,869	18,097	19,955
Underwriting gain (loss)	$ 43,672	$ (10,602)	$ 50,643	$ 53,498

Insurance	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2019	2018	2019	2018
Gross written premiums	$ 673,603	$ 581,460	$ 1,205,374	$ 1,036,445
Net written premiums	481,952	423,066	898,196	771,387
Premiums earned	$ 417,401	$ 369,194	$ 790,577	$ 714,880
Incurred losses and LAE	261,941	260,749	504,323	496,441
Commission and brokerage	58,212	54,912	109,465	105,655
Other underwriting expenses	57,991	48,885	112,317	99,264
Underwriting gain (loss)	$ 39,257	$ 4,648	$ 64,472	$ 13,520

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)	2019	2018	2019	2018
Underwriting gain (loss)	$ 132,275	$ (411,152)	$ 240,033	$ (342,205)
Net investment income	90,709	72,070	175,243	141,979
Net realized capital gains (losses)	142,563	(42,271)	277,619	(102,472)
Corporate expense	(2,519)	(1,513)	(4,170)	(5,109)
Interest, fee and bond issue cost amortization expense	(9,684)	(7,623)	(19,512)	(14,936)
Other income (expense)	(3,812)	77,682	(5,026)	2,805
Income (loss) before taxes	$ 349,532	$ (312,807)	$ 664,187	$ (319,938)

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)	2019	2018	2019	2018
Canada gross written premiums	$ 47,206	$ 44,189	$ 86,256	$ 84,581

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 was repaid in December 2018. Interest income in the amount of $0 thousand and $1,075 thousand was recorded by Holdings for the three months ended June 30, 2019 and 2018, respectively. Interest income in the amount of $0 thousand and $2,150 thousand was recorded by Holdings for the six months ended June 30, 2019 and 2018, 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	Common Shares Authorized for Repurchase
(Dollars in thousands)	
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)	2019	2018	2019	2018
Dividends received on preferred stock of affiliate	$ 7,758	$ 7,758	$ 15,516	$ 15,516

Affiliated Companies

Effective December 31, 2018, Holdings entered into a $300,000 thousand long-term promissory note agreement with Bermuda Re. The note was repaid in May, 2019. This transaction was presented as a Note Payable – Affiliated in the consolidated balance sheets of Holdings as of December 31, 2018. Interest expense of $1,356 thousand and $3,658 thousand was recorded by Holdings for the three and six months ended June 30, 2019, respectively.

Effective October 1, 2018, Holdings Ireland made a capital contribution of Global Services, an affiliated entity, to Holdings. Global Services had an equity value of $227,253 thousand at the time of contribution and that value is classified as additional paid in capital in the Company's consolidated balance sheet as of December 31, 2018.

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
01/01/2017-12/31/2017	Everest Re	60.0%	Bermuda Re	property / casualty business	219,000	438,000
01/01/2010-12/31/2010	Everest Re- Canadian Branch	60.0%	Bermuda Re	property business	350,000 (1)	-
01/01/2011-12/31/2011	Everest Re- Canadian Branch	60.0%	Bermuda Re	property business	350,000 (1)	-
01/01/2012-12/31/2012	Everest Re- Canadian Branch	75.0%	Bermuda Re	property / casualty business	206,250 (1)	412,500 (1)
01/01/2013-12/31/2013	Everest Re- Canadian Branch	75.0%	Bermuda Re	property / casualty business	150,000 (1)	412,500 (1)
01/01/2014-12/31/2017	Everest Re- Canadian Branch	75.0%	Bermuda Re	property / casualty business	262,500 (1)	412,500 (1)
01/01/2012-12/31/2017	Everest Canada	80.0%	Everest Re- Canadian Branch	property business	-	-

(1) Amounts shown are Canadian dollars.

Effective January 1, 2018, Everest Re entered into a twelve month whole account aggregate stop loss reinsurance contract ("stop loss agreement") with Bermuda Re. The stop loss agreement provides coverage for ultimate net losses on applicable net earned premiums above a retention level, subject to certain other coverage limits and conditions. The stop loss agreement was renewed effective January 1, 2019.

In addition, Everest Re entered into a property catastrophe excess of loss reinsurance contract with Bermuda Re, effective January 1, 2019. The contract provides $100,000 thousand of reinsurance coverage for property catastrophe losses above certain attachment points.

The table below represents loss portfolio transfer ("LPT") reinsurance agreements whereby net insurance exposures and reserves were transferred to an affiliate.

(Dollars in thousands)

Effective Date	Transferring Company	Assuming Company	% of Business or Amount of Transfer	Covered Period of Transfer
10/01/2001	Everest Re (Belgium Branch)	Bermuda Re	100%	All years
10/01/2008	Everest Re	Bermuda Re	$ 747,022	01/01/2002-12/31/2007
12/31/2017	Everest Re	Bermuda Re	$ 970,000	All years

On December 31, 2017, the Company entered into a LPT agreement with Bermuda Re. The LPT agreement covers subject loss reserves of $2,336,242 thousand for accident years 2017 and prior. As a result of the LPT agreement, the Company transferred $1,000,000 thousand of cash and fixed maturity securities and transferred $970,000 thousand of loss reserves to Bermuda Re. As part of the LPT agreement, Bermuda Re will provide an additional $500,000 thousand of adverse development coverage on the subject loss reserves.

The following tables summarize the premiums and losses ceded by the Company to Bermuda Re and Everest International, respectively, and premiums and losses assumed by the Company from Everest Canada and Lloyd's syndicate 2786 for the periods indicated:

Bermuda Re	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2019	2018	2019	2018
Ceded written premiums	$ 19,534	$ 142,971	$ 71,007	$ 275,291
Ceded earned premiums	16,598	148,073	69,122	284,231
Ceded losses and LAE	(3,417)	(157,443)	8,316	36,108

Everest International	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2019	2018	2019	2018
Ceded written premiums	$ -	$ -	$ -	$ -
Ceded earned premiums	-	-	-	-
Ceded losses and LAE	(46)	(357)	(36)	(357)

Everest Canada	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2019	2018	2019	2018
Assumed written premiums	$ -	$ -	$ -	$ -
Assumed earned premiums	-	-	-	-
Assumed losses and LAE	2,296	373	695	3,346

Lloyd's Syndicate 2786	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2019	2018	2019	2018
Assumed written premiums	$ 483	$ 2,421	$ (8,726)	$ (261)
Assumed earned premiums	1,596	6,064	(17,231)	10,950
Assumed losses and LAE	4,391	1,441	(3,527)	8,026

In 2013, Group established Mt. Logan Re, which is a Class 3 insurer based in Bermuda. Mt. Logan Re then established separate segregated accounts for its business activity, which invest in a diversified set of catastrophe exposures.

The following table summarizes the premiums and losses that are ceded by the Company to Mt. Logan Re segregated accounts and assumed by the Company from Mt. Logan Re segregated accounts.

Mt. Logan Re Segregated Accounts	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2019	2018	2019	2018
Ceded written premiums	$ 51,289	$ 40,622	$ 114,512	$ 101,439
Ceded earned premiums	61,812	54,885	106,634	104,975
Ceded losses and LAE	30,159	92,100	64,781	107,907
Assumed written premiums	-	1,604	-	4,647
Assumed earned premiums	-	1,604	-	4,647
Assumed losses and LAE	-	-	-	-

14. RETIREMENT BENEFITS

The Company maintains both qualified and non-qualified defined benefit pension plans for its U.S. employees employed prior to April 1, 2010. Generally, the Company computes the benefits based on average earnings over a period prescribed by the plans and credited length of service. The Company's non-qualified defined benefit pension plan provided compensating pension benefits for participants whose benefits have been curtailed under the qualified plan due to Internal Revenue Code limitations. Effective January 1, 2018, participants of the Company's non-qualified defined benefit pension plan may no longer accrue additional service benefits.

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

Pension Benefits	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2019	2018	2019	2018
Service cost	$ 2,276	$ 2,977	$ 4,553	$ 5,954
Interest cost	2,930	2,585	5,860	5,170
Expected return on plan assets	(5,016)	(3,670)	(10,031)	(7,341)
Amortization of net (income) loss	1,601	2,237	3,203	4,473
FAS 88 settlement charge	104	-	208	-
Net periodic benefit cost	$ 1,895	$ 4,129	$ 3,793	$ 8,256

Other Benefits	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2019	2018	2019	2018
Service cost	$ 286	$ 446	$ 573	$ 893
Interest cost	295	307	590	614
Amortization of prior service cost	(144)	(33)	(289)	(66)
Amortization of net (income) loss	-	94	-	188
Net periodic benefit cost	$ 437	$ 814	$ 874	$ 1,629

(Some amounts may not reconcile due to rounding.)

The service cost component of net periodic benefit costs is included within other underwriting expenses on the consolidated statement of operations and comprehensive income (loss). In accordance with ASU 2017-07, other staff compensation costs are also primarily recorded within this line item.

The Company did not make any contributions to the qualified pension benefit plan for the three and six months ended June 30, 2019 and 2018.

15. INCOME TAXES

The Company is domiciled in the United States and has subsidiaries domiciled within the United States with significant branches in Canada and Singapore. The Company's non-U.S. branches are subject to income taxation at varying rates in their respective domiciles.

The Company generally applies the estimated annual effective tax rate approach for calculating its tax provision for interim periods as prescribed by ASC 740-270, Interim Reporting. Under the estimated annual effective tax rate approach, the estimated annual effective tax rate is applied to the interim year-to-date pre-tax income/loss to determine the income tax expense or benefit for the year-to-date period. If the annual effective tax rate approach produces a year-to-date tax benefit which exceeds the amount which is estimated to be recoverable for the full year, then the tax benefit for the interim reporting period will be limited as prescribed under ASC 740-270 to the estimated recoverable based on the year-to-date result. The tax expense or benefit for the quarter represents the difference between the year-to-date tax expense or benefit for the current year-to-date period less such amount for the immediately preceding year-to-date period. Management considers the impact of all known events in its estimation of the Company's annual pre-tax income/loss and effective tax rate.

16. SUBSEQUENT EVENTS

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

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

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

We compete in the U.S. and international reinsurance and insurance markets with numerous global competitors. Our competitors include independent reinsurance and insurance companies, subsidiaries or affiliates of established worldwide insurance companies, reinsurance departments of certain insurance companies, domestic and international underwriting operations, including underwriting syndicates at Lloyd's of London and certain government sponsored risk transfer vehicles. Some of these competitors have greater financial resources than we do and have established long term and continuing business relationships, which can be a significant competitive advantage. In addition, the lack of strong barriers to entry into the reinsurance business and recently, the securitization of reinsurance and insurance risks through capital markets provide additional sources of potential reinsurance and insurance capacity and competition.

Worldwide insurance and reinsurance market conditions continued to be very competitive, particularly in the property catastrophe and casualty reinsurance lines of business. Generally, there was ample insurance and reinsurance capacity relative to demand, as well as, additional capital from the capital markets through insurance linked financial instruments. These financial instruments such as side cars, catastrophe bonds and collateralized reinsurance funds, provide capital markets with access to insurance and reinsurance risk exposure. The capital markets demand for these products is being primarily driven by the current low interest rate environment and the desire to achieve greater risk diversification and potentially higher returns on their investments. This increased competition is generally having a negative impact on rates, terms and conditions; however, the impact varies widely by market and coverage.

Rates tend to fluctuate by specific region and products, particularly areas recently impacted by large catastrophic events. There were numerous natural catastrophes in 2018 with total industry losses estimated to be $90 billion. The costliest event was the Camp Wildfire in California, the deadliest and most destructive California fire on record. These 2018 catastrophe losses followed another record year of catastrophes in 2017 where total industry losses for the worldwide events were estimated at $140 billion. These catastrophe losses included an unprecedented series of catastrophes in the third quarter of 2017 with Hurricanes Harvey, Irma and Maria, as well as a significant earthquake in Mexico City. Additional catastrophe events occurred in the fourth quarter of 2017 with the wild fires in California and Hurricanes Nate and Ophelia. During 2016, catastrophe losses included the Fort McMurray Canadian wildfire, Hurricane Matthew which affected a large area of the Caribbean and southeastern United States, storms and an earthquake in Ecuador. While the future impact on market conditions from these catastrophes cannot be determined at this time, there has been some firming in the markets impacted by the catastrophes, as well, improvements in rate in some other reinsurance lines, including casualty lines, and also improvements in the insurance property and casualty lines.

Commencing in 2015, we initiated a strategic build out of our insurance platform through the investment in key leadership hires, which in turn has brought significant underwriting talent and stronger direction in achieving our insurance program strategic goals of increased premium volume and improved underwriting results. Recent growth is coming from highly diversified areas including newly launched lines of business, as well as, product and geographic expansion in existing lines of business. We are building a world-class insurance platform capable of offering products across lines and geographies, complementing our leading global reinsurance franchise.

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

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

(Dollars in millions)	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Percentage Increase/ (Decrease)	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	Percentage Increase/ (Decrease)
Gross written premiums	$ 1,688.0	$ 1,632.3	3.4%	$ 3,372.9	$ 3,098.5	8.9%
Net written premiums	1,319.9	1,190.4	10.9%	2,712.1	2,297.4	18.1%
REVENUES:						
Premiums earned	$ 1,375.6	$ 1,179.8	16.6%	$ 2,646.1	$ 2,295.8	15.3%
Net investment income	90.7	72.1	25.9%	175.2	142.0	23.4%
Net realized capital gains (losses)	142.6	(42.3)	NM	277.6	(102.5)	NM
Other income (expense)	(3.8)	77.7	-104.9%	(5.0)	2.8	NM
Total revenues	1,605.0	1,287.3	24.7%	3,093.9	2,338.2	32.3%
CLAIMS AND EXPENSES:						
Incurred losses and loss adjustment expenses	843.2	1,228.8	-31.4%	1,639.3	1,942.0	-15.6%
Commission, brokerage, taxes and fees	316.8	288.0	10.0%	605.0	544.5	11.1%
Other underwriting expenses	83.3	74.2	12.3%	161.7	151.6	6.7%
Corporate expense	2.5	1.5	66.5%	4.2	5.1	-18.4%
Interest, fee and bond issue cost amortization expense	9.7	7.6	27.0%	19.5	14.9	30.6%
Total claims and expenses	1,255.5	1,600.1	-21.5%	2,429.7	2,658.1	-8.6%
INCOME (LOSS) BEFORE TAXES	349.5	(312.8)	-211.7%	664.2	(319.9)	NM
Income tax expense (benefit)	67.6	(47.4)	-242.7%	131.1	(42.4)	NM
NET INCOME (LOSS)	$ 281.9	$ (265.4)	-206.2%	$ 533.1	$ (277.6)	NM
RATIOS:			Point Change			Point Change
Loss ratio	61.3%	104.1%	(42.8)	62.0%	84.6%	(22.6)
Commission and brokerage ratio	23.0%	24.4%	(1.4)	22.9%	23.7%	(0.8)
Other underwriting expense ratio	6.1%	6.3%	(0.2)	6.1%	6.6%	(0.6)
Combined ratio	90.4%	134.8%	(44.4)	90.9%	114.9%	(24.0)

(Dollars in millions)	At June 30, 2019	At December 31, 2018	Percentage Increase/ (Decrease)
Balance sheet data:			
Total investments and cash	$ 11,305.7	$ 10,707.4	5.6%
Total assets	19,235.8	18,688.2	2.9%
Loss and loss adjustment expense reserves	10,148.4	10,167.0	-0.2%
Total debt	633.7	933.6	-32.1%
Total liabilities	13,492.1	13,643.5	-1.1%
Stockholder's equity	5,743.7	5,044.7	13.9%

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

Revenues.

Premiums. Gross written premiums increased by 3.4% to $1,688.0 million for the three months ended June 30, 2019, compared to $1,632.3 million for the three months ended June 30, 2018, reflecting a $92.1 million, or 15.8%, increase in our insurance business and a $36.4 million, or 3.5% decrease in our reinsurance business. The rise in insurance premiums was primarily due to increases in many lines of business, including property, casualty, energy and specialty lines. The decrease in reinsurance premiums was mainly due to decreases in treaty property writings, partially offset by an increase in treaty casualty writings. Gross written premiums increased by 8.9% to $3,372.9 million for the six months ended June 30, 2019, compared to $3,098.5 million for the six months ended June 30, 2018, reflecting a $168.9 million, or

16.3%, increase in our insurance business and a $105.5 million, or 5.1%, increase in our reinsurance business. The rise in insurance premiums was primarily due to increases in many lines of business, including property, casualty, energy and accident and health. The increase in reinsurance premiums was mainly due to an increase in treaty casualty writings, partially offset by a decline in property business.

Net written premiums increased by 10.9% to $1,319.9 million for the three months ended June 30, 2019, compared to $1,990.4 million for the three months ended June 30, 2018, and increased by 18.1% to $2,712.1 million for the six months ended June 30, 2019, compared to $2,297.4 million for the six months ended June 30, 2018. The difference between the change in gross written premiums compared to the change in net written premiums is primarily due to the impact of changes in affiliated reinsurance contracts. Premiums ceded to Bermuda Re during the three months ended June 30, 2019 were $19.5 million compared with $143.0 million during the three months ended June 30, 2018. Premiums ceded to Bermuda Re during the six months ended June 30, 2019 were $71.0 million compared with $275.3 million during the six months ended June 30, 2018. Premiums earned increased by 16.6% to $1,375.6 million for the three months ended June 30, 2019, compared to $1,179.8 million for the three months ended June 30, 2018, and increased by 15.3% to $2,646.1 million for the six months ended June 30, 2019, compared to $2,295.8 million for the six months ended 2018. The change in premiums earned relative to net written premiums is the result of timing; premiums are earned ratably over the coverage period whereas written premiums are recorded at the initiation of the coverage period.

<u>Net Investment Income.</u> Net investment income increased 25.9% to $90.7 million for the three months ended June 30, 2019 compared with net investment income of $72.1 million for the three months ended June 30, 2018. Net investment income increased 23.4% to $175.2 million for the six months ended June 30, 2019 compared with net investment income of $142.0 million for the six months ended June 30, 2018. Net pre-tax investment income as a percentage of average invested assets was 3.3% for the three months ended June 30, 2019 compared to 3.2% for the three months ended June 30, 2018, and was 3.2% for the six months ended June 30, 2019 and June 30, 2018. The increase in income was primarily the result of higher income from our growing fixed maturity portfolio.

<u>Net Realized Capital Gains (Losses).</u> Net realized capital gains were $142.6 million and net realized capital losses were $42.3 million for the three months ended June 30, 2019 and 2018, respectively. The net realized capital gains of $142.6 million for the three months ended June 30, 2019 were comprised of $150.7 million of gains from fair value re-measurements, partially offset by $4.9 million of other than temporary impairments and $3.3 million of net losses from sales of investments. The net realized capital losses of $42.3 million for the three months ended June 30, 2018 were comprised of $39.1 million of losses from fair value re-measurements, $2.3 million of losses from sales of investments and $0.9 million of other-than-temporary investments.

Net realized capital gains were $277.6 million and net realized capital losses were $102.5 million for the six months ended June 30, 2019 and 2018, respectively. The net realized capital gains of $277.6 million for the six months ended June 30, 2019 were comprised of $279.2 million of gains from fair value re-measurements and $5.6 million of net gains from sales of investments, partially offset by $7.2 million of other-than-temporary impairments. The net realized capital losses of $102.5 million for the six months ended June 30, 2018 were comprised of $102.9 million of losses from fair value re-measurements and $0.9 million of other-than-temporary investments, partially offset by $1.3 million of gains from sales of investments.

<u>Other Income (Expense).</u> We recorded other expense of $3.8 million and other income of $77.7 million for the three months ended June 30, 2019 and 2018, respectively. We recorded other expense of $5.0 million and other income of $2.8 million for the six months ended June 30, 2019 and 2018, respectively. The changes were primarily the result of fluctuations in foreign currency exchange rates and changes in deferred gains under retroactive reinsurance agreements.

Claims and Expenses.

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

	Three Months Ended June 30,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2019						
Attritional	$ 826.5	60.1%	$ (13.8)	-1.0%	$ 812.7	59.1%
Catastrophes	(0.1)	0.0%	30.6	2.2%	30.5	2.2%
Total	$ 826.4	60.1%	$ 16.8	1.2%	$ 843.2	61.3%
2018						
Attritional	$ 673.5	57.0%	$ (3.5)	-0.3%	$ 670.0	56.7%
Catastrophes	64.6	5.5%	494.2	41.9%	558.8	47.4%
Total	$ 738.1	62.5%	$ 490.7	41.6%	$ 1,228.8	104.1%
Variance 2019/2018						
Attritional	$ 153.0	3.1 pts	$ (10.3)	(0.7) pts	$ 142.7	2.4 pts
Catastrophes	(64.7)	(5.5) pts	(463.6)	(39.7) pts	(528.3)	(45.2) pts
Total	$ 88.3	(2.4) pts	$ (473.9)	(40.4) pts	$ (385.6)	(42.8) pts

	Six Months Ended June 30,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2019						
Attritional	$ 1,590.4	60.1%	$ (13.8)	-0.5%	$ 1,576.5	59.6%
Catastrophes	24.9	0.9%	37.9	1.4%	62.8	2.4%
Total	$ 1,615.3	61.0%	$ 24.0	0.9%	$ 1,639.3	62.0%
2018						
Attritional	$ 1,386.4	60.4%	$ (3.2)	-0.1%	$ 1,383.2	60.3%
Catastrophes	64.6	2.8%	494.2	21.5%	558.8	24.3%
Total	$ 1,451.0	63.2%	$ 491.0	21.4%	$ 1,942.0	84.6%
Variance 2019/2018						
Attritional	$ 204.0	(0.3) pts	$ (10.6)	(0.4) pts	$ 193.3	(0.7) pts
Catastrophes	(39.7)	(1.9) pts	(456.3)	(20.1) pts	(496.0)	(21.9) pts
Total	$ 164.3	(2.2) pts	$ (467.0)	(20.5) pts	$ (302.7)	(22.6) pts

(Some amounts may not reconcile due to rounding.)

Incurred losses and LAE decreased by 31.4% to $843.2 million for the three months ended June 30, 2019 compared to $1,228.8 million for the three months ended June 30, 2018, primarily due to $463.6 million of less unfavorable development on prior year catastrophe losses and a decrease in current year catastrophe losses of $64.7 million, partially offset by an increase in current year attritional losses of $153.0 million primarily due to the increase in premiums earned. There were no current year catastrophe losses for the three months ended June 30, 2019. The $494.2 million of unfavorable development on prior years catastrophe losses, for the three months ended June 30, 2018 mainly related to Hurricanes Harvey, Irma and Maria. The increase in loss estimates for Hurricanes Harvey, Irma and Maria was mostly driven by re-opened claims reported in the second quarter of 2018 and loss inflation from higher than expected loss adjustment expenses and in particular, their impact on aggregate covers. The current year catastrophe losses of $64.6 million for the three months ended June 30, 2018 related to Cyclone Mekunu ($50.0 million) and the U.S. winter storms ($14.6 million).

Incurred losses and LAE decreased by 15.6% to $1,639.3 million for the six months ended June 30, 2019 compared to $1,942.0 million for the six months ended June 30, 2018, primarily due to $456.3 million of less unfavorable development on prior year catastrophe losses and a decrease in current year catastrophe losses of $39.7 million, partially offset by an increase in current year attritional losses of $204.0 million. The current year catastrophe losses of $24.9 million for the six months ended June 30, 2019 are primarily due to Townsville monsoon in Australia. The $494.2 million of unfavorable development on prior years catastrophe losses, for the six months ended June 30, 2018 mainly related to Hurricanes Harvey, Irma and Maria. The increase in loss estimates for Hurricanes Harvey, Irma and Maria was mostly driven by re-opened claims reported in the second quarter of 2018 and loss inflation from higher than expected loss adjustment expenses and in particular, their impact on aggregate covers. The current year catastrophe losses of $64.6 million for the six months ended June 30, 2018 related to Cyclone Mekunu ($50.0 million) and the U.S. winter storms ($14.6 million).

Commission, Brokerage, Taxes and Fees. Commission, brokerage, taxes and fees increased to $316.8 million for the three months ended June 30, 2019 compared to $288.0 million for the three months ended June 30, 2018. Commission, brokerage, taxes and fees increased to $605.0 million for the six months ended June 30, 2019 compared to $544.5 million for the six months ended June 30, 2018. The increases were mainly due to the impacts of the increase in premiums earned and changes in the mix of business.

Other Underwriting Expenses. Other underwriting expenses increased slightly to $83.3 million for the three months ended June 30, 2019 compared to $74.2 million for the three months ended June 30, 2018. Other underwriting expenses increased to $161.7 million for the six months ended June 30, 2019 compared to $151.6 million for the six months ended June 30, 2018. These increases were primarily due to the increase in premiums earned, changes in the mix of business and the continued expansion of the insurance business.

Corporate Expenses. Corporate expenses, which are general operating expenses that are not allocated to segments, have increased to $2.5 million from $1.5 million for the three months ended June 30, 2019 and 2018, respectively, and decreased to $4.2 million from $5.1 million for the six months ended June 30, 2019 and 2018, respectively.

Interest, Fees and Bond Issue Cost Amortization Expense. Interest, fees and other bond amortization expense was $9.7 million and $7.6 million for the three months ended June 30, 2019 and 2018, respectively. Interest, fees and other bond amortization expense was $19.5 million and $14.9 million for the six months ended June 30, 2019 and 2018, respectively. The change in expense was primarily due to interest expense on the $300.0 million affiliated loan agreement with Bermuda Re effective on December 31, 2018 and the movement in the floating interest rate related to the long term subordinated notes, which is reset quarterly per the note agreement. The floating rate was 4.9% as of June 30, 2019 compared to 4.7% as of June 30, 2018.

Income Tax Expense (Benefit). We had an income tax expense of $67.6 million and an income tax benefit of $47.4 million for the three months ended June 30, 2019 and 2018, respectively. We had an income tax expense of $131.1 million and an income tax benefit of $42.4 million for the six months ended June 30, 2019 and 2018, respectively. Variations in taxes generally result from changes in the relative levels of pre-tax income, including the impact of catastrophe losses and net capital gains (losses) as well as changes in tax exempt investment income and creditable foreign taxes. The change in income tax expense (benefit) was primarily due to the increase in net capital gains and underwriting income for the three and six months ended June 30, 2019 compared to the three and six months ended June 30, 2018.

Net Income (Loss).
Our net income was $281.9 million for the three months ended June 30, 2019, and our net loss was $265.4 million, for the three months ended June 30, 2018 respectively. Our net income was $533.1 million for the six months ended June 30, 2019, and our net loss was $277.6 million, for the six months ended June 30, 2018 respectively. The changes were primarily driven by the financial component fluctuations explained above.

Ratios.
Our combined ratio decreased by 44.4 points to 90.4% for the three months ended June 30, 2019 compared to 134.8% for the three months ended June 30, 2018, and decreased by 24.0 points to 90.9% for the six months ended June 30, 2019 compared to 114.9% for the six months ended June 30, 2018. The loss ratio component decreased by 42.8 points and 22.6 points in for the three and six months ended June 30, 2019, respectively, over the same period last year mainly due to a lower loss ratio on prior year catastrophe losses in 2019 compared to 2018. The commission and brokerage ratio component decreased to 23.0% for the three months ended June 30, 2019 compared to 24.4% for the three months ended June 30, 2018, and decreased to 22.9% for the six months ended June 30, 2019 compared to 23.7% for the six months ended June 30, 2018, reflecting changes in affiliated reinsurance agreements and changes in the mix of business. The other underwriting expense ratio decreased slightly to 6.1% for the three months ended June 30, 2019 from 6.3% for the three months ended June 30, 2018 and decreased slightly to 6.1% for the six months ended June 30, 2019 from 6.6% for the six months ended June 30, 2018, mainly due to the impact of changes in affiliated reinsurance contracts and the increase in premiums earned.

Stockholder's Equity.
Stockholder's equity increased by $699.0 million to $5,743.7 million at June 30, 2019 from $5,044.7 million at December 31, 2018, principally as a result of $533.1 million of net income, $161.4 million of net unrealized appreciation on investments, net of tax, $2.3 million of net benefit plan obligation adjustments and $2.1 million of net foreign currency translation adjustments.

Consolidated Investment Results

Net Investment Income.
Net investment income increased by 25.9% to $90.7 million for the three months ended June 30, 2019 compared with net investment income of $72.1 million for the three months ended June 30, 2018. Net investment income increased by 23.4% to $175.2 million for the six months ended June 30, 2019 compared with net investment income of $142.0 million for the six months ended June 30, 2018. The increase in income was primarily the result of higher income from our growing fixed maturity portfolio.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in millions)	2019	2018	2019	2018
Fixed maturities	$ 65.3	$ 48.5	$ 132.4	$ 90.9
Equity securities	2.4	3.6	3.8	8.0
Short-term investments and cash	3.2	1.3	5.9	2.2
Other invested assets				
Limited partnerships	15.1	14.1	23.2	28.6
Dividends from preferred shares of affiliate	7.7	7.7	15.5	15.5
Other	3.3	1.5	6.3	4.7
Gross investment income before adjustments	97.1	76.8	187.1	150.0
Funds held interest income (expense)	1.4	0.7	4.3	3.6
Interest income from Parent	-	1.1	-	2.2
Gross investment income	98.5	78.7	191.4	155.8
Investment expenses	(7.8)	(6.6)	(16.1)	(13.8)
Net investment income	$ 90.7	$ 72.1	$ 175.3	$ 142.0

(Some amounts may not reconcile due to rounding.)

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

	At June 30, 2019	At December 31, 2018
Imbedded pre-tax yield of cash and invested assets	3.6%	3.5%
Imbedded after-tax yield of cash and invested assets	2.9%	2.8%

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Annualized pre-tax yield on average cash and invested assets	3.3%	3.2%	3.2%	3.2%
Annualized after-tax yield on average cash and invested assets	2.7%	2.6%	2.6%	2.6%

Net Realized Capital Gains (Losses).

The following table presents the composition of our net realized capital gains (losses) for the periods indicated:

	Three Months Ended June 30,			Six Months Ended June 30,		
(Dollars in millions)	2019	2018	Variance	2019	2018	Variance
Gains (losses) from sales:						
Fixed maturity securities, market value						
Gains	$ 2.8	$ 2.1	$ 0.7	$ 10.9	$ 9.0	$ 1.9
Losses	(5.0)	(2.2)	(2.8)	(9.7)	(3.0)	(6.7)
Total	(2.2)	(0.1)	(2.1)	1.2	6.0	(4.8)
Fixed maturity securities, fair value						
Gains	0.4	-	0.4	0.4	-	0.4
Losses	-	(1.1)	1.1	-	(1.1)	1.1
Total	0.4	(1.1)	1.5	0.4	(1.1)	1.5
Equity securities, fair value						
Gains	2.5	4.7	(2.2)	8.2	7.9	0.3
Losses	(3.9)	(6.3)	2.4	(4.5)	(12.0)	7.5
Total	(1.3)	(1.6)	0.3	3.7	(4.1)	7.8
Other invested assets						
Gains	-	0.6	(0.6)	0.3	0.6	(0.3)
Losses	(0.1)	-	(0.1)	(0.1)	-	(0.1)
Total	(0.1)	0.6	(0.7)	0.2	0.6	(0.4)
Short Term Investments:						
Gains	0.1	-	0.1	0.1	-	0.1
Losses	-	-	-	(0.0)	-	(0.0)
Total	0.1	-	0.1	0.1	-	0.1
Total net realized gains (losses) from sales						
Gains	5.7	7.3	(1.6)	19.9	17.4	2.5
Losses	(9.0)	(9.6)	0.6	(14.3)	(16.1)	1.8
Total	(3.3)	(2.3)	(1.0)	5.6	1.3	4.3
Other than temporary impairments:	(4.9)	(0.9)	(4.0)	(7.2)	(0.9)	(6.3)
Gains (losses) from fair value adjustments:						
Fixed maturities, fair value	-	1.0	(1.0)	-	1.0	(1.0)
Equity securities, fair value	25.8	25.5	0.3	103.6	(1.5)	105.1
Other invested assets, fair value	125.0	(65.6)	190.6	175.6	(102.4)	278.0
Total	150.7	(39.1)	189.8	279.2	(102.9)	382.1
Total net realized gains (losses)	$ 142.6	$ (42.3)	$ 184.9	$ 277.6	$ (102.5)	$ 380.1

(Some amounts may not reconcile due to rounding.)

Net realized capital gains were $142.6 million and net realized capital losses were $42.3 million for the three months ended June 30, 2019 and 2018, respectively. For the three months ended June 30, 2019, we recorded $150.7 million of gains from fair value re-measurements, partially offset by $4.9 million of other-than-temporary impairments and $3.3 million of net losses from sales of investments. For the three months ended June 30, 2018 we recorded $39.1 million of losses from fair value re-measurements, $2.3 million of losses from sales of investments and $0.9 million of other-than-temporary investments. The fixed maturity and equity sales related primarily to adjusting the portfolios for overall market changes and individual credit shifts.

Net realized capital gains were $277.6 million and net realized capital losses were $102.5 million for the six months ended June 30, 2019 and 2018, respectively. For the six months ended June 30, 2019, we recorded $279.2 million of gains from fair value re-measurements and $5.6 million of net gains from sales of investments, partially offset by $7.2 million of other-than-temporary impairments. For the six months ended June 30, 2018, we recorded $102.9 million of losses from fair value re-measurements and $0.9 million of other-than-temporary impairments, partially offset by $1.3 million of gains from sales of investments. The fixed maturity and equity sales related primarily to adjusting the portfolios for overall market changes and individual credit shifts.

Segment Results.
The U.S. Reinsurance operation writes property and casualty reinsurance and specialty lines of business, including Marine, Aviation, Surety and A&H business, on both a treaty and facultative basis, through reinsurance brokers, as well as directly with ceding companies primarily within the U.S. The International operation writes 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, 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 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.

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

The following discusses the underwriting results for each of our segments for the periods indicated:

U.S. Reinsurance.
The following table presents the underwriting results and ratios for the U.S. Reinsurance segment for the periods indicated.

	Three Months Ended June 30,				Six Months Ended June 30,			
(Dollars in millions)	2019	2018	Variance	% Change	2019	2018	Variance	% Change
Gross written premiums	$ 641.8	$ 652.1	$ (10.3)	-1.6%	$ 1,405.9	$ 1,296.3	$ 109.6	8.5%
Net written premiums	487.7	429.9	57.8	13.4%	1,105.8	853.8	252.0	29.5%
Premiums earned	$ 605.1	$ 467.5	$ 137.6	29.4%	$ 1,180.0	$ 908.9	$ 271.1	29.8%
Incurred losses and LAE	367.5	708.5	(341.0)	-48.1%	684.1	1,009.7	(325.6)	-32.2%
Commission and brokerage	172.6	148.7	23.9	16.1%	339.7	276.0	63.7	23.1%
Other underwriting expenses	15.7	15.5	0.2	1.3%	31.3	32.4	(1.1)	-3.4%
Underwriting gain (loss)	$ 49.3	$ (405.2)	$ 454.5	-112.2%	$ 124.9	$ (409.2)	$ 534.1	-130.5%
				Point Chg				Point Chg
Loss ratio	60.7%	151.6%		(90.9)	58.0%	111.1%		(53.1)
Commission and brokerage ratio	28.5%	31.8%		(3.3)	28.8%	30.4%		(1.6)
Other underwriting ratio	2.6%	3.3%		(0.7)	2.6%	3.5%		(0.9)
Combined ratio	91.8%	186.7%		(94.9)	89.4%	145.0%		(55.6)

(Some amounts may not reconcile due to rounding.)

(NM, not meaningful)

Premiums. Gross written premiums decreased by 1.6% to $641.8 million for the three months ended June 30, 2019 from $652.1 million for the three months ended June 30, 2018, primarily due to a decrease in treaty property writings, partially offset by an increase in treaty casualty business. Net written premiums increased by 13.4% to $487.7 million for the three months ended June 30, 2019 compared to $429.9 million for the three months ended June 30, 2018. The difference between the change in gross written premiums compared to the change in net written premiums is primarily due to varying utilization of reinsurance, including the impact of changes in affiliated reinsurance contracts. Premiums earned increased by 29.4% to $605.1 million for the three months ended June 30, 2019 compared to $467.5 million for the three months ended June 30, 2018. The change in premiums earned relative to net written premiums is the result of timing; premiums are earned ratably over the coverage period whereas written premiums are recorded at the initiation of the coverage period.

Gross written premiums increased by 8.5% to $1,405.9 million for the six months ended June 30, 2019 from $1,296.3 million for the six months ended June 30, 2018, primarily due to an increase in treaty casualty writings, partially offset by a decline in treaty property business. Net written premiums increased by 29.5% to $1,105.8 million for the six months ended June 30, 2019 compared to $853.8 million for the six months ended June 30, 2018. The difference between the change in gross written premiums compared to the change in net written premiums is primarily due to varying utilization of reinsurance, including the impact of changes in affiliated reinsurance contracts. Premiums earned increased by 29.8% to $1,180.0 million for the six months ended June 30, 2019 compared to $908.9 million for the six months ended June 30, 2018. The change in premiums earned relative to net written premiums is the result of timing; premiums are earned ratably over the coverage period whereas written premiums are recorded at the initiation of the coverage period.

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

(Dollars in millions)	Three Months Ended June 30, Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2019						
Attritional	$ 356.0	58.8%	$ 3.0	0.5%	$ 359.0	59.3%
Catastrophes	(0.1)	0.0%	8.5	1.4%	8.5	1.4%
Total segment	$ 355.9	58.8%	$ 11.5	1.9%	$ 367.5	60.7%
2018						
Attritional	$ 260.4	55.7%	$ (5.2)	-1.1%	$ 255.2	54.6%
Catastrophes	4.1	0.9%	449.2	96.1%	453.3	97.0%
Total segment	$ 264.5	56.6%	$ 444.0	95.0%	$ 708.5	151.6%
Variance 2019/2018						
Attritional	$ 95.6	3.1 pts	$ 8.2	1.6 pts	$ 103.8	4.7 pts
Catastrophes	(4.2)	(0.9) pts	(440.7)	(94.7) pts	(444.8)	(95.6) pts
Total segment	$ 91.4	2.2 pts	$ (432.5)	(93.1) pts	$ (341.0)	(90.9) pts

(Dollars in millions)	Six Months Ended June 30, Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2019						
Attritional	$ 708.0	60.0%	$ 3.0	0.3%	$ 711.0	60.2%
Catastrophes	(0.1)	0.0%	(26.8)	-2.3%	(26.9)	-2.3%
Total segment	$ 707.9	60.0%	$ (23.8)	-2.0%	$ 684.1	58.0%
2018						
Attritional	$ 561.6	61.9%	$ (5.2)	-0.6%	$ 556.4	61.3%
Catastrophes	4.1	0.4%	449.2	49.4%	453.3	49.8%
Total segment	$ 565.7	62.3%	$ 444.0	48.8%	$ 1,009.7	111.1%
Variance 2019/2018						
Attritional	$ 146.4	(1.9) pts	$ 8.2	0.9 pts	$ 154.6	(1.1) pts
Catastrophes	(4.2)	(0.4) pts	(476.0)	(51.7) pts	(480.2)	(52.1) pts
Total segment	$ 142.2	(2.3) pts	$ (467.8)	(50.8) pts	$ (325.6)	(53.1) pts

(Some amounts may not reconcile due to rounding.)

Incurred losses decreased by 48.1% to $367.5 million for the three months ended June 30, 2019 compared to $708.5 million for the three months ended June 30, 2018. The decrease was primarily due to $440.7 million of less unfavorable development on prior years catastrophe losses in 2019 compared to 2018. The unfavorable development in 2018 mainly related to Hurricanes Harvey, Irma and Maria. This decline was partially offset by an increase of $95.6 million in current year attritional losses, mainly due to the impact of the increase in premiums earned and changes in mix of business. The current year catastrophe losses of $4.1 million for the three months ended June 30, 2018 related to the U.S. winter storms ($4.1 million).

Incurred losses decreased by 32.2% to $684.1 million for the six months ended June 30, 2019 compared to $1,009.7 million for the six months ended June 30, 2018. The decrease was primarily due to $476.0 million of less unfavorable development on prior year catastrophe losses in 2019 compared to 2018. The unfavorable development mainly related to Hurricanes Harvey, Irma and Maria as well as the 2017 California wildfires. This decline was partially offset by an increase of $146.4 million in current year attritional losses, mainly due to the impact of the increase in premiums earned and changes in the mix of business. The current year catastrophe losses of $4.1 million for the six months ended June 30, 2018 related to the U.S. winter storms ($4.1 million).

Segment Expenses. Commission and brokerage increased to $172.6 million for the three months ended June 30, 2019 compared to $148.7 million for the three months ended June 30, 2018. Commission and brokerage increased to $339.7 million for the six months ended June 30, 2019 compared to $276.0 million for the six months ended June 30, 2018. The increases were mainly due to the impact of the increases in premium earned, changes in the mix of business and changes in affiliated reinsurance agreements.

Segment other underwriting expenses increased slightly to $15.7 million for the three months ended June 30, 2019 from $15.5 million for the three months ended June 30, 2018. Segment other underwriting expenses decreased slightly to $31.3 million for the six months ended June 30, 2019 from $32.4 million for the six months ended June 30, 2018.

International.

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

	Three Months Ended June 30,				Six Months Ended June 30,			
(Dollars in millions)	2019	2018	Variance	% Change	2019	2018	Variance	% Change
Gross written premiums	$ 372.7	$ 398.7	$ (26.0)	-6.5%	$ 761.6	$ 765.7	$ (4.1)	-0.5%
Net written premiums	350.2	337.4	12.8	3.8%	708.1	672.2	35.9	5.3%
Premiums earned	$ 353.1	$ 343.1	$ 10.0	2.9%	$ 675.5	$ 672.1	$ 3.4	0.5%
Incurred losses and LAE	213.8	259.5	(45.7)	-17.6%	450.9	435.8	15.1	3.5%
Commission and brokerage	86.0	84.4	1.6	1.9%	155.8	162.8	(7.0)	-4.3%
Other underwriting expenses	9.6	9.9	(0.3)	-3.0%	18.1	20.0	(1.9)	-9.5%
Underwriting gain (loss)	$ 43.7	$ (10.6)	$ 54.4	NM	$ 50.6	$ 53.5	$ (2.9)	-5.4%
				Point Chg				Point Chg
Loss ratio	60.6%	75.6%		(15.0)	66.8%	64.9%		1.9
Commission and brokerage ratio	24.3%	24.6%		(0.3)	23.1%	24.2%		(1.1)
Other underwriting ratio	2.8%	2.9%		(0.1)	2.6%	2.9%		(0.3)
Combined ratio	87.7%	103.1%		(15.4)	92.5%	92.0%		0.5

(Some amounts may not reconcile due to rounding.)

(NM, not meaningful)

Premiums. Gross written premiums decreased by 6.5% to $372.7 million for the three months ended June 30, 2019 compared to $398.7 million for the three months ended June 30, 2018, primarily due to a decline in Latin American business and the negative impact of $9.1 million from the movement of foreign exchange rates, partially offset by increases in Middle East and Africa business and facultative business. Net written premiums increased by 3.8% to $350.2 million for the three months ended June 30, 2019 compared to $337.4 million for the three months ended June 30, 2018. The difference between the change in gross written premiums compared to the change in net written premiums is primarily due to the varying utilization of reinsurance, including the impact of changes in affiliated reinsurance contracts. Premiums earned increased 2.9% to $353.1 million for the three months ended June 30, 2019 compared to $343.1 million for the three months ended June 30, 2018. The change in premiums earned relative to net written premiums is due to changes in affiliated reinsurance agreements and is also the result of timing; premiums are earned ratably over the coverage period whereas written premiums are recorded at the initiation of the coverage period.

Gross written premiums decreased by 0.5% to $761.6 million for the six months ended June 30, 2019 compared to $765.7 million for the six months ended June 30, 2018, primarily due to a decline in Latin American business and the negative impact of $23.3 million from the movement of foreign exchange rates, partially offset by increases in Middle East and Africa business and facultative business. Net written premiums increased by 5.3% to $708.1 million for the six months ended June 30, 2019 compared to $672.2 million for the six months ended June 30, 2018. The difference between the change in gross written premiums compared to the change in net written premiums is primarily due to the varying utilization of reinsurance, including the impact of changes in affiliated reinsurance contracts. Premiums earned increased 0.5% to $675.5 million for the six months ended June 30, 2019 compared to $672.1 million for the six months ended June 30, 2018. The change in premiums earned relative to net written premiums is due to changes in affiliated reinsurance agreements and is also the result of timing; premiums are earned ratably over the coverage period whereas written premiums are recorded at the initiation of the coverage period.

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

	Three Months Ended June 30,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2019						
Attritional	$ 191.4	54.2%	$ 1.9	0.5%	$ 193.3	54.7%
Catastrophes	(0.0)	0.0%	20.6	5.8%	20.5	5.8%
Total segment	$ 191.4	54.2%	$ 22.4	6.4%	$ 213.8	60.6%
2018						
Attritional	$ 161.7	47.1%	$ -	0.0%	$ 161.7	47.1%
Catastrophes	50.0	14.6%	47.8	13.9%	97.8	28.5%
Total segment	$ 211.7	61.7%	$ 47.8	13.9%	$ 259.5	75.6%
Variance 2019/2018						
Attritional	$ 29.7	7.1 pts	$ 1.9	0.5 pts	$ 31.6	7.6 pts
Catastrophes	(50.0)	(14.6) pts	(27.2)	(8.1) pts	(77.3)	(22.7) pts
Total segment	$ (20.3)	(7.5) pts	$ (25.4)	(7.5) pts	$ (45.7)	(15.0) pts

	Six Months Ended June 30,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2019						
Attritional	$ 361.5	53.5%	$ 1.9	0.3%	$ 363.4	53.8%
Catastrophes	25.0	3.7%	62.6	9.3%	87.5	13.0%
Total segment	$ 386.5	57.2%	$ 64.4	9.5%	$ 450.9	66.8%
2018						
Attritional	$ 338.1	50.4%	$ -	0.0%	$ 338.1	50.4%
Catastrophes	50.0	7.4%	47.8	7.1%	97.8	14.5%
Total segment	$ 388.1	57.8%	$ 47.8	7.1%	$ 435.8	64.9%
Variance 2019/2018						
Attritional	$ 23.4	3.1 pts	$ 1.9	0.3 pts	$ 25.3	3.4 pts
Catastrophes	(25.0)	(3.7) pts	14.8	2.2 pts	(10.3)	(1.5) pts
Total segment	$ (1.6)	(0.6) pts	$ 16.6	2.4 pts	$ 15.1	1.9 pts

(Some amounts may not reconcile due to rounding.)

Incurred losses and LAE decreased by 17.6% to $213.8 million for the three months ended June 30, 2019 compared to $259.5 million for the three months ended June 30, 2018, primarily due to a decrease of $50.0 million in current year catastrophe losses and $27.2 million of less unfavorable development on prior years catastrophe losses, partially offset by an increase of $29.7 million in current year attritional losses. There were no current year catastrophe losses for the three months ended June 30, 2019. The current year catastrophe losses of $50.0 million for the three months ended June 30, 2018 related to Cyclone Mekunu ($50.0 million).

Incurred losses and LAE increased by 3.5% to $450.9 million for the six months ended June 30, 2019 compared to $435.8 million for the six months ended June 30, 2018, primarily due to an increase of $23.4 million in current year attritional losses and an additional $14.8 million of unfavorable development on prior years catastrophe losses, partially offset by a decrease of $25.0 million in current year catastrophe losses. The current year catastrophe losses of $25.0 million for the six months ended June 30, 2019 related to the Townsville monsoon in Australia ($25 million). The current year catastrophe losses of $50.0 million for the six months ended June 30, 2018 related to Cyclone Mekunu ($50.0 million).

Segment Expenses. Commission and brokerage increased to $86.0 million for the three months ended June 30, 2019 compared to $84.4 million for the three months ended June 30, 2018. Commission and brokerage decreased to $155.8 million for the six months ended June 30, 2019 compared to $162.8 million for the six months ended June 30, 2018. The fluctuations were mainly due to the impact of changes in affiliated reinsurance agreements and changes in the mix of business.

Segment other underwriting expenses decreased slightly to $9.6 million for the three months ended June 30, 2019 from $9.9 million for the three months ended June 30, 2018. Segment other underwriting expenses decreased slightly to $18.1 million for the six months ended June 30, 2019 from $20.0 million for the six months ended June 30, 2018.

Insurance.

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

	Three Months Ended June 30,				Six Months Ended June 30,			
(Dollars in millions)	2019	2018	Variance	% Change	2019	2018	Variance	% Change
Gross written premiums	$ 673.6	$ 581.5	$ 92.1	15.8%	$ 1,205.4	$ 1,036.4	$ 169.0	16.3%
Net written premiums	482.0	423.1	58.9	13.9%	898.2	771.4	126.8	16.4%
Premiums earned	$ 417.4	$ 369.2	$ 48.2	13.1%	$ 790.6	$ 714.9	$ 75.7	10.6%
Incurred losses and LAE	261.9	260.7	1.2	0.5%	504.3	496.4	7.9	1.6%
Commission and brokerage	58.2	54.9	3.3	6.0%	109.5	105.7	3.8	3.6%
Other underwriting expenses	58.0	48.9	9.1	18.6%	112.3	99.3	13.0	13.1%
Underwriting gain (loss)	$ 39.3	$ 4.6	$ 34.6	NM	$ 64.5	$ 13.5	$ 51.0	NM
				Point Chg				Point Chg
Loss ratio	62.8%	70.6%		(7.8)	63.8%	69.4%		(5.6)
Commission and brokerage ratio	13.9%	14.9%		(1.0)	13.8%	14.8%		(1.0)
Other underwriting ratio	13.9%	13.2%		0.7	14.2%	13.9%		0.3
Combined ratio	90.6%	98.7%		(8.1)	91.8%	98.1%		(6.3)

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

Premiums. Gross written premiums increased by 15.8% to $673.6 million for the three months ended June 30, 2019 compared to $581.5 million for the three months ended June 30, 2018. This increase was related to most lines of business including property, casualty, energy and specialty lines. Net written premiums increased by 13.9% to $482.0 million for the three months ended June 30, 2019 compared to $423.1 million for the three months ended June 30, 2018, which is consistent with the change in written premiums. Premiums earned increased by 13.1% to $417.4 million for the three months ended June 30, 2019 compared to $369.2 million for the three months ended June 30, 2018. The change in premiums earned relative to net written premiums is the result of timing; premiums are earned ratably over the coverage period whereas written premiums are recorded at the initiation of the coverage period.

Gross written premiums increased by 16.3% to $1,205.4 million for the six months ended June 30, 2019 compared to $1,036.4 million for the six months ended June 30, 2018. This increase was related to most lines of business including property, casualty, energy, specialty lines and accident and health. Net written premiums increased by 16.4% to $898.2 million for the six months ended June 30, 2019 compared to $771.4 million for the six months ended June 30, 2018, which is consistent with the change in written premiums. Premiums earned increased by 10.6% to $790.6 million for the six months ended June 30, 2019 compared to $714.9 million for the six months ended June 30, 2018. The change in premiums earned relative to net written premiums is the result of timing; premiums are earned ratably over the coverage period whereas written premiums are recorded at the initiation of the coverage period.

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

	Three Months Ended June 30,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2019						
Attritional	$ 279.1	66.9%	$ (18.7)	-4.5%	$ 260.4	62.4%
Catastrophes	-	0.0%	1.5	0.4%	1.5	0.4%
Total segment	$ 279.1	66.9%	$ (17.2)	-4.1%	$ 261.9	62.8%
2018						
Attritional	$ 251.4	68.1%	$ 1.6	0.4%	$ 253.0	68.5%
Catastrophes	10.5	2.8%	(2.7)	-0.7%	7.8	2.1%
Total segment	$ 261.9	70.9%	$ (1.1)	-0.3%	$ 260.7	70.6%
Variance 2019/2018						
Attritional	$ 27.7	(1.2) pts	$ (20.3)	(4.9) pts	$ 7.4	(6.1) pts
Catastrophes	(10.5)	(2.8) pts	4.2	1.1 pts	(6.3)	(1.7) pts
Total segment	$ 17.2	(4.0) pts	$ (16.1)	(3.8) pts	$ 1.2	(7.8) pts

	Six Months Ended June 30,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2019						
Attritional	$ 520.9	65.9%	$ (18.7)	-2.4%	$ 502.2	63.5%
Catastrophes	-	0.0%	2.1	0.3%	2.1	0.3%
Total segment	$ 520.9	65.9%	$ (16.6)	-2.1%	$ 504.3	63.8%
2018						
Attritional	$ 486.7	68.0%	$ 2.0	0.3%	$ 488.7	68.3%
Catastrophes	10.5	1.5%	(2.7)	-0.4%	7.8	1.1%
Total segment	$ 497.2	69.5%	$ (0.7)	-0.1%	$ 496.4	69.4%
Variance 2019/2018						
Attritional	$ 34.2	(2.1) pts	$ (20.7)	(2.7) pts	$ 13.5	(4.8) pts
Catastrophes	(10.5)	(1.5) pts	4.8	0.7 pts	(5.7)	(0.8) pts
Total segment	$ 23.7	(3.6) pts	$ (15.9)	(2.0) pts	$ 7.9	(5.6) pts

(Some amounts may not reconcile due to rounding.)

Incurred losses and LAE increased by 0.5% to $261.9 million for the three months ended June 30, 2019 compared to $260.7 million for the three months ended June 30, 2018, mainly due to an increase of $27.7 million in current year attritional losses mainly due to the increase in premiums earned, partially offset by a net increase in favorable development of $20.3 million on prior year attritional losses. There were no current year catastrophe losses for the three months ended June 30, 2019. The current year catastrophe losses of $10.5 million for the three months ended June 30, 2018 related to the U.S. winter storms ($10.5 million).

Incurred losses and LAE increased by 1.6% to $504.3 million for the six months ended June 30, 2019 compared to $496.4 million for the six months ended June 30, 2018, mainly due to an increase of $34.2 million in current year attritional losses mainly due to the increase in premiums earned, partially offset by a net increase in favorable development of $20.7 million in prior year attritional losses. There were no current year catastrophe losses for the six months ended June 30, 2019. The current year catastrophe losses of $10.5 million for the six months ended June 30, 2018 related to the U.S. winter storms ($10.5 million).

Segment Expenses. Commission and brokerage increased to $58.2 million for the three months ended June 30, 2019 compared to $54.9 million for the three months ended June 30, 2018. Commission and brokerage increased to $109.5 million for the six months ended June 30, 2019 compared to $105.7 million for the six months ended June 30, 2018. The increases were mainly due to the impact of the increase in premiums earned and changes in affiliated reinsurance agreements.

Segment other underwriting expenses increased to $58.0 million for the three months ended June 30, 2019 compared to $48.9 million for the three months ended June 30, 2018. Segment other underwriting expenses increased to $112.3 million for the six months ended June 30, 2019 compared to $99.3 million for the six months ended June 30, 2018. The increase was mainly due to the impact of the increase in premiums earned and expenses related to the continued build out of the insurance business.

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

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

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

Interest Rate Risk. Our $11.3 billion investment portfolio, at June 30, 2019, is principally comprised of fixed maturity securities, which are generally subject to interest rate risk and some foreign currency exchange rate risk, and some equity securities, which are subject to price fluctuations and some foreign exchange rate risk. The overall economic impact of the foreign exchange risks on the investment portfolio is partially mitigated by changes in the dollar value of foreign currency denominated liabilities and their associated income statement impact.

Interest rate risk is the potential change in value of the fixed maturity securities portfolio, including short-term investments, from a change in market interest rates. In a declining interest rate environment, it includes prepayment risk on the $905.9 million of mortgage-backed securities in the $6,972.0 million fixed maturity portfolio. Prepayment risk results from potential accelerated principal payments that shorten the average life and thus the expected yield of the security.

The table below displays the potential impact of market value fluctuations and after-tax unrealized appreciation on our fixed maturity portfolio (including $368.9 million of short-term investments) for the period indicated based on upward and downward parallel and immediate 100 and 200 basis point shifts in interest rates. For legal entities with a U.S. dollar functional currency, this modeling was performed on each security individually. To generate appropriate price estimate on mortgage-backed securities, changes in prepayment expectations under different interest rate environments were taken into account. For legal entities with non-U.S. dollar functional currency, the effective duration of the involved portfolio of securities was used as a proxy for the market value change under the various interest rate change scenarios.

	Impact of Interest Rate Shift in Basis Points At June 30, 2019				
(Dollars in millions)	-200	-100	0	100	200
Total Market/Fair Value	$ 7,813.7	$ 7,576.0	$ 7,340.9	$ 7,101.2	$ 6,862.5
Market/Fair Value Change from Base (%)	6.4%	3.2%	0.0%	-3.3%	-6.5%
Change in Unrealized Appreciation					
After-tax from Base ($)	$ 373.5	$ 185.9	$ -	$ (189.4)	$ (377.9)

We had $10,148.4 million and $10,167.0 million of gross reserves for losses and LAE as of June 30, 2019 and December 31, 2018, respectively. These amounts are recorded at their nominal value, as opposed to present value, which would reflect a discount adjustment to reflect the time value of money. Since losses are paid out over a period of time, the present value of the reserves is less than the nominal value. As interest rates rise, the present value of the reserves decreases and, conversely, as interest rates decline, the present value increases. These movements are the opposite of the interest rate impacts on the fair value of investments. While the difference between present value and nominal value is not reflected in our financial statements, our financial results will include investment income over time from the investment portfolio until the claims are paid. Our loss and loss reserve obligations have an expected duration that is reasonably consistent with our fixed income portfolio.

Equity Risk. Equity risk is the potential change in fair and/or market value of the common stock, preferred stock and mutual fund portfolios arising from changing prices. Our equity investments consist of a diversified portfolio of individual securities. The primary objective of the equity portfolio is to obtain greater total return relative to our core bonds over time through market appreciation and income.

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

	Impact of Percentage Change in Equity Fair/Market Values At June 30, 2019				
(Dollars in millions)	-20%	-10%	0%	10%	20%
Fair/Market Value of the Equity Portfolio	$ 601.3	$ 676.5	$ 751.6	$ 826.8	$ 902.0
After-tax Change in Fair/Market Value	(118.8)	(59.4)	-	59.4	118.8

Foreign Currency Risk. Foreign currency risk is the potential change in value, income and cash flow arising from adverse changes in foreign currency exchange rates. Each of our non-U.S. ("foreign") operations maintains capital in the currency of the country of its geographic location consistent with local regulatory guidelines. Each foreign operation may conduct business in its local currency, as well as the currency of other countries in which it operates. The primary foreign currency exposures for these foreign operations are the Singapore and Canadian Dollars. We mitigate foreign exchange exposure by generally matching the currency and duration of our assets to our corresponding operating liabilities. In accordance with FASB guidance, the impact on the market value of available for sale fixed maturities due to changes in foreign currency exchange rates, in relation to functional currency, is reflected as part of other comprehensive income. Conversely, the impact of changes in foreign currency exchange rates, in relation to functional currency, on other assets and liabilities is reflected through net income as a component of other income (expense). In addition, we translate the assets, liabilities and income of non-U.S. dollar functional currency legal entities to the U.S. dollar. This translation amount is reported as a component of other comprehensive income.

SAFE HARBOR DISCLOSURE

This report contains forward-looking statements within the meaning of the U.S. federal securities laws. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in the federal securities laws. In some cases, these statements can be identified by the use of forward-looking words such as “may”, “will”, “should”, “could”, “anticipate”, “estimate”, “expect”, “plan”, “believe”, “predict”, “potential” and “intend”. Forward-looking statements contained in this report include information regarding our reserves for losses and LAE, the impact of the TCJA, the adequacy of our provision for uncollectible balances, estimates of our catastrophe exposure, the effects of catastrophic events on our financial statements and the ability of our subsidiaries to pay dividends. Forward-looking statements only reflect our expectations and are not guarantees of performance. These statements involve risks, uncertainties and assumptions. Actual events or results may differ materially from our expectations. Important factors that could cause our actual events or results to be materially different from our expectations include those discussed under the caption ITEM 1A, “Risk Factors” in the Company’s most recent 10-K filing. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk Instruments. See “Market Sensitive Instruments” in PART I – ITEM 2.

ITEM 4. CONTROLS AND PROCEDURES

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

PART II

ITEM 1. LEGAL PROCEEDINGS

In the ordinary course of business, the Company is involved in lawsuits, arbitrations and other formal and informal dispute resolution procedures, the outcomes of which will determine the Company’s rights and obligations under insurance and reinsurance agreements. In some disputes, the Company seeks to enforce its rights under an agreement or to collect funds owing to it. In other matters, the Company is resisting attempts by others to collect funds or enforce alleged rights. These disputes arise from time to time and are ultimately resolved through both informal and formal means, including negotiated resolution, arbitration and litigation. In all such matters, the Company believes that its positions are legally and commercially reasonable. The Company considers the statuses of these proceedings when determining its reserves for unpaid loss and loss adjustment expenses.

Aside from litigation and arbitrations related to these insurance and reinsurance agreements, the Company is not a party to any other material litigation or arbitration.

ITEM 1A. RISK FACTORS

No material changes.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Index:

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

Everest Reinsurance Holdings, Inc.

Signatures

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

Everest Reinsurance Holdings, Inc.
(Registrant)

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

(Duly Authorized Officer and Principal Financial Officer)

Dated: August 14, 2019