

EVEREST REINSURANCE HOLDINGS INC  
Form 10-Q  
November 14, 2014

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

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

FOR THE QUARTERLY PERIOD  
ENDED:  
September 30, 2014

Commission file number:  
1-14527

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

Delaware  
(State or other jurisdiction of  
incorporation or organization)

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

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

(Address, including zip code, and telephone number, including area code,  
of registrant's principal executive office)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES    X        NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES    X        NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer		Accelerated filer
	X	
Non-accelerated filer		Smaller reporting

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company

(Do not check if smaller  
reporting company)

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

YES NO X

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

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

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

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EVEREST REINSURANCE HOLDINGS, INC.

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## Part I

## ITEM 1. FINANCIAL STATEMENTS

EVEREST REINSURANCE HOLDINGS, INC.  
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except par value per share)	September 30, 2014 (unaudited)	December 31, 2013
<b>ASSETS:</b>		
Fixed maturities - available for sale, at market value (amortized cost: 2014, \$5,709,509; 2013, \$5,116,600)	\$ 5,818,116	\$ 5,201,921
Fixed maturities - available for sale, at fair value	18,426	19,388
Equity securities - available for sale, at market value (cost: 2014, \$15; 2013, \$15)	16	13
Equity securities - available for sale, at fair value	1,195,257	1,298,940
Short-term investments	659,017	757,162
Other invested assets (cost: 2014, \$405,734; 2013, \$385,776)	405,734	385,776
Other invested assets, at fair value	1,574,733	1,515,052
Cash	275,418	316,807
Total investments and cash	9,946,717	9,495,059
Accrued investment income	50,173	50,306
Premiums receivable	1,410,534	1,173,780
Reinsurance receivables - unaffiliated	764,252	530,158
Reinsurance receivables - affiliated	3,597,414	3,062,884
Funds held by reinsureds	181,326	175,526
Deferred acquisition costs	109,742	112,024
Prepaid reinsurance premiums	870,981	673,753
Other assets	295,679	247,505
<b>TOTAL ASSETS</b>	<b>\$ 17,226,818</b>	<b>\$ 15,520,995</b>
<b>LIABILITIES:</b>		
Reserve for losses and loss adjustment expenses	\$ 7,784,078	\$ 7,653,229
Unearned premium reserve	1,557,559	1,317,147
Funds held under reinsurance treaties	98,979	92,514
Losses in the course of payment	515,011	350,820
Commission reserves	53,257	47,226
Other net payable to reinsurers	1,379,033	1,026,292
4.868% Senior notes due 6/1/2044	400,000	-
5.4% Senior notes due 10/15/2014	249,998	249,958
6.6% Long term notes due 5/1/2067	238,363	238,361
Accrued interest on debt and borrowings	18,312	4,781
Income taxes	40,985	23,949
Unsettled securities payable	64,624	53,772
Other liabilities	273,505	272,468
Total liabilities	12,673,704	11,330,517

Commitments and Contingencies (Note 6)

**STOCKHOLDER'S EQUITY:**

Common stock, par value: \$0.01; 3,000 shares authorized;

1,000 shares issued and outstanding (2014 and 2013)	-	-
Additional paid-in capital	359,990	351,051
Accumulated other comprehensive income (loss), net of deferred income tax expense		
(benefit) of \$51,996 at 2014 and \$47,195 at 2013	96,564	87,648
Retained earnings	4,096,560	3,751,779
Total stockholder's equity	4,553,114	4,190,478
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b>\$ 17,226,818</b>	<b>\$ 15,520,995</b>

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 September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(unaudited)		(unaudited)	
<b>REVENUES:</b>				
Premiums earned	\$ 569,597	\$ 523,521	\$ 1,560,778	\$ 1,461,549
Net investment income	83,446	68,828	215,869	227,433
<b>Net realized capital gains (losses):</b>				
Other-than-temporary impairments on fixed maturity securities	-	-	(199 )	-
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	-	-	-	-
Other net realized capital gains (losses)	(160 )	208,426	121,103	533,758
Total net realized capital gains (losses)	(160 )	208,426	120,904	533,758
Other income (expense)	(3,739 )	5,012	(15,576 )	5,095
Total revenues	649,144	805,787	1,881,975	2,227,835
<b>CLAIMS AND EXPENSES:</b>				
Incurred losses and loss adjustment expenses	380,580	307,121	980,143	909,661
Commission, brokerage, taxes and fees	79,168	71,560	240,584	215,047
Other underwriting expenses	50,623	48,945	137,032	136,751
Corporate expenses	4,620	1,516	5,398	5,353
Interest, fee and bond issue cost amortization expense	12,292	7,466	28,539	38,010
Total claims and expenses	527,283	436,608	1,391,696	1,304,822
<b>INCOME (LOSS) BEFORE TAXES</b>	121,861	369,179	490,279	923,013
Income tax expense (benefit)	21,720	125,426	145,498	308,347
<b>NET INCOME (LOSS)</b>	\$ 100,141	\$ 243,753	\$ 344,781	\$ 614,666
<b>Other comprehensive income (loss), net of tax :</b>				
Unrealized appreciation (depreciation) ("URA(D)") on securities arising during the period	(26,221 )	(7,102 )	13,678	(91,289 )
Less: reclassification adjustment for realized losses (gains) included in net income (loss)	(696 )	(1,124 )	1,459	(2,640 )
Total URA(D) on securities arising during the period	(26,917 )	(8,226 )	15,137	(93,929 )
Foreign currency translation adjustments	(7,472 )	(5,839 )	(8,587 )	(13,064 )
Benefit plan actuarial net gain (loss) for the period	-	-	-	-
Reclassification adjustment for amortization of net (gain) loss included in net income (loss)	825	1,470	2,366	4,161
Total benefit plan net gain (loss) for the period	825	1,470	2,366	4,161
Total other comprehensive income (loss), net of tax	(33,564 )	(12,595 )	8,916	(102,832 )

COMPREHENSIVE INCOME (LOSS)	\$ 66,577	\$ 231,158	\$ 353,697	\$ 511,834
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The accompanying notes are an integral part of the consolidated financial statements.

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

(Dollars in thousands, except share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013 (unaudited)	2014	2013 (unaudited)
<b>COMMON STOCK (shares outstanding):</b>				
Balance, beginning of period	1,000	1,000	1,000	1,000
Balance, end of period	1,000	1,000	1,000	1,000
<b>ADDITIONAL PAID-IN CAPITAL:</b>				
Balance, beginning of period	\$ 357,537	\$ 346,279	\$ 351,051	\$ 340,223
Share-based compensation plans	2,453	2,620	8,939	8,676
Balance, end of period	359,990	348,899	359,990	348,899
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), NET OF DEFERRED INCOME TAXES:</b>				
Balance, beginning of period	130,128	94,630	87,648	184,867
Net increase (decrease) during the period	(33,564 )	(12,595 )	8,916	(102,832 )
Balance, end of period	96,564	82,035	96,564	82,035
<b>RETAINED EARNINGS:</b>				
Balance, beginning of period	3,996,419	3,324,429	3,751,779	2,953,516
Net income (loss)	100,141	243,753	344,781	614,666
Balance, end of period	4,096,560	3,568,182	4,096,560	3,568,182
<b>TOTAL STOCKHOLDER'S EQUITY, END OF PERIOD</b>	<b>\$ 4,553,114</b>	<b>\$ 3,999,116</b>	<b>\$ 4,553,114</b>	<b>\$ 3,999,116</b>

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

EVEREST REINSURANCE HOLDINGS, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)	2014	Three Months Ended September 30, 2013 (unaudited)	2014	Nine Months Ended September 30, 2013 (unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net income (loss)	\$ 100,141	\$ 243,753	\$ 344,781	\$ 614,666
Adjustments to reconcile net income to net cash provided by operating activities:				
Decrease (increase) in premiums receivable	(154,853 )	(185,115 )	(237,390 )	(382,658 )
Decrease (increase) in funds held by reinsureds, net	361	285	762	(12,201 )
Decrease (increase) in reinsurance receivables	(409,980 )	(91,047 )	(778,374 )	(177,199 )
Decrease (increase) in income taxes	(24,615 )	129,344	12,264	252,746
Decrease (increase) in prepaid reinsurance premiums	(98,231 )	(78,068 )	(198,306 )	(132,217 )
Increase (decrease) in reserve for losses and loss adjustment expenses	142,529	(136,110)	150,411	(390,402 )
Increase (decrease) in unearned premiums	140,386	140,204	241,650	263,018
Increase (decrease) in other net payable to reinsurers	270,262	147,164	353,468	264,061
Increase (decrease) in losses in course of payment	12,569	182,448	164,072	417,982
Change in equity adjustments in limited partnerships	(18,804 )	(6,337 )	(17,643 )	(31,159 )
Distribution of limited partnership income	23,391	2,683	32,548	18,868
Change in other assets and liabilities, net	49,157	19,626	(2,744 )	7,875
Non-cash compensation expense	2,002	2,257	5,700	6,230
Amortization of bond premium (accrual of bond discount)	2,921	5,999	14,502	19,696
Amortization of underwriting discount on senior notes	15	14	43	41
Net realized capital (gains) losses	160	(208,426)	(120,904 )	(533,758 )
Net cash provided by (used in) operating activities	37,411	168,674	(35,160 )	205,589
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Proceeds from fixed maturities matured/called - available for sale, at market value	309,630	258,451	829,363	885,835

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Proceeds from fixed maturities matured/called - available for sale, at fair value	-	-	875	7,213
Proceeds from fixed maturities sold - available for sale, at market value	219,823	124,460	547,682	465,084
Proceeds from fixed maturities sold - available for sale, at fair value	3,092	1,056	23,855	18,398
Proceeds from equity securities sold - available for sale, at fair value	111,684	95,174	404,627	450,020
Distributions from other invested assets	26,583	3,973	41,854	47,576
Cost of fixed maturities acquired - available for sale, at market value	(509,564 )	(313,538 )	(2,008,937 )	(1,314,440 )
Cost of fixed maturities acquired - available for sale, at fair value	(22,375 )	(2,092 )	(23,684 )	(4,798 )
Cost of equity securities acquired - available for sale, at fair value	(74,297 )	(98,760 )	(237,749 )	(332,434 )
Cost of other invested assets acquired	(43,953 )	(3,320 )	(76,717 )	(11,828 )
Net change in short-term investments	13,327	(86,361 )	97,262	10,316
Net change in unsettled securities transactions	(16,427 )	16,401	(9,474 )	(15,982 )
Net cash provided by (used in) investing activities	17,523	(4,556 )	(411,043 )	204,960
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Tax benefit from share-based compensation	451	363	3,239	2,446
Revolving credit borrowings	-	(40,000 )	-	-
Net cost of junior subordinated debt securities redemption	-	-	-	(329,897 )
Net proceeds from issuance of senior notes	-	-	400,000	-
Net cash provided by (used in) financing activities	451	(39,637 )	403,239	(327,451 )
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>				
	(7,000 )	(9,240 )	1,575	(23,945 )
Net increase (decrease) in cash	48,385	115,241	(41,389 )	59,153
Cash, beginning of period	227,033	291,632	316,807	347,720
Cash, end of period	\$ 275,418	\$ 406,873	\$ 275,418	\$ 406,873
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>				
Income taxes paid (recovered)	\$ 45,202	\$ (4,345 )	\$ 129,608	\$ 49,050
Interest paid	-	72	14,719	23,054

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



NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the Three and Nine Months Ended September 30, 2014 and 2013

1. GENERAL

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

2. BASIS OF PRESENTATION

The unaudited consolidated financial statements of the Company for the three and nine months ended September 30, 2014 and 2013 include all adjustments, consisting of normal recurring accruals, which, in the opinion of management, are necessary for a fair statement of the results on an interim basis. Certain financial information, which is normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), has been omitted since it is not required for interim reporting purposes. The December 31, 2013 consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. The results for the three and nine months ended September 30, 2014 and 2013 are not necessarily indicative of the results for a full year. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ended December 31, 2013, 2012 and 2011 included in the Company’s most recent Form 10-K filing.

All intercompany accounts and transactions have been eliminated.

Certain reclassifications and format changes have been made to prior years’ amounts to conform to the 2014 presentation. One reclassification relates to a correction in the manner in which the Company reports distributions received from limited partnership investments in the consolidated Statements of Cash Flows. Prior to the fourth quarter of 2013, the Company incorrectly reflected all distributions as cash flows from investing activities in its Consolidated Statements of Cash Flows. Starting with the fourth quarter of 2013, cash distributions from the limited partnerships that represent net investment income are reflected as cash flows from operating activities and distributions that represent the return of capital contributions are reflected as cash flows from investing activities. For the three and nine months ended September 30, 2013, \$2,683 thousand and \$18,868 thousand, respectively, have been reclassified from “Distributions from other invested assets” included in cash flows from investing activities to “Distribution of limited partnership income” included in cash flows from operations. The Company has determined that this error is not material to the financial statements of any prior period.

Application of Recently Issued Accounting Standard Changes

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



Treatment of Insurance Contract Acquisition Costs. In October 2010, the FASB issued authoritative guidance for the accounting for costs associated with acquiring or renewing insurance contracts. The guidance identifies the incremental direct costs of contract acquisition and costs directly related to acquisition activities that should be capitalized. This guidance is effective for reporting periods beginning after December 15, 2011. The Company implemented this guidance as of January 1, 2012 and determined that \$7,215 thousand of previously deferrable acquisition costs would be expensed, including \$5,818 thousand and \$1,397 thousand expensed in the years ended December 31, 2012 and 2013, respectively. No additional expense will be incurred related to this guidance implementation in future periods.

### 3. INVESTMENTS

The amortized cost, market value and gross unrealized appreciation and depreciation of available for sale, fixed maturity and equity security investments, carried at market value, are as follows for the periods indicated:

(Dollars in thousands)	At September 30, 2014			Market Value
	Amortized Cost	Unrealized Appreciation	Unrealized Depreciation	
Fixed maturity securities				
U.S. Treasury securities and obligations of				
U.S. government agencies and corporations	\$ 519,888	\$ 698	\$ (815 )	\$ 519,771
Obligations of U.S. states and political subdivisions	792,193	43,524	(994 )	834,723
Corporate securities	2,010,245	41,864	(21,510 )	2,030,599
Asset-backed securities	91,583	821	(87 )	92,317
Mortgage-backed securities				
Commercial	40,935	2,750	(1 )	43,684
Agency residential	626,511	6,873	(6,842 )	626,542
Non-agency residential	307	51	-	358
Foreign government securities	544,947	26,458	(4,274 )	567,131
Foreign corporate securities	1,082,900	27,586	(7,495 )	1,102,991
Total fixed maturity securities	\$ 5,709,509	\$ 150,625	\$ (42,018 )	\$ 5,818,116
Equity securities	\$ 15	\$ 1	\$ -	\$ 16

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

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Equity securities	\$ 15	\$ -	\$ (2 )	\$ 13
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The \$567,131 thousand of foreign government securities at September 30, 2014 included \$73,825 thousand of European sovereign securities. Approximately 52.9%, 16.8%, 8.4%, 8.1% and 5.4% of European Sovereign Securities represented securities held in the governments of France, the United Kingdom, the Netherlands, Belgium and Germany, respectively. No other countries represented more than 5% of the European sovereign securities. The Company held no sovereign securities of Portugal, Italy, Ireland, Greece or Spain at September 30, 2014.



In accordance with FASB guidance, the Company reclassified the non-credit portion of other-than-temporary impairments from retained earnings into accumulated other comprehensive income (loss), on April 1, 2009. As of September 30, 2014, all of the previously reclassified securities have either matured or have been sold.

The amortized cost and market value of fixed maturity securities are shown in the following table by contractual maturity. Mortgage-backed securities are generally more likely to be prepaid than other fixed maturity securities. As the stated maturity of such securities may not be indicative of actual maturities, the totals for mortgage-backed and asset-backed securities are shown separately.

(Dollars in thousands)	At September 30, 2014		At December 31, 2013	
	Amortized Cost	Market Value	Amortized Cost	Market Value
Fixed maturity securities – available for sale				
Due in one year or less	\$ 452,064	\$ 451,138	\$ 462,133	\$ 463,674
Due after one year through five years	2,786,968	2,812,874	2,251,169	2,300,475
Due after five years through ten years	1,066,319	1,077,855	988,896	1,000,053
Due after ten years	644,822	713,348	630,555	661,106
Asset-backed securities	91,583	92,317	38,544	39,609
Mortgage-backed securities				
Commercial	40,935	43,684	34,855	38,666
Agency residential	626,511	626,542	709,589	697,399
Non-agency residential	307	358	859	939
Total fixed maturity securities	\$ 5,709,509	\$ 5,818,116	\$ 5,116,600	\$ 5,201,921

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

(Dollars in thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Increase (decrease) during the period between the market value and cost of investments carried at market value, and deferred taxes thereon:				
Fixed maturity securities	\$ (41,410)	\$ (12,657)	\$ 23,285	\$ (144,110)
Fixed maturity securities, other-than-temporary impairment	-	-	-	(399 )
Equity securities	1	1	3	2
Change in unrealized appreciation (depreciation), pre-tax	(41,409)	(12,656)	23,288	(144,507)
Deferred tax benefit (expense)	14,492	4,430	(8,151 )	50,438
Deferred tax benefit (expense), other-than-temporary impairment	-	-	-	140
Change in unrealized appreciation (depreciation), net of deferred taxes, included in stockholder's equity	\$ (26,917)	\$ (8,226 )	\$ 15,137	\$ (93,929 )

The Company frequently reviews all of its fixed maturity, available for sale securities for declines in market value and focuses its attention on securities whose fair value has fallen below 80% of their amortized cost at the time of review. The Company then assesses whether the decline in value is temporary or other-than-temporary. In making its assessment, the Company evaluates the current market and interest rate environment as well as specific issuer

information. Generally, a change in a security's value caused by a change in the market, interest rate or foreign exchange environment does not constitute an other-than-temporary impairment, but rather a temporary decline in market value. Temporary declines in market value are recorded as unrealized losses in accumulated other comprehensive income (loss). If the Company determines that the decline is other-than-temporary and the Company does not have the intent to sell the security; and it is more likely than not that the Company will not have to sell the security before recovery of its cost basis, the carrying value of the investment is written down to fair value. The fair value adjustment that is credit or foreign exchange related is recorded in net realized capital gains (losses) in the Company's consolidated statements of operations and comprehensive income (loss). The fair value adjustment that is non-credit related is recorded as a component of other comprehensive income (loss), net of tax, and is included in accumulated other comprehensive income (loss) in the Company's consolidated balance sheets. The Company's assessments are based on the issuers current and expected future financial position,

timeliness with respect to interest and/or principal payments, speed of repayments and any applicable credit enhancements or breakeven constant default rates on mortgage-backed and asset-backed securities, as well as relevant information provided by rating agencies, investment advisors and analysts.

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

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

	Duration of Unrealized Loss at September 30, 2014 By Security Type					
	Less than 12 months		Greater than 12 months		Total	
	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
(Dollars in thousands)						
Fixed maturity securities - available for sale						
U.S. Treasury securities and obligations of U.S. government agencies and corporations	\$ 35,516	\$ (190 )	\$ 24,483	\$ (625 )	\$ 59,999	\$ (815 )
Obligations of U.S. states and political subdivisions	18,198	(426 )	36,680	(568 )	54,878	(994 )
Corporate securities	925,037	(16,140)	185,950	(5,370 )	1,110,987	(21,510)
Asset-backed securities	30,208	(87 )	-	-	30,208	(87 )
Mortgage-backed securities						
Commercial	10,365	(1 )	-	-	10,365	(1 )
Agency residential	35,576	(108 )	299,229	(6,734 )	334,805	(6,842 )
Non-agency residential	-	-	-	-	-	-
Foreign government securities	51,430	(349 )	76,092	(3,925 )	127,522	(4,274 )
Foreign corporate securities	186,212	(1,863 )	149,756	(5,632 )	335,968	(7,495 )
Total fixed maturity securities	\$ 1,292,542	\$ (19,164)	\$ 772,190	\$ (22,854)	\$ 2,064,732	\$ (42,018)
Equity securities	-	-	-	-	-	-
Total	\$ 1,292,542	\$ (19,164)	\$ 772,190	\$ (22,854)	\$ 2,064,732	\$ (42,018)

	Duration of Unrealized Loss at September 30, 2014 By Maturity					
	Less than 12 months		Greater than 12 months		Total	
	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
(Dollars in thousands)						
Fixed maturity securities						

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Due in one year or less	\$ 8,185	\$ (37 )	\$ 69,568	\$ (5,163 )	\$ 77,753	\$ (5,200 )
Due in one year through five years	714,621	(10,537)	274,095	(7,104 )	988,716	(17,641)
Due in five years through ten years	464,811	(7,784 )	85,723	(2,579 )	550,534	(10,363)
Due after ten years	28,776	(610 )	43,575	(1,274 )	72,351	(1,884 )
Asset-backed securities	30,208	(87 )	-	-	30,208	(87 )
Mortgage-backed securities	45,941	(109 )	299,229	(6,734 )	345,170	(6,843 )
Total fixed maturity securities	\$ 1,292,542	\$ (19,164)	\$ 772,190	\$ (22,854)	\$ 2,064,732	\$ (42,018)

The aggregate market value and gross unrealized losses related to investments in an unrealized loss position at September 30, 2014 were \$2,064,732 thousand and \$42,018 thousand, respectively. The market value of securities for the single issuer whose securities comprised the largest unrealized loss position at September 30, 2014, did not exceed 0.7% 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 \$19,164 thousand of unrealized losses related to fixed maturity securities that have been in an unrealized loss position for less than one year were primarily comprised of domestic and foreign corporate securities. Of these unrealized losses, \$3,452 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating

organization. The \$22,854 thousand of unrealized losses related to fixed maturity securities in an unrealized loss position for more than one year related primarily to agency residential mortgage-backed securities, foreign and domestic corporate securities and foreign government securities. Of these unrealized losses, \$21,240 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating organization. The Company did not have any sub-prime or alt-A loans with gross unrealized depreciation at September 30, 2014. In all instances, there were no projected cash flow shortfalls to recover the full book value of the investments and the related interest obligations. The mortgage-backed securities still have excess credit coverage and are current on interest and principal payments.

The Company, given the size of its investment portfolio and capital position, does not have the intent to sell these securities; and it is more likely than not that the Company will not have to sell the security before recovery of its cost basis. In addition, all securities currently in an unrealized loss position are current with respect to principal and interest payments.

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

	Duration of Unrealized Loss at December 31, 2013 By Security Type					
	Less than 12 months		Greater than 12 months		Total	
	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
(Dollars in thousands)						
Fixed maturity securities - available for sale						
U.S. Treasury securities and obligations of U.S. government agencies and corporations	\$ 39,274	\$ (302 )	\$ 8,751	\$ (644 )	\$ 48,025	\$ (946 )
Obligations of U.S. states and political subdivisions	92,760	(4,852 )	39,689	(4,170 )	132,449	(9,022 )
Corporate securities	388,721	(8,981 )	56,156	(3,512 )	444,877	(12,493 )
Asset-backed securities	-	-	-	-	-	-
Mortgage-backed securities						
Commercial	-	-	-	-	-	-
Agency residential	381,149	(14,084 )	131,504	(4,437 )	512,653	(18,521 )
Non-agency residential	-	-	202	(33 )	202	(33 )
Foreign government securities	100,984	(5,255 )	29,174	(2,686 )	130,158	(7,941 )
Foreign corporate securities	321,933	(11,394 )	66,715	(4,205 )	388,648	(15,599 )
Total fixed maturity securities	\$ 1,324,821	\$ (44,868 )	\$ 332,191	\$ (19,687 )	\$ 1,657,012	\$ (64,555 )
Equity securities	13	(2 )	-	-	13	(2 )
Total	\$ 1,324,834	\$ (44,870 )	\$ 332,191	\$ (19,687 )	\$ 1,657,025	\$ (64,557 )

	Duration of Unrealized Loss at December 31, 2013 By Maturity				
	Less than 12 months		Greater than 12 months		Total
		Gross Unrealized Depreciation		Gross Unrealized Depreciation	Gross Unrealized Depreciation
(Dollars in thousands)					

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	Market Value		Market Value		Market Value	
Fixed maturity securities						
Due in one year or less	\$ 17,315	\$ (1,273 )	\$ 31,679	\$ (4,132 )	\$ 48,994	\$ (5,405 )
Due in one year through five years	425,627	(8,982 )	111,150	(5,647 )	536,777	(14,629 )
Due in five years through ten years	312,341	(10,408 )	14,865	(663 )	327,206	(11,071 )
Due after ten years	188,389	(10,121				