EQUITY RESEARCH · INITIATION OF COVERAGE · REINSURANCE

# Everest Group, Ltd. (NYSE: EG)

At one times book value, the price says that Everest earns its cost of equity and no more. That is the record of the old Everest, not of the business that it kept.

| RATING | PRICE (10/23/26) | FAIR VALUE | IMPLIED RETURN | PRICE TO BOOK |
|---|---|---|---|---|
| BUY | $398.60 | $475 | +19.2% | 1.00x |

**READ THIS FIRST · THE RESULTS COME FOUR DAYS AFTER THIS REPORT.** Everest reports its third-quarter results on October 28, 2026, after the market closes. Those results include the annual reserve studies for most long-tail lines. A large reserve charge would decrease book value and could change this call. We publish now because the rating is a twelve-month view. Section eight tells you what would make us change it.

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The author holds no position in EG and has no plans to start one. A fair value is an opinion, not a prediction. Equities can lose value, and you can lose all of the money that you invest. The full disclosures are on the final page.

We start coverage of Everest Group with a **BUY** and a fair value of $475. That is +19.2% above the close of $398.60 on Friday, October 23, 2026.

Everest is a reinsurer based in Bermuda. It also writes wholesale and specialty insurance. The stock trades at 1.00 times book value per share, which was $398.83 on June 30, 2026.

At one times book, the price says that Everest will earn about 10% on its equity, which is our cost of equity. For the business, that means a core combined ratio of **98.0%**. That is close to the 98.3% average of the old group from 2016 to 2025. That average included an insurance segment that lost money in 2024 and 2025.

In a normal year, with the CFO's own catastrophe load, the core combined ratio is 94.1%. After allowances for a softer market and for reserve risk, our central case is 96.1%. That gives a return on equity of 11.3% and a value of $473, which we round to $475.

The case is asymmetric: $358 in our bear case and $550 in our bull case. The main risks are reserves, a softer market and lower interest rates.

| SNAPSHOT | |
|---|---|
| Market cap | $15.3B |
| Shares out | 38.3M |
| Book value per share | $398.83 |
| Price to book | 1.00x |
| Price to book, ex URA(D) | 0.98x |
| ROE, first half, reported | 15.5% |
| ROE, normal year | 12.6% |
| ROE, central case | 11.3% |
| ROE the price implies | 10.0% |
| Core combined ratio, 1H26 | 89.7% |
| Core CR the price implies | 98.0% |
| Catastrophe load, CFO | 7.1% |
| Catastrophe losses, 1H26 | 3.2% |
| Investment income, annual | $2.18B |
| Dividend yield | 2.0% |
| Buyback floor yield | 7.9% |
| Debt to capital | 18.9% |
| Ten-year average ROE | 9.9% |

SECTION ONE

## What the price assumes

We use the same identity as in our bank reports. The justified price to book is the return on equity minus growth, divided by the cost of equity minus growth.

**justified P/B = (ROE - g) / (COE - g)**

At 1.00 times book, the identity gives a return on equity of 10.0% for any growth rate. Then we ask what core combined ratio gives that return. The answer is 98.0%.

| Measure | Combined ratio |
|---|---|
| **Core combined ratio that the price assumes** | **98.0%** |
| Group combined ratio, average of 2016 to 2025 | 98.3% |
| Insurance segment, 2024 and 2025 | 130.7% and 114.6% |
| Reinsurance segment, 2024 and 2025 | 89.7% and 91.7% |
| Core business, first half of 2026, reported | 89.7% |
| Core business in a normal year, with the CFO's catastrophe load | 94.1% |
| **Our central case** | **96.1%** |

The price assumes about the combined ratio of the old group. That average includes the insurance segment, which ran at 130.7% in 2024 and 114.6% in 2025. In the same years, the reinsurance segment ran at 89.7% and 91.7%. Since then, Everest has sold the renewal rights to the retail part of the insurance segment.

SECTION TWO

## The bond portfolio pays the shareholders

In a normal year, almost all of Everest's pretax income comes from investments. We annualize the first half of 2026. Net investment income is then $2,182 million, which is 96% of our normal-year pretax income.

The underwriting profit in a normal year is $718 million. The other costs are $616 million: interest, corporate costs, other expenses and the losses on the Legacy business. So the underwriting profit only just pays for the overhead, and the shareholders earn the yield on the float.

This is new. In 2016, investment income was 5.9% of year-end equity. In 2025, it was 13.7%. Higher interest rates did most of that work. The CFO said that the book yield was 4.5% in the second quarter, and that new money earned closer to 5%.

It also makes the stock sensitive to rates. If investment income falls 10%, the return on equity in our central case falls from 11.3% to 10.1%, and the value falls to $404. At that return, the price is about right.

SECTION THREE

## A normal year

Reported results flatter Everest this year. In the first half, catastrophe losses in the core business were 3.2% of earned premium. The CFO's catastrophe load for 2026 is about 8 points of earned premium for reinsurance treaty and 4 points for wholesale and specialty. On the first-half mix, that is 7.1%.

| From reported pretax income to a normal year | $ millions |
|---|---|
| Reported pretax income, first half of 2026 | 1,420 |
| Add back the losses on investments | 17 |
| Remove the favorable reserve development | (33) |
| Replace actual catastrophe losses with the CFO's load | (245) |
| **Normal first half** | **1,159** |
| Two halves | 2,317 |
| Adjust for lower earned premium | (33) |
| **Normal-year pretax income** | **2,284** |
| After tax at the first-half rate of 14.6% | 1,951 |
| **Return on equity of $15,430 million** | **12.6%** |

We do not annualize the first-half catastrophe losses, because the hurricane season falls in the second half. We keep all of the other expense line, $216 million a year, although part of it may not recur.

The premium adjustment is important. Core net written premium fell 10.0% in the first half, and reinsurance treaty fell 12.8%. Written premium comes before earned premium, so earned premium will decrease too. Everest writes less business as prices soften.

SECTION FOUR

## The business that Everest kept

In 2025, Everest made three changes. It sold the renewal rights to its retail commercial insurance business to AIG. That business had about $2 billion of gross written premium. It also bought a $1.2 billion adverse development cover on $5.4 billion of reserves for accident years 2024 and prior.

Third, it moved the old business into a Legacy segment. In March 2026, Everest also agreed to sell its Canadian retail insurance company to Wawanesa. The core business is now reinsurance treaty, plus global wholesale and specialty insurance.

The reserve problems came from the insurance segment, not from reinsurance. From 2023 to 2025, the insurance segment added $1,917 million of adverse reserve development. In the same years, the reinsurance segment released $494 million.

Everest sold the retail part of that segment, and the cover protects $5.4 billion of its older reserves. But the wholesale and specialty lines stay in the core business. For that reason, we keep a reserve allowance in our central case.

Legacy still has capital behind it. The CFO said that it is over $1 billion, or about $26 a share. That capital can come back to shareholders as the old reserves run off.

SECTION FIVE

## The record

| Year | Return on equity | Combined ratio | Book value per share |
|---|---|---|---|
| 2016 | 12.9% | 87.0% | $196.41 |
| 2017 | 5.8% | 103.5% | $204.25 |
| 2018 | 1.1% | 108.8% | $193.37 |
| 2019 | 12.0% | 95.5% | $223.85 |
| 2020 | 5.8% | 102.9% | $243.25 |
| 2021 | 14.6% | 97.8% | $258.21 |
| 2022 | 6.0% | 96.0% | $215.54 |
| 2023 | 20.9% | 90.9% | $304.29 |
| 2024 | 9.6% | 102.3% | $322.97 |
| 2025 | 10.5% | 98.6% | $379.83 |

Over ten years, the return on equity was 9.9% on average. It was below our 10% cost of equity in 5 of the ten years. Book value per share grew 7.6% a year from 2016 to 2025, and the dividends came on top of that.

That record is the honest bear case. It includes large catastrophe years in 2017 and 2018, and pandemic losses of $511 million in 2020. It includes the reserve charges of 2020, 2024 and 2025.

From 2019 to 2025, catastrophe losses were 6.1% of earned premium, and reserve development added 2.8%. Our central case uses a 7.1% catastrophe load and a 1.0 point reserve allowance on the core business.

SECTION SIX

## Valuation

Our central case adds two allowances to the normal year. The first is 1.0 point for a softer market. Everest's own property catastrophe pricing fell about 10% at the mid-year renewals. The core attritional combined ratio rose 1.7 points in the second quarter, partly from weather losses that were not catastrophes.

The second allowance is 1.0 point for adverse reserve development. Then we apply a 10% cost of equity, the same hurdle as in our JPMorgan report, and 3% growth.

| Case | Core CR | ROE | P/B | Value | Return |
|---|---|---|---|---|---|
| Bull: a normal year, no allowances | 94.1% | 12.6% | 1.38x | $550 | +37.9% |
| Base: 1 point for the cycle, 1 for reserves | 96.1% | 11.3% | 1.19x | $473 | +18.7% |
| Bear: 2.5 points for the cycle, 2.5 for reserves | 99.1% | 9.3% | 0.90x | $358 | -10.1% |

Each point of core combined ratio moves the value by about $38 a share. The cost of equity is the other large input.

### Value per share by core combined ratio and cost of equity

| Core combined ratio | 9% cost of equity | 10% | 11% |
|---|---|---|---|
| 94% | $645 | $553 | $483 |
| 96% | $555 | $476 | $417 |
| 98% | $466 | $400 | $350 |
| 100% | $377 | $323 | $283 |

A reader who uses an 11% cost of equity gets $417 at our central combined ratio. That is still above the price, but by only 4.5%.

SECTION SEVEN

## Why this is a BUY

The case is asymmetric. In our bear case, the stock is worth $358, which is 10.1% below the price. In our bull case, it is worth $550, which is 37.9% above the price.

The capital return also works for the holder. The CFO calls $300 million of buybacks a quarter a floor. At the current price, that buys back 7.9% of the shares each year. The dividend adds 2.0%.

Book value per share grew 11.4% in the twelve months to June 30, 2026, after Everest paid its dividends. In 2025, Everest bought back shares at an average of $333.01, below the book value per share at the end of that year.

We do not need the market to pay a premium for Everest. We need the core business to run better than the old group did. The reinsurance record of 2024 and 2025 is our evidence.

SECTION EIGHT

## Risks, and what would change our mind

**The third-quarter results.** Everest reports on October 28, 2026. The annual studies for most long-tail lines, which include reinsurance treaty, finish in the third quarter. In the third quarter of 2025, Everest added $478 million to reserves.

**A change in definitions.** On October 19, 2026, Everest changed its definitions of operating income and underwriting income. The new definitions remove the development on reserves that the adverse development cover protects. This report uses net income and reported book value, which keep the old basis.

**Accounting for the cover.** If covered reserves develop adversely, the loss can go into income at once. Part of the recovery goes into a deferred gain, which comes into income over time. Thus book value can fall for a period, even when the cover pays.

**A softer market.** Gallagher Re puts reinsurance capital at a record of about $688 billion. The CEO said that market property catastrophe pricing fell 15% to 20% at the mid-year renewals. He expects the renewals on January 1, 2027 to stay competitive, unless large catastrophe losses change the market.

**Interest rates.** Investment income is 96% of normal-year pretax income. If it falls 10%, our central value falls to $404, which is about the price.

**Catastrophes.** The year has been quiet. Gallagher Re estimates global insured catastrophe losses of $92 billion for the first nine months, 29% below the ten-year average. Hurricane Isaias reached Florida on October 9, which is in the fourth quarter. A quiet year can end in one quarter.

**Downgrade to HOLD** if adverse development on the core business in a year is more than 1 point of core earned premium, about $121 million. We would also downgrade if the core attritional combined ratio goes above 90% for two quarters.

**More conviction** if the reserve studies show no adverse development on the core business, and if the buybacks stay above the floor.

APPENDIX

# Methodology, sources and disclosures

## Methodology

A model script computes every figure in this report. The script checks that the income statement adds up to reported pretax income. It checks that our core combined ratio matches the reported 89.7%, and that the derived attritional ratio matches the reported 87.0%. It also checks that the normal year agrees when we build it from the top and from the bottom.

The valuation uses the justified price to book identity, with a 10% cost of equity and 3% growth. The return on equity uses shareholders' equity of $15,430 million on June 30, 2026, and the tax rate of the first half.

## The reference price

The $398.60 reference price is the close on Friday, October 23, 2026. We checked it against five independent sources before we built the model: stockanalysis, FinancialContent, InvestBamboo, Robinhood and ChartExchange. All five show $398.60. We rejected seven other sources as old, not as different.

## Operating income and the October 19 change

Everest reports after-tax operating income, a non-GAAP measure. On October 19, 2026, it changed that definition and published recast figures. This report uses GAAP net income, reported pretax income and reported book value, so the change does not affect our numbers.

## Sources

- Everest second quarter 2026 earnings release (Form 8-K, July 29, 2026) and Form 10-Q for the quarter ended June 30, 2026.
- Everest fourth quarter and full year 2025 release, and third quarter 2025 release, both on Form 8-K.
- Everest annual reports for 2025, 2021 and 2020, for the ten-year record.
- Everest fourth quarter releases for 2023, 2021, 2019 and 2017, for catastrophe losses, reserve development, earned premium and investment income.
- Everest Forms 8-K of October 19, 2026 and March 23, 2026.
- Second quarter 2026 earnings call transcript, for the catastrophe load, pricing, the buyback floor, Legacy capital, reserve study dates and yields.
- Gallagher Re, via Artemis and Insurance Business, October 2026, for catastrophe losses and reinsurance capital. These are context only.

## How we score this call

This call is dated and public. It joins the scoreboard as an open position at $398.60. We will score it against the S&P 500 on October 24, 2027, under the same rules as every other call.

## Nature of this publication

2 Comma Investor is an independent publication. It is not a registered investment adviser, broker-dealer or research firm, and nothing here is personal investment advice. This report is opinion for education. A fair value is an opinion about a range of results, not a prediction, and it can be wrong.

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