

Everest: How much risk should Annapurna help carry?

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Strategy case | MBA audience

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This is a hypothetical planning exercise based on public information. It does not describe an actual Everest internal assignment or report outcomes after the cutoff.

The decision

Everest Group has recently launched Annapurna Re Ltd., a Bermuda casualty reinsurance sidecar sponsored with Stone Point. As the company plans its next underwriting cycle, a hypothetical strategy group must decide how much casualty and specialty business Everest should write or support with third-party capital, and what underwriting, reserve, and capital gates should govern that choice.

Everest can use the announced vehicle to pursue selected growth, keep its use bounded while prioritizing net-risk discipline and capital returns, or stage further capacity decisions until more experience and regulatory evidence are available. The assignment is not to renegotiate Annapurna's existing terms. It is to determine how Everest should make future underwriting and capital decisions around the vehicle.

What the company has said and done

On June 17, Everest and Stone Point announced Annapurna. Everest said the vehicle was expected to deploy approximately **\$600 million of third-party capital** to provide dedicated capacity for global casualty and specialty reinsurance over a three-year underwriting period. Stone Point-managed funds were named as inaugural anchor investors, and Stone Point Credit as exclusive investment manager. Everest described the partnership as a way to support growth and capital flexibility. Those are forward-looking expectations and management's rationale; the \$600 million is not Everest balance-sheet capital, realized deployment, premium written, earnings, or a public estimate of capital released.

Everest's Q2 2026 Form 10-Q, filed August 3 for the quarter ended June 30, says Annapurna is a Bermuda collateralized insurer and special-purpose vehicle structured as a segregated accounts company. The filing says the third-party-funded assets and liabilities are legally isolated from Everest's general accounts. It also records cessions of certain global casualty, specialty, and facultative exposures to the segregated accounts of a subsidiary of Annapurna.

For both the three- and six-month periods ended June 30, Everest reported **\$274 million of ceded written premiums, \$81 million of ceded earned premiums, and \$58 million of ceded losses and loss-adjustment expenses**. Because activity began in June, the same

stated figures for quarter and year-to-date should not be added as separate observations. These are Everest's accounting measures for ceded business. They are not Annapurna's capital, investment return, or complete treaty economics.

Public documents reviewed for this case do not disclose Annapurna's full treaty schedule, attachment or limits, ceding commission, profit-sharing, collateral details, claims terms, capital calls, investor return, renewal provisions, or the risk-adjusted economics by line. Everest's filing attributes part of the Q2 decline in net written premiums in both core segments to increased third-party cessions, largely associated with Annapurna. That accounting explanation does not establish how much gross risk moved, how much Everest retained, whether capacity was incremental, or whether capital was released.

The current portfolio

Effective January 1, 2026, Everest reports three segments:

- **Reinsurance Treaty**
- **Global Wholesale & Specialty**
- **Legacy**

The company identifies the first two as its active core businesses. Legacy mainly manages divested or held-for-sale commercial retail policies, runoff asbestos and environmental exposures, and other discontinued business. Do not treat Legacy runoff as new core underwriting.

In Q2 2026, Everest reported **\$3.678 billion of core gross written premiums**. On the company's comparable basis, core premiums were down **7.1%** year over year: Treaty was down **9.1%** and Global Wholesale & Specialty was down **1.0%**. Everest defines comparable gross written premium as constant currency and excluding reinstatement premiums. The measure does not adjust for line mix, exposure, terms, price adequacy, or cessions.

Core's Q2 combined ratio was **90.0%**: **88.5%** for Treaty and **95.2%** for Global Wholesale & Specialty. Core underwriting income was **\$317 million**. A combined ratio compares incurred losses and expenses with net premiums earned; this quarter's ratios reflect net-of-reinsurance results, mix, catastrophe losses, and reserve movements. One quarter does not establish the return on new casualty business or reserve adequacy.

Everest management said Treaty premium fell partly because of underwriting actions in casualty pro-rata and casualty excess-of-loss business, lower reinstatement premiums, and declining property rates. It described growth in other specialty and professional liability as offsetting reductions in specialty casualty. These are management explanations, not exposure-adjusted pricing evidence. The public information does not separate risk selection from price, mix, currency, reinstatements, or reinsurance cessions.

Everest repurchased **\$395 million** of common shares during Q2. The company described share repurchases as a capital-allocation priority. This is another use of capital to consider, but the public report does not reveal its internal underwriting hurdle or capital-fungibility assumptions.

Reserve and regulatory evidence

At June 30, Everest reported **\$34.735 billion** of consolidated loss and loss-adjustment expense reserves, including **\$24.395 billion** of incurred-but-not-reported reserves. The August 31 Form 8-K announced publication of 2025 global loss triangles. The notice is not the triangle analysis itself. Line and accident-year development, maturity, gross-versus-net basis, and mapping to the current segments require further work. Historical development helps assess uncertainty but does not predict future casualty severity.

The Bermuda Monetary Authority informed Everest during Q2 that it would become Everest's Group Supervisor and designated Everest Reinsurance (Bermuda) Ltd. as the designated insurer under the Bermuda Insurance Act. Everest said it and Bermuda Re were discussing the applicable requirements during a transition period ending in January 2027; the BMA may extend it. The filing describes future group-level solvency and capital, consolidated reporting and audit, recovery planning, and prior-notice or approval requirements for certain material changes.

The transition is relevant to underwriting and capital flexibility. The public record does not show a completed Everest-specific group capital assessment, final requirements, a BMA restriction on Annapurna, or a capacity limit. Keep the company's report of transition status distinct from statute, regulator action, and any assumption about future capital treatment.

A portfolio in transition

Everest's sale of its Canadian commercial retail insurance operations to Wawanesa **closed on October 1, 2026**, after required approvals and closing conditions. The Q2 filing describes a loss-portfolio transfer for certain pre-close liabilities and transition services. The public closing announcement does not establish all proceeds received or retained-liability economics.

Everest's Colombian commercial retail operations remained under a definitive agreement to sell to AIG, with the Q2 filing and May announcement anticipating an early-2027 close subject to customary approvals and conditions. Colombia was therefore pending at the case cutoff. Do not describe it as completed or assume proceeds are available for underwriting or repurchases. The company's remaining runoff and divested business are still reflected in Legacy reporting.

Everest scheduled its Q3 2026 earnings call for October 29, after this case's cutoff. No Q3 results, later Annapurna performance, final BMA transition outcome, or post-cutoff transaction status is included.

What research can contribute

Research on reinsurance gives competing mechanisms, not a prescribed answer. A 2025 study of U.S. property-casualty insurers finds reinsurance associated with movement toward estimated leverage targets and faster capital adjustment; its results differ with the insurer's initial capital position. A 2025 issue paper using Canadian P&C insurer data from 1996-2010 finds greater net-reinsurance reliance associated with lower book capital and slower adjustment. These are firm-level estimates from different samples and measures, not sidecar economics for Everest.

A study of 84 Bermuda Class 3 and 4 applications from 2005-06 examined regulatory files and business plans. Under a broader definition, 26 vehicles qualified as sidecars; the authors' file review found collateralization arrangements for all 26, mostly in a short-tail catastrophe-property setting. This finding came from file review, not a separate self-reported collateral measure. The study is descriptive and historical; it does not show that collateral eliminates risk or that a casualty sidecar remains attractive through a cycle.

A Dutch study of reinsurance networks models deterministic counterparty-failure scenarios. It reports no system-wide standalone failure in the scenarios, while identifying some individual and intra-group vulnerabilities. It lacks retrocession and indirect exposures. None of these studies measures Annapurna's economics, Everest's reserve adequacy, its group capital headroom, or the right amount of underwriting growth.

Choose a path

1. **Use Annapurna-supported capacity for selective growth.** Pursue casualty or specialty opportunities that meet line-level underwriting and reserve standards, testing whether third-party capital adds capacity without weakening Everest's net-risk and capital discipline.
2. **Keep the announced vehicle bounded and prioritize net-risk discipline.** Use it within its current program while continuing to reduce or reprice business that does not meet Everest's hurdles; preserve capital flexibility for repurchases or other needs.
3. **Stage future capacity behind evidence gates.** Use the current arrangement but defer any additional or renewed capacity until Everest can assess line-level experience, reserve development, collateral and investor terms, and the BMA transition.

These are planning alternatives, not disclosed Everest plans. They can be combined, but the decision group must state who can approve exceptions and when it would expand, maintain, or reduce capacity.

Your assignment

Recommend how Everest should manage future casualty and specialty underwriting and capital gates around Annapurna. Your plan should:

- choose a path or explicit combination and distinguish gross underwriting from net risk retained and risk ceded;
- identify which lines or exposures qualify for growth, continued underwriting, reduction, or a pause;
- set evidence gates for price and terms, expected losses, reserve development, collateral and counterparty stress, and group-capital requirements;
- explain how capital for underwriting compares with repurchases and other corporate needs;
- name the data and decision rights required, with triggers to accelerate, pause, or reduce capacity; and
- distinguish company-reported facts, management claims, academic mechanisms, and your assumptions.

Do not infer capital relief from a cession, reserve adequacy from a single quarter, or underwriting quality from premium growth or decline. State what evidence would change your recommendation.

Selected sources

- Everest, [Q2 2026 Form 10-Q](#), filed August 3, 2026; Note 5 p. 31, Recent Developments pp. 37-39, segment discussion pp. 40-55, reserves pp. 79-84.
- Everest, [Q2 2026 results release](#), July 29, 2026; segment, combined-ratio and comparable-GWP tables.

- Everest and Stone Point, [Annapurna announcement](#), June 17, 2026.
- Everest, [Canada sale completion announcement](#), October 1, 2026.
- Everest, [Colombia sale announcement](#), May 19, 2026.
- Everest, [2025 global loss-triangle Form 8-K exhibit announcement](#), August 31, 2026.
- Bermuda Monetary Authority, [group-supervision overview](#); Bermuda, [Insurance Amendment \(No. 2\) Act 2025 commencement notice](#).
- Academic evidence and limits: Li & Shiu (2025), [DOI](#); Guidara et al. (2025 issue), [DOI](#); Ramella & Madeiros (2007), [DOI](#); van Lelyveld et al. (2011), [DOI](#).