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Everest Group Ltd. (EG)

Q2 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day, and welcome to the Everest Limited – Everest Group Limited Second Quarter 2026 Earnings Conference Call. Today, all participants will be in a listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note that today's event is being recorded.

I would now like to turn the conference over to Matt Rohrmann, Senior Vice President, Head of Investor Relations. Please go ahead.

Matthew Rohrmann

Senior Vice President & Head-Investor Relations, Everest Group Ltd.

Thank you, Chris. Good morning, everyone, and welcome to Everest Group Limited second quarter of 2026 earnings conference call. The Everest executives leading today's call are Jim Williamson, President and CEO; and Elias Habayeb, Executive Vice President and CFO. We are also joined by other members of the Everest management team.

Before we begin, I will preface the comments by noting that today's call will include forward-looking statements. Actual results may differ materially, and we undertake no obligation to publicly update forward-looking statements. Please note that forward-looking statements include estimates, projections and forecasts of future results and are subject to the risks, uncertainties and assumptions as noted in Everest's SEC filings. Management will also be

referring to certain non-GAAP financial measures. Available explanations and reconciliations to GAAP can be found in the earnings release, investor presentation and financial supplement on our Investor Relations website.

With that, I'll turn the call over to Jim.

Jim Williamson

President, Chief Executive Officer & Director, Everest Group Ltd.

Thank you, Matt. Good morning, everyone. Everest posted another strong quarter with significant earnings and capital generation. Meaningful contributions from underwriting and investment income produced operating income of \$585 million. Annualized after-tax net operating ROE was 14.9%. Annualized total shareholder return was 16.8%. And we grew book value per share, excluding unrealized gains and losses, by 12% year-over-year.

The results in this quarter further show the strength of the more focused Everest we have built. The benefits of the actions we are taking to improve portfolio quality, strengthen underwriting performance, and allocate capital to the most attractive opportunities available to us are emerging in our numbers.

Our strategy is built around developing our core businesses while managing the cycle with relentless discipline. We are upgrading critical capabilities, optimizing the balance sheet and accelerating the return of capital to shareholders. This quarter's results are further proof that the execution of the strategy is working. Our core businesses, Treaty Reinsurance and Global Wholesale and Specialty generated underwriting income of \$317 million on a combined ratio of 90%.

As I have said before, we continue to focus on underwriting discipline and rate adequacy while prioritizing bottom line results over top line production, especially in this environment. Our core businesses delivered \$3.7 billion in gross written premium, a modest year-over-year decline driven by deliberate underwriting choices.

Our Reinsurance Treaty team delivered another excellent quarter, leveraging the depth and breadth of our platform as competitive advantages to effectively navigate a softening property market. Our discipline focused on profitability delivered a combined ratio of 88.5% and underwriting income of \$283 million.

As we decisively manage the cycle, we have continued to decrease our exposure to US casualty lines and selectively reduced business, where pricing or structure did not meet our return thresholds. This resulted in approximately a 9% decrease in gross written premium year-over-year on a constant dollar basis and excluding reinstatement premiums. Casualty lines were down by 19%, while property premiums were relatively flat, as growth in property pro-rata was offset by decreases in our CAT book.

We continued our targeted expansion in specialty lines globally, where risk-adjusted returns remain attractive. Our strategy of building deep underwriting capabilities in specific segments allows us to capture emerging opportunities like data centers, as well as new markets within construction and renewable energy.

In each of the 2026 renewals, the Everest team has been able to maximize shares on the most attractive deals while reducing or exiting programs below our return thresholds. This is only possible because of the strength of our global underwriting platform and our well-honed distribution management capabilities. While property pricing in the market was down in the range of 15% to 20% at 6/1 and 7/1, pricing on our property CAT portfolio between both renewal periods finished down approximately 10%. Despite rate pressure, terms and conditions are largely holding and attachment points remain relatively stable.

Looking ahead to the 1/1/2027 renewals, we expect market conditions to remain competitive absent large CAT losses or other external shocks. Our third-party capital platform, Mt. Logan Capital Management, has approximately \$3.4 billion of AUM as of July 1, up 89% from the beginning of 2025. A major contributor to this growth is the launch of our casualty and specialty reinsurance sidecar, Annapurna Re. Annapurna provides Everest with an additional lever to facilitate opportunistic growth, generate fee income and enhance capital flexibility. This is just another example of the work we are doing to optimize our balance sheet and at the same time enhance ROE potential over time.

Turning to the Global Wholesale and Specialty segment, results were strong. Our strategy to expand the portfolio in specialty lines and targeted international markets while delivering margin expansion continues to gain momentum. Gross written premium was roughly flat year-over-year, as growth in niche specialty lines and international business was offset by deliberate reductions in US property and casualty.

We grew double digits internationally with broad-based growth across financial lines, marine, political violence, as well as in select specialty property markets. Rate across our portfolio was flat as double-digit rate declines in property were offset by rate increases in casualty lines. More importantly, the areas of our business we're expanding continue to be rate adequate. The significant underwriting actions we have taken in recent years continue to pay dividends with both the additional – attritional loss and combined ratios improving year-over-year. This is a result of the team's disciplined risk selection and portfolio management.

Now a word on capital management. Since I became CEO in January of 2025, Everest has deployed \$1.5 billion towards share repurchases, resulting in a reduction of over 10% of our shares outstanding. Share repurchases remain a top priority for capital allocation, and our commitment to disciplined capital management was again evident in this quarter's results. This speaks to our continued conviction in the strength of our balance sheet, and that Everest share price does not accurately represent the true value and earnings power of the company.

Our goal is simple, to grow book value per share consistently. We're doing that through disciplined underwriting and capital stewardship, and this quarter provides convincing evidence of our approach. We are not, however, declaring victory. I am seeing more signs of irresponsible underwriting in the market.

The US tort environment, despite some recent reforms, is corrosive to a well-functioning economy and is putting pressure on industry reserves. And the world is experiencing unprocessed levels of risk across multiple domains, with little sign of that risk being reflected in insurance and reinsurance prices. But today's Everest is up to these challenges. We have a deep bench of talented people across our organization, robust and growing analytical and technology capabilities, and superb relationships and distribution. Our intent is to strengthen our company, no matter what part of the cycle we're facing.

Let me end by welcoming Elias to the team as our new CFO. Elias is a seasoned finance executive with over 30 years of experience leading several global finance organizations in the insurance and financial services industry. We're excited to have him on board.

And with that, I'll turn the call over to Elias.

Elias Farid Habayeb

Chief Financial Officer & Executive Vice President, Everest Group Ltd.

Thank you, Jim, and good morning, everyone. The second quarter results reflect the momentum we're creating by executing on our strategic priorities to create shareholder value. We believe the combination of delivering

compounding book value per share growth driven by disciplined underwriting and prudent capital management is the best way to generate that value.

Before unpacking this quarter's results, I'd like to highlight two changes we're making to our external reporting. First, beginning with this quarter, we will be providing consolidated financial results for what we will now refer to as our core businesses, consisting of Reinsurance Treaty and Global Wholesale and Specialty. These businesses represent the future of Everest, and with this additional disclosure, we're providing you with added transparency into the earnings power of the go-forward business.

This excludes the Legacy segment, which, as we have noted in previous quarters, will become an immaterial contributor to earnings as the portfolio runs off. Second, beginning in the third quarter, we will make some revisions to our definition of after-tax net operating income to better align our definition with industry peers. We will exclude onetime expenses as well as gains and losses associated with acquisition, divestiture and restructuring activities, as well as the asymmetric accounting for the ADC. These refinements will improve transparency and period-over-period comparability of Everest operating results. We're previewing these changes this quarter and have provided the preliminary recast of the historical results under the revised definition in the back of our financial supplement.

Now turning to the second quarter group results. Everest Group book value per share, excluding unrealized gains and losses by 12% over the past year to roughly \$408 and produced an after-tax net operating EPS of \$14.85 by delivering an underwriting profit of approximately \$300 million and net investment income of over \$500 million, while returning over \$470 million to shareholders between share repurchases and dividends.

Moving to our Core businesses. We are focused on producing consistent underwriting profitability supported by a strong balance sheet to deliver on our total shareholder return goals. The Core businesses delivered strong underwriting profits in the quarter of \$317 million. Gross written premiums were \$3.7 billion, lower than the prior year quarter by approximately 7% on a comparable basis, reflecting our underwriting discipline and actions to improve the portfolio mix.

The core combined ratio was 90%, inclusive of \$85 million in catastrophe losses, net of estimated recoveries and reinstatement premiums, largely driven by the conflict in the Middle East and several weather-related events globally. There was no net prior year loss development. The attritional loss ratio was 57.8%, relatively consistent with the prior year. The expense ratio increased to 5.1%, reflecting the impact of lower net earned premium, as well as modestly higher expenses driven in part by timing, as well as investments we're making in the business to improve our competitive positioning and operating efficiency.

In our Reinsurance Treaty business, we continue to capitalize on our lead market position to achieve differentiated rate and terms, as we proactively improve the mix and shorten the duration of the portfolio while navigating the current market cycle. In terms of underwriting profitability, the combined ratio was 88.5%, a year-over-year increase of 360 basis points, mostly driven by higher catastrophe losses on a comparable basis. The attritional loss ratio increased 140 basis points to 57.1%, largely due to higher weather-related non-CAT losses. Excluding these losses, the attritional loss ratio would have been 54.4%, a 130 basis points year-over-year improvement, driven by mix and improved loss experience.

Turning to Annapurna Re, our recently announced casualty and specialty sidecar. Annapurna Re provides Everest with additional portfolio management and financial optionality. We expect to cede roughly \$200 million of premium a quarter over the next three years to Annapurna Re. We also expect the transaction to be modestly accretive to overall underwriting income and ROE over time while resulting in lower net investment income.

Now moving to our Global Wholesale and Specialty business, where we are focused on improving underwriting margins as we pursue profitable growth in targeted lines and geographies. While the combined ratio was in line with the prior year quarter at 95.2%, the attritional loss ratio improved 390 basis points to 60.6% as a result of the underwriting actions we've been taking and an improving business mix.

Catastrophe losses net of estimated recoveries and reinstatement premiums contributed 1.4 points to the combined ratio, while the prior year quarters experience was de minimis. The underwriting-related expense ratio increased to 12.6%, largely driven by timing, mix and investments in the underwriting platforms. While underwriting profitability was strong this quarter, we continue to expect this business to deliver combined ratios in the mid to high-90s in the near term.

Now moving to our Legacy segment. We continue to manage the transition of our Commercial Retail Insurance business to AIG, which remains on track with roughly \$250 million of net premiums left to be earned in the second half of the year. We are also focused on proactively managing the runoff book through claims optimizations and expense discipline that will unlock the capital that supports the portfolio. As expected, in the second quarter, the segment generated a modest drag on the group underwriting results.

Turning to reserves. As Jim noted, I recently joined the company along with our new Group Chief Actuary, Katy Bradica. Katy and I worked together in the past, and I think very highly of her skills. I'd like to touch on our process and philosophy before providing the highlights of the quarter.

On process, we followed a prudent quarterly reserving review where we responded proactively to emerge incredible data even if the annual study is had not been completed. Our philosophy is to maintain management's best estimate above the actuarial central estimate and embed conservatism in our loss picks. Finally, the annual reserve studies for most of our long tail lines, including Reinsurance Treaty business, are scheduled to be completed later in the third quarter. And Katy and I will be heavily involved in that process.

Now, turning to the results for this quarter. We had no net development on prior year loss reserves. Short tail lines continued to develop favorably. This was offset by the increase in the industry loss estimate on the Baltimore Bridge collapse matter as well as some strengthening in casualty, reflecting our cautious outlook. Lastly, we expect to publish our global loss triangles during this upcoming month. You will see enhanced disclosure, like additional lines of business triangles and more commentary within each of our three reporting segments.

Moving on to investments. We continue to maintain a high quality and diversified investment portfolio. Net investment income was \$523 million for the quarter, modestly lower year-over-year due to lower alternative investment returns. Overall, our book yield in the quarter remained stable at 4.5%, which is below our current new money yield, which is closer to 5%.

Turning to capital management. Our philosophy is to deploy capital towards opportunities that maximize shareholder return, balancing growing the franchise value of the company while providing an attractive return to our shareholders. Given current market conditions and our attractive valuation, repurchasing shares is a top allocation priority. In the second quarter, we repurchased approximately 1.2 million shares, amounting to \$395 million at an average share price of \$342 per share. This translated into an 81% payout ratio for the quarter and an approximately 77% for the past three quarters.

Looking ahead, while we continue to view share repurchases of \$300 million as a quarterly floor, we expect to exceed that amount when appropriate, given the strength of our balance sheet and earnings generation. As Jim

said, we have strong conviction that Everest's current share price does not reflect the true value of the company, and we have confidence in the strength of our balance sheet.

And with that, I'll turn the call back over to Matt for Q&A.

Matthew Rohrmann

Senior Vice President & Head-Investor Relations, Everest Group Ltd.

Thanks, Elias. Chris, we're now ready to open the line for questions. We do ask you, please limit your questions to one question plus one follow-up and then rejoin the queue for any additional questions. Chris, over to you, please.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] And today's first question comes from Alex Scott with Barclays. Please proceed.

Alex Scott

Analyst, Barclays Capital, Inc.

Hey. Good morning. Thanks for taking the question. So, I was listening to the commentary about the involvement, Elias and the new Chief Actuary in the review process. And I think when you have that kind of turnover, makes people nervous around the reserve quality. But I also heard your comments about having confidence in the strength of the balance sheet. So I just wanted to see if you could opine on, what gives you the confidence to say, now ahead of that review, that you have confidence [ph] in the strength of the (00:21:49) balance sheet?

Elias Farid Habayeb

Chief Financial Officer & Executive Vice President, Everest Group Ltd.

Hey. Alex, it's Elias. So I have been here for a quarter, and I will tell you, I believe our balance sheet is strong. I look at the strength of the balance sheet, looking at capital adequacy, liquidity, leverage, the overall risk profile of the balance sheet. So looking at all that, I believe we've got a strong balance sheet that gives me conviction that we would be able to deliver on share repurchases in excess of \$300 million going forward.

In terms of the reserves, as I reflected in my commentary with Katy and I being new, we decided to react now to what we're seeing in the data and not wait till the reserve studies are done next quarter. And that's what's reflected in our numbers this quarter.

Alex Scott

Analyst, Barclays Capital, Inc.

Understood. Thanks for that. And I guess as a follow-up, could you talk about your interest and how you balance the price versus reward for looking at things like loss transfers to the reinsurance business to more fully put this part of the conversation around Everest [indiscernible] (00:22:58)?

Matthew Rohrmann

Senior Vice President & Head-Investor Relations, Everest Group Ltd.

Yeah. Alex, [indiscernible] (00:23:00) and things like that? Just want to make sure we're clear on the question.

Alex Scott

Analyst, Barclays Capital, Inc.

Yes. Yeah. Just thinking about potential loss transfers, ADCs, sort of similar to what you've done with some of the primary Legacy product?

Elias Farid Habayeb

Chief Financial Officer & Executive Vice President, Everest Group Ltd.

Sure, Alex. I would answer the question in a number of ways. One, in terms of our overall hedging strategy, you've seen us evolve that over time. We've developed our third-party capital strategy with Mt. Logan, and that gives us a tremendous amount of support on a go-forward basis in our reinsurance business. That's our main method of transferring risk to third parties. We also opportunistically purchase retro. We do that very sparingly, usually in niche areas. I would cite aviation, cyber as two areas where we've purchased some retro.

And then, in terms of the back book, look, I think we're very open to strategies like what we did last year with the ADC that can enhance our capital position and help us to manage risk. And we look at those things across both businesses on an ongoing basis. If something becomes attractive, you would certainly – you would see us willing to engage in such transactions, and there are some things that we look at from time-to-time. I think our focus there is really more on the Legacy business and how we accelerate the realization of capital from that portfolio. That would be the area of most focus for us.

Alex Scott

Analyst, Barclays Capital, Inc.

Got it. Thank you.

Jim Williamson

President, Chief Executive Officer & Director, Everest Group Ltd.

Thanks.

Operator: And the next question comes from Gregory Peters with Raymond James. Please proceed.

C. Gregory Peters

Analyst, Raymond James & Associates, Inc.

Well, good morning. I wanted to step back and go to your comments on Reinsurance Treaty. Some moving pieces from the top line, and you talked about pricing and property being down. It seems like you're getting maybe some better terms than some of the horror stories we're hearing in the marketplace. But I want to go back and just have you reframe, provide a little bit more detail on what you're seeing on pricing in the various lines of business, please?

Jim Williamson

President, Chief Executive Officer & Director, Everest Group Ltd.

Sure. Yeah. Happy to do that, Greg. And I'll start with property CAT. Obviously, that's where the market gets a ton of focus. And we did see rates come down in the more recent renewals. As I indicated, we've seen market pricing move in the 15% to 20% range. We've done quite a bit better in our own portfolio. And first, let me just spend a moment on how we're able to do that. It's a combination of things. Number one, we talk about the strength of our platform. What that really translates into is we have industry-leading underwriters in all of our regions on the ground, enabled with underwriting authority, who can execute deals with cedents who we have very deep

relationships with. So it gives us a lot of flexibility to position our capacity at those places in the program where we see the best return opportunity.

And the way that played out in the mid-year renewals is we did shift around our participation on programs quite a bit. We actually moved a little bit more remote from loss, our average attachment point increased slightly. We were very careful about which programs we decided to deploy to. In some cases, where we saw attractive rates, attractive terms and conditions, we deployed more capacity. And then, in other areas, as you can imagine, we had to pull back, and that's how we achieved that 10% reduction. And my view of property CAT rates at this point is they're still in such a place that it allows us to get a return, an expected return that's above sort of our threshold for continuing to write that business. And so that – I think that makes us feel pretty good.

When you look at parts of our portfolio, like property pro-rata, where we did grow in the quarter, one thing I would opine there, particularly against the backdrop of declining property rates, that growth was driven by very specific deals. I wouldn't envision, as you're thinking about that portfolio, just general market, commercial and personal property. These tend to be more specific deals. A lot of it's in our international markets. Some of it is around whole account quota shares with very strategic partners. Some of its growth in Latin America and Asia. So we're being very selective there. And again, while there is a declining rate, I still think very adequately priced.

And then in the long tail lines, this is an area I think that is going to require very careful management. Rates are up. They have been up consistently, and we're seeing that in both our businesses. But we still remain fairly conservative in our approach to that business. So it really does come down to more than just rate change. You have to have conviction in where loss trends are going, and I think there's a lot of uncertainty there.

So, to sort of summarize all that, and to reiterate a comment I made in my prepared remarks, where we're putting capital to work, particularly in the areas, the niche specialty areas that we're growing, we have a lot of conviction that rates are at or above adequate levels, and it allows us to continue to write the business with an expectation of strong profitability.

C. Gregory Peters

Analyst, Raymond James & Associates, Inc.

Q

Thanks for that detail. And just a follow-up, Jim, because we're now in hurricane season for North America, and we're watching the moving pieces move around in Reinsurance Treaty. How should we be thinking about PMLs for hurricanes and CAT activity in the second half of 2026, and how it might manifest itself as it occurs with your changing exposures?

Jim Williamson

President, Chief Executive Officer & Director, Everest Group Ltd.

A

Yeah. I think a feature of the way we've managed this cycle, and you see it in our printed results, is our PMLs have been coming – our net PMLs have been coming down. Some of that is related to actions we're taking on the gross portfolio. More of it is related to the expansion of, in particular, Mt. Logan. And so we are very careful about our aggregation, particularly in the Southeast, but really in all of our peril zones around the world. And I feel like our total risk profile is in a really good spot relative to the economics of the trades that we're making. So I think we're getting paid adequately, and I also think we're managing our total exposure in a way that is a little more conservative than you might have seen us be a year ago.

C. Gregory Peters

Analyst, Raymond James & Associates, Inc.

Q

Got it. Thank you.

Jim Williamson

President, Chief Executive Officer & Director, Everest Group Ltd.

You got it, Greg.

A

Operator: And our next question comes from Andrew Andersen with Jefferies. Please proceed.

Andrew Andersen

Analyst, Jefferies LLC

Hey. Good morning. As this new casualty sidecar becomes larger, should we think about the underlying reinsurance accident year loss ratio perhaps trending a bit lower given the retained mix to a short tail, or do you anticipate redeploying that capacity perhaps into other lines that maybe have a higher expected loss ratio but still good attractive returns?

Q

Jim Williamson

President, Chief Executive Officer & Director, Everest Group Ltd.

Yeah. Let me provide a little bit of perspective on this. And I – by the way, what I'm about to say I think applies to both of our businesses and the way we think about management and the loss picks going forward. The first thing, Andrew, to keep in mind is we're starting in a great place. And again, that applies to both businesses, meaning we've built a lot of prudence into our loss picks. We have not taken credit for much of the underwriting work that we've done in the businesses. And so we're in a position where I think, unlike some folks in the market, we don't have to chase loss trend in our picks. We start from a position of strength.

A

And then, as you look at the go-forward outlook, there's really sort of two forces, two trends that we got to manage. The first is the market, and I think about that like gravity. It's going to exert pressure on all underwriting companies. And for the most part, with the exception really of US casualty and some very specific specialty areas, prices are coming down. But then there's our actions and what we do within the company, within our portfolios to defy that gravity. And I'd say what you're seeing from us is, one, really strong portfolio management activities, and that's playing out across all of our lines of business in both divisions, where we're walking away from business that is not properly priced, but we're leaning in where it is and where things are good, we're willing to grow.

We've built a strategy where we're moving our mix to parts of the market where you do see strong margin, and we have durable advantage, meaning we have a product differentiation, we have expert underwriters who deliver something very special into the market that our clients value. We have analytical capabilities that support that underwriting. That's going to sustain our advantage and sustain our profitability irrespective of what the market's doing. And then there are actions like Annapurna. And so, yeah, you might see, obviously, that'll deliver a benefit to the reinsurance division in terms of its attritional. And we'll be thoughtful about that. And it gives you an opportunity both to sustain margin as markets soften, but also build up your prudence in your loss picks.

And then the last point I'd make on our business and where it's positioned is, remember, we're a highly diversified underwriter, and so we have the ability to manage the market cycle and deploy capital in markets around the world, gives us a tremendous advantage. So you knit all that together, I think, for now, things are sort of a wash in the near term in terms of where the loss picks would be heading. And again, that comment applies to both divisions. And it's something we'll manage very carefully as the cycle unfolds.

Andrew Andersen

Analyst, Jefferies LLC

Thank you for the detail there.

Q

Elias Farid Habayeb

Chief Financial Officer & Executive Vice President, Everest Group Ltd.

Hey. Andrew, if I may add. So taking what Jim said, I think the way to think about, at least in the near term, from an attritional loss ratio for the Treaty business is you should be thinking about it in the mid-50s. And on Global Wholesale and Specialty, it's like where we reported this quarter, I think we'd expect to be in the same neighborhood as where we were this quarter.

A

Andrew Andersen

Analyst, Jefferies LLC

Great. Thank you for the detail there. And just with the session for this sidecar of roughly \$200 million a quarter, could you maybe just provide a bit of color on how you determine what casualty you cede to the sidecar and what you retain on your own balance sheet?

Q

Jim Williamson

President, Chief Executive Officer & Director, Everest Group Ltd.

Yeah. I mean, it was – obviously, these processes of assembling these sidecars are a negotiation. So it's really about aligning the appetite of Everest to cede business and the appetite of our capital partners to provide the capacity. Like the rest of what we do in Mt. Logan, though, a key theme of our strategies around third-party capital management is alignment of interests, meaning we're not cherry-picking deals to go into the sidecar. These are quota share structures that take a predefined sliver of everything we write. So our experience is the same experience as our capital providers will receive and vice versa. And we think that's the most sustainable and aligned way to build these structures.

A

Andrew Andersen

Analyst, Jefferies LLC

Thank you.

Q

Jim Williamson

President, Chief Executive Officer & Director, Everest Group Ltd.

Thanks, Andrew.

A

Operator: And the next question is from Meyer Shields with Keefe, Bruyette & Woods. Please go ahead.

Meyer Shields

Analyst, Keefe, Bruyette & Woods, Inc.

Thank you so much, and good morning. Elias, I was hoping you could give a little bit more color. When you talk about reacting to casualty reserves in the second quarter results, which segment is that? Which accident years? And maybe what is the reaction to?

Q

Elias Farid Habayeb

Chief Financial Officer & Executive Vice President, Everest Group Ltd.

A

Hey, Meyer. It's Elias. Yeah, happy to. But let me first go back to a couple of comments I made in my opening comments. Like the process we went through this quarter, I believe we went through a pretty prudent process. And we decided to react to data we are seeing today. We were not going to wait till the third quarter for the reserve studies to be done.

If I unpack reserves for the quarter, there's three things that we tackled this quarter. One, on the short tail lines, continue to develop very favorably. We did recognize some favorability on the more mature year, but we're still sitting on a pretty meaningful margin there. Second, we did increase our reserves for the Baltimore Bridge matter, and we increased it by about \$55 million. So that brings us to the industry loss estimate of about \$2.8 billion to \$3 billion.

And third, to where you were asking about, Meyer, on casualty. The two data points we saw and that we decided to react to is, one, loss trends continue to be elevated. Now, they're still relatively [ph] stable (00:36:09) since the last reserve studies, but they continue to be elevated, in part reflecting the environment that Jim mentioned during his opening comments. The second thing is we continue to see loss emergence in the older accident years, and we decided to react not just to the accident years where the loss emergence is coming in higher than expectations, but we decided to reflect it across most accident years to try to keep ahead of it.

Now, what we did not factor in or react to this quarter in the data is any underwriting action we've taken that hasn't yet shown up in our numbers, any of the tort reform we've not given any credit to. And at the same time, we know that in our insurance book, we have a claims acceleration. We hear from our cedents, some of them, that there's claims acceleration in their book. That wasn't reflected in anything we've done this quarter.

So the takeaways this quarter, that's what we really reacted to. The bulk of it was in the North America casualty book on the Treaty side. And we feel like we reacted to what we know. Now the reserve studies are ongoing and will be done next quarter.

Meyer Shields

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay. Thank you. That's very helpful. Is there – second question, is there a way of maybe ballparking the impact of the Middle East conflict on premium volumes?

Jim Williamson

President, Chief Executive Officer & Director, Everest Group Ltd.

A

Yeah. Look, I think, overall it is actually on the Global Wholesale and Specialty side, creating opportunities insofar as you are seeing a reaction in terms of rates, particularly around areas like political violence and marine, and we see that as an opportunity. We are, obviously, an active underwriter in the region. We've taken a very conservative approach during the conflict. But I think, on balance, Meyer, I would view it as a potential opportunity more than anything else.

Meyer Shields

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay. Perfect. That's what I was looking for. Thank you so much.

Jim Williamson

President, Chief Executive Officer & Director, Everest Group Ltd.

A

You got it.

Operator: The next question is from Michael Zaremski with BMO Capital Markets. Please proceed.

Michael Zaremski

Analyst, BMO Capital Markets Corp.

Hey. Thanks. Good morning. Maybe just I know I've asked this in the past, just – we get asked a lot by investors just on the catastrophe load guidance. Some of your peers are talking about kind of towards the higher end of the range given kind of where pricing's going, and kind of keeping limits flat or higher. Any change in the CAT load guidance? I'm not sure if some of the retro or Annapurna flows into CAT at all? Thanks.

Elias Farid Habayeb

Chief Financial Officer & Executive Vice President, Everest Group Ltd.

Yeah. Hi, Mike. It's Elias. No, Annapurna is on the casualty and specialty side. The guidance I'd give you from a CAT loading is roughly 8 points on the Treaty side and roughly about 4 points on Global Wholesale and Specialty.

Michael Zaremski

Analyst, BMO Capital Markets Corp.

Okay. Perfect. Thank you. And maybe moving to an attritional loss ratio question on the Global Wholesale and Specialty. Great to see 4 point of improvement. Also kind of heard some of your guidance or thought process comments. But is there – just so we understand the improvement, is there a bridge you can kind of talk about that caused the improvement? Is it all mix of business, or are other things going on that you'd like to make us aware of?

Elias Farid Habayeb

Chief Financial Officer & Executive Vice President, Everest Group Ltd.

Yeah. Mike, it's Elias again. I would say a couple of things driving. One is mix. The other one is improved loss experience. Now, even with the improvement of about 350 basis points, 400 basis points year-over-year, we did not change our prudence on the long tail lines. We're maintaining our prudence on the long tail lines. It's really mix and improved loss experience on the other businesses that's playing out.

Michael Zaremski

Analyst, BMO Capital Markets Corp.

Got it. In terms of the enhanced disclosure, it would be great if you all could provide kind of disclosure that looks a little bit more like the statutory disclosure, where we can kind of see the prudence via the kind of IBNR levels by business line and vintage. Just a comment. Thank you so much.

Jim Williamson

President, Chief Executive Officer & Director, Everest Group Ltd.

Mike, you're referencing the GLTs, I assume, which we've certainly taken that into account. So, thanks.

Michael Zaremski

Analyst, BMO Capital Markets Corp.

Thank you.

Operator: And the next question comes from Brian Meredith with UBS. Please proceed.

Brian Meredith

Analyst, UBS Securities LLC

Q

Yeah. Thanks. Jim, just curious, given the continued move here to more property business in your reinsurance, should we be expecting more of this volatility in excess non-CAT weather, kind of like you reported and called out this quarter in your results, and below normal also?

Jim Williamson

President, Chief Executive Officer & Director, Everest Group Ltd.

A

Yeah. I wouldn't necessarily say that you should expect more volatility there, because a couple things. One, we have a long track record in the products that drove the loss in this particular quarter. They perform extremely well. You do from time-to-time get these pops. But if you look at our overall exposure to non-CAT weather, and in particular areas like severe convective storm, we've managed that down over time. And so I think you sort of net those things together, and I'd say that I really view this quarter's loss as kind of an anomalous loss. Not that it couldn't recur, but it shouldn't raise an expectation that we're going to see more of that going forward.

Brian Meredith

Analyst, UBS Securities LLC

Q

Makes sense. Thanks. And Jim, just curious your thoughts. You obviously have a new alternative capital facility. It's great. But we're seeing a lot of this kind of in the industry. What do you think the impact has been in the reinsurance marketplace, call it mid-year renewals, and as we look into 2027 from this increased capital coming into the industry from an alternative capital? I know, I just remember back prior to 2020 and how this alternative capital really depressed returns, at least in the property side of the business. And now we've got this new kind of casualty part coming in.

Jim Williamson

President, Chief Executive Officer & Director, Everest Group Ltd.

A

Yeah. It's a fair question. I mean, I think one piece of context, Brian, that's always important to keep in mind is if you zoom out and you look at the total capitalization of the industry and the part that's played by third-party capital, it's still relatively within range of where it's been over the last few years. Yes, it's increasing, but really on the margins. And so that would be one point.

I think a lot of the experience we're having right now in terms of price trajectory is just the fact that people have made a fair bit of money in a variety of markets in reinsurance over the last few years. Underwriters have done well, and they're looking to put that – the capital they've created through that process to work, and so you're seeing increased competition.

My hope is that people have learned from the last time that third-party capital really leaned into reinsurance, and I do think that's a fair hope to have. I think we're seeing a lot of increased sophistication from third-party capital providers. Certainly, we work only with partners who fully understand the risks that we're taking. And as I said earlier, we try to create tremendous alignment with our capital providers in that way.

So I guess my view, if I were to summarize it, is yes, it's going to apply some marginal competitive pressure because supply of capital goes up. It's a supply and demand equation. But I think it's happening against a backdrop of a fair bit of discipline, and so I don't expect a major dislocation at this point.

Brian Meredith

Analyst, UBS Securities LLC

Thank you.

Q

Jim Williamson

President, Chief Executive Officer & Director, Everest Group Ltd.

Thanks, Brian.

A

Operator: Our next question is from David Motemaden with Evercore ISI. Please go ahead.

David Motemaden

Analyst, Evercore ISI

Hey. Thanks. Good morning. Elias, you had sized the Baltimore Bridge impact on the reserves. I was wondering if you could also just let us know what the reserve increase was in dollar terms on the casualty side? And is that something that was only a slice of the book where you reacted to information? Is that something that we should extrapolate? Any sort of color there would be helpful.

Q

Elias Farid Habayeb

Chief Financial Officer & Executive Vice President, Everest Group Ltd.

Hi, David. It's Elias. Yes. So, on the North America casualty side, where the bulk of the strengthening we took, it was rough – just under \$200 million. So if you think about the total reserves, that's a small percent of the total reserves. The second thing I would say is, while the loss emergence was in the older accident years, we decided to kind of reflect it across most accident years. So it's really spread across, because we kind of reflected what we saw in the older accident years across most accident years. And this is really in the North America casualty book where we took the adjustment.

A

David Motemaden

Analyst, Evercore ISI

Got it. Thanks for that detail. Oh, sorry. I didn't know if someone else was chiming in there. But on the – just also – just in response to that, was there any change to the loss pick on the casualty side? And maybe just as a gut check within the mid-50s attritional loss ratio within reinsurance that you were talking about, is – where are you picking casualty within that?

Q

Elias Farid Habayeb

Chief Financial Officer & Executive Vice President, Everest Group Ltd.

So, going through the data at this point, we decided there's no need to make any adjustments to the casualty 2026 loss picks. We feel they're prudent. And so given we – we reacted to what we know right now, but we're going through the reserve study, which will be done later in the third quarter.

A

David Motemaden

Analyst, Evercore ISI

Understood. Makes sense. Thank you.

Q

Operator: And the next question comes from Matthew Heimermann with Citi. Please go ahead.

Matthew Heimermann

Analyst, Citigroup Global Markets, Inc.

Q

I think most of my questions have been answered. But just curious if with the change in the portfolio, we should expect any, like changes – with any changes in the underwriting portfolio in the mix, if we should expect a natural shortening of the duration on the investment portfolio side just as we contemplate reinvestment rates and the like?

Elias Farid Habayeb

Chief Financial Officer & Executive Vice President, Everest Group Ltd.

A

And Matthew, I think you're asking about the investment portfolio. And our investment strategy is liability-driven. And so we will align the duration of the asset side to what we see happening on the liability side. And right now, the duration on the asset side is about three-and-a-half years, and we try to maintain that duration. The ALM duration is pretty tight between the two.

Matthew Heimermann

Analyst, Citigroup Global Markets, Inc.

Q

Thank you.

Operator: And our next question is from Elyse Greenspan with Wells Fargo. Please proceed.

Elyse Greenspan

Analyst, Wells Fargo Securities LLC

Q

Hi. Thanks. Good morning. My first question, I guess, is going back to the capital discussion. Elias, I think you said right that there's going to be some capital freeing up from the Legacy book. So can you just remind us of the numbers there? And then could that be additive to that \$300 million floor when we think about capital return in the back half?

Elias Farid Habayeb

Chief Financial Officer & Executive Vice President, Everest Group Ltd.

A

Hey, Elyse. It's Elias. Yeah. Happy to answer your question. So we've got over \$1 billion of capital sitting behind Legacy. That amount will free up over time as the reserves and Legacy come down. From a capital management perspective, we look at our distributable capital in total. Most of our capital will come through the earnings of the company. The company has really strong earnings generation. And then, any capital that gets freed up through Legacy runoff or other means gets factored.

And listen, we believe, given the strength of the balance sheet, the strength of the earnings generation of the company, we have the capacity to buy more than \$300 million per quarter when appropriate. And that's what gives us the conviction that we expect to come in, to be buying more than \$300 million a quarter. You saw the first quarter at \$330, the second quarter we're at almost \$400. And so I quoted in my opening comments an 81% payout ratio for the quarter and just shy of 80% for the last three quarters.

So you could see kind of the acceleration and the commitment on our end to deliver attractive return by buying back more shares. And as we look forward, we expect to maintain that same discipline going forward.

Elyse Greenspan

Analyst, Wells Fargo Securities LLC

Q

Thanks. And then, my follow-up, I wanted to go back to just, I guess, some of the commentary you said on the casualty book. It sounds like, right, that \$200 million reserve increase was, right, on the North America casualty reinsurance side. So can you just – and you – I think you said in response to another question, you guys didn't move current year loss trend assumptions this quarter. Can you give us a sense of where the current casualty loss trends are today, just to give extra comfort why you were moving prior years and obviously see the strength in the current [indiscernible] (00:50:10)?

Elias Farid Habayeb

Chief Financial Officer & Executive Vice President, Everest Group Ltd.

A

Yeah. Happy to, Elyse. And our loss trends on casualty have been relatively stable since the last reserve study, and it varies by line within casualty between high-single-digits to low-double-digits is where our loss trends are. And that's not inconsistent for what I think we've been seeing from some of our other peers' report.

Elyse Greenspan

Analyst, Wells Fargo Securities LLC

Q

Thank you.

Operator: And the next question is from Tracy Benguigui with Wolfe Research. Please go ahead.

Tracy Benguigui

Analyst, Wolfe Research LLC

Q

Thank you. Good morning, and welcome, Elias. A follow-up on Annapurna Re. The \$200 million of premiums you plan to see per quarter. I appreciate there's no cherry-picking. The mechanism is a quota share. But I'm curious, is the idea, let's say, for example, rather than cut casualty XOL by a quarter, why not give that to Annapurna through a quota share? Or should we actually expect more casualty reinsurance reduction on a net basis going forward?

Jim Williamson

President, Chief Executive Officer & Director, Everest Group Ltd.

A

Yes. Tracy, listen, I guess the way we think about it, first of all, this is a crucial statement that I want to make sure we're all aligned around, is we start with gross underwriting. And so we're not going to put business on the books unless we're confident that we understand it, we've underwritten it, we can predict its performance over time, and we feel good about it. And so that's where it begins. And certainly, over time, you've seen us withdraw from a number of casualty deals and a fair bit of business, over \$1 billion over the last few quarters as a result of that gross underwriting discipline.

We've now agreed to cede a portion of that business to this vehicle on a quota share basis, as I mentioned. And so what does that mean for our net? Well, in – I would say in the immediate term, it means our net retention of casualty will go down. We're not going to stretch to go find more gross as a result of this transaction. And at the – and then what I would also add, obviously, it helps us to move the mix, helps to provide some capital flexibility. So a lot of benefits inuring to us through that transaction. But we don't change our underwriting logic based on the availability of third-party capital. It's just not how we run the company.

Tracy Benguigui

Analyst, Wolfe Research LLC

Q

Excellent. And then, going back to your mid-year renewal comments that the market saw property down 15% to 20%, while Everest, it was down 10%.

Jim Williamson

President, Chief Executive Officer & Director, Everest Group Ltd.

Yeah.

Tracy Benguigui

Analyst, Wolfe Research LLC

I'd like to better understand how you achieved better pricing? Did you change where in the tower you played, or is the nuance a difference in terms and conditions or offering multi-peril protection, not just winds? Or is the difference where you play geographically?

Jim Williamson

President, Chief Executive Officer & Director, Everest Group Ltd.

Yeah. So, a couple points. One, when we talk about these numbers, these are on a risk-adjusted basis. So if we change the program and add more coverage, that would increase the risk. And so you don't get a pass when you do those sorts of things. How do we achieve it? It's a few things. One, non-concurrent terms are a big part of it, and in particular, almost all programs that we write in Florida are on non-concurrent basis. And so the market can be doing one thing, and we may be doing something else, and that puts us at a tremendous advantage in that marketplace.

And then, more broadly, what I would say is our property teams, and this is true in every geography around the world, are incredibly astute at determining where they want to participate in programs. So we definitely will adjust where in the tower we sit based on the availability of margin and pricing and risk. And we saw a fair bit of shifting around of our participations, which is why I indicated in the quarter our average attachment point on a return period basis increased. So we did not come down in the tower to achieve better or higher rates. We actually went up a little bit. And we will move then capacity across clients based on where we see risk-adjusted rates going.

And so there's no question, in the most recent renewals, we deployed more capacity with clients where we saw healthy risk-adjusted economics and moved capacity away from programs that weren't as well priced or structured. And all of that allows us to sort of defy the gravity of where the market is heading.

Tracy Benguigui

Analyst, Wolfe Research LLC

Thank you.

Jim Williamson

President, Chief Executive Officer & Director, Everest Group Ltd.

You got it.

Operator: And this does conclude today's question-and-answer session as well as today's conference call. Thank you for attending today's presentation, and you may now disconnect.

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