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:	Commission file number:
March 31, 2007	**1-14527**

EVEREST REINSURANCE HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**22-3263609**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

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

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

YES X NO ___

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

Large accelerated filer ___ Accelerated filer ___ Non-accelerated filer X

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

YES ___ NO X

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

Class	Number of Shares Outstanding at May 1, 2007
Common Stock, $.01 par value	**1,000**

EVEREST REINSURANCE HOLDINGS, INC.

Index To Form 10-Q

PART I

FINANCIAL INFORMATION

PART II

OTHER INFORMATION

EVEREST REINSURANCE HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except par value per share)	March 31, 2007	December 31, 2006
	(unaudited)	
ASSETS:		
Fixed maturities - available for sale, at market value		
(amortized cost: 2007, $5,830,203; 2006, $5,959,228)	$ 6,004,441	$ 6,137,410
Equity securities - available for sale, at market value (cost: 2007, $16,393; 2006, $874,289)	16,393	1,189,341
Equity securities - available for sale, at fair value	1,167,814	-
Short-term investments	732,661	657,674
Other invested assets (cost: 2007, $350,533; 2006, $329,914)	350,920	330,875
Other invested assets, at fair value	201,861	-
Cash	77,157	136,535
Total investments and cash	8,551,247	8,451,835
Accrued investment income	80,513	85,447
Premiums receivable	909,985	939,625
Reinsurance receivables - unaffiliated	763,209	751,121
Reinsurance receivables - affiliated	1,559,704	1,511,856
Funds held by reinsureds	132,437	133,965
Deferred acquisition costs	238,006	240,346
Prepaid reinsurance premiums	389,393	391,336
Deferred tax asset	233,423	248,214
Other assets	153,346	134,550
TOTAL ASSETS	$ 13,011,263	$ 12,888,295
LIABILITIES:		
Reserve for losses and adjustment expenses	$ 7,268,964	$ 7,397,270
Unearned premium reserve	1,410,018	1,423,677
Funds held under reinsurance treaties	113,501	112,658
Losses in the course of payment	63,051	62,943
Commission reserves	25,986	22,483
Other net payable to reinsurers	453,567	385,926
Current federal income taxes payable	57,343	32,010
8.75% Senior notes due 3/15/2010	199,590	199,560
5.4% Senior notes due 10/15/2014	249,661	249,652
Junior subordinated debt securities payable	546,393	546,393
Accrued interest on debt and borrowings	9,041	10,041
Other liabilities	238,985	227,298
Total liabilities	10,636,100	10,669,911
Commitments and Contigencies (Note 5)		
STOCKHOLDER'S EQUITY:		
Common stock, par value: $0.01; 3,000 shares authorized;		
1,000 shares issued and outstanding (2007 and 2006)	-	-
Additional paid-in capital	301,373	300,764
Accumulated other comprehensive income, net of deferred income taxes of		
$67.1 million at 2007 and $179.1 million at 2006	124,646	332,578
Retained earnings	1,949,144	1,585,042
Total stockholder's equity	2,375,163	2,218,384
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 13,011,263	$ 12,888,295

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

EVEREST REINSURANCE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME

(Dollars in thousands)	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
	(unaudited)	
REVENUES:		
Premiums earned	$ 569,838	$ 603,678
Net investment income	95,934	83,905
Net realized capital gains	33,874	9,020
Other expense	(1,163)	(13,047)
Total revenues	698,483	683,556
CLAIMS AND EXPENSES:		
Incurred losses and loss adjustment expenses	326,015	465,511
Commission, brokerage, taxes and fees	113,975	124,479
Other underwriting expenses	24,747	20,402
Interest expense on senior notes	7,789	7,786
Interest expense on junior subordinated debt	9,362	9,362
Amortization of bond issue costs	235	235
Interest and fee expense on credit facility	27	47
Total claims and expenses	482,150	627,822
INCOME BEFORE TAXES	216,333	55,734
Income tax expense	57,015	12,229
NET INCOME	$ 159,318	$ 43,505
Other comprehensive (loss) income, net of tax	(3,148)	6,800
COMPREHENSIVE INCOME	$ 156,170	$ 50,305

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

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

(Dollars in thousands, except share amounts)	Three Months Ended March 31, 2007	2006
	(unaudited)	
COMMON STOCK (shares outstanding):		
Balance, beginning of period	1,000	1,000
Issued during the period	-	-
Balance, end of period	1,000	1,000
ADDITIONAL PAID-IN CAPITAL:		
Balance, beginning of period	$ 300,764	$ 292,281
Share-based compensation plans	609	3,918
Balance, end of period	301,373	296,199
ACCUMULATED OTHER COMPREHENSIVE INCOME, NET OF DEFERRED INCOME TAXES:		
Balance, beginning of period	332,578	246,285
Cumulative effect to adopt FAS 159, net of tax	(204,784)	-
Net (decrease) increase during the period	(3,148)	6,800
Balance, end of period	124,646	253,085
RETAINED EARNINGS:		
Balance, beginning of period	1,585,042	1,252,136
Cumulative effect to adopt FAS 159, net of tax	204,784	-
Net income	159,318	43,505
Balance, end of period	1,949,144	1,295,641
TOTAL STOCKHOLDER'S EQUITY, END OF PERIOD	$ 2,375,163	$ 1,844,925

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

EVEREST REINSURANCE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Three Months Ended March 31, 2007	2006
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 159,318	$ 43,505
Adjustments to reconcile net income to net cash provided by operating activities:		
Decrease (increase) in premiums receivable	29,495	(3,993)
Decrease (increase) in funds held by reinsureds, net	2,422	(67,498)
(Increase) decrease in reinsurance receivables	(59,250)	2,263
Decrease (increase) in deferred tax asset	16,486	(7,246)
(Decrease) increase in reserve for losses and loss adjustment expenses	(126,977)	9,627
(Decrease) increase in unearned premiums	(13,358)	10,380
Increase in other assets and liabilities	69,627	97,720
Amortization of bond premium	(80)	3,122
Amortization of underwriting discount on senior notes	39	36
Realized capital gains	(33,874)	(9,020)
Net cash provided by operating activities	43,848	78,896
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from fixed maturities matured/called - available for sale	164,883	100,108
Proceeds from fixed maturities sold - available for sale	5,125	40,476
Proceeds from equity securities sold	166,059	26,985
Proceeds from other invested assets sold	19,799	3,266
Cost of fixed maturities acquired - available for sale	(42,026)	(323,296)
Cost of equity securities acquired	(129,459)	(25,069)
Cost of other invested assets acquired	(32,089)	(28,434)
Cost of other invested assets acquired, at fair market value	(200,080)	-
Net (purchases) sales of short-term securities	(74,781)	123,063
Net decrease (increase) in unsettled securities transactions	17,960	(9,627)
Net cash used in investing activities	(104,609)	(92,528)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Tax benefit from share-based compensation	609	3,918
Net cash provided by financing activities	609	3,918
EFFECT OF EXCHANGE RATE CHANGES ON CASH	774	5,345
Net decrease in cash	(59,378)	(4,369)
Cash, beginning of period	136,535	66,194
Cash, end of period	$ 77,157	$ 61,825
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash transactions:		
Income taxes paid (recovered)	$ 13,829	$ (52,439)
Interest paid	$ 18,139	$ 18,159
Non-cash financing transaction:		
Non-cash tax benefit from share-based compensation	$ 609	$ 3,918

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

1. General

As used in this document, "Holdings" means Everest Reinsurance Holdings, Inc.; "Group" means Everest Re Group, Ltd. (Holdings' parent); "Bermuda Re" means Everest Reinsurance (Bermuda), Ltd., a subsidiary of Group; "Everest Re" means Everest Reinsurance Company, a subsidiary of Holdings, and its subsidiaries (unless the context otherwise requires); and the "Company" means Holdings and its subsidiaries.

The unaudited consolidated financial statements of the Company for the three months ended March 31, 2007 and 2006 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 year end consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. The results for the three months ended March 31, 2007 and 2006 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, 2006, 2005 and 2004 included in the Company's most recent Form 10-K filing.

2. New Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board ("FASB") released FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" ("FIN 48"), which is effective for fiscal years beginning after December 15, 2006. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes" ("FAS 109"). FIN 48 prescribes the recognition and measurement criteria for the financial statements for tax positions taken or expected to be taken in a tax return. Further, FIN 48 expands the required disclosures associated with uncertain tax positions. The Company adopted FIN 48 on January 1, 2007 and the resulting impact on the Company's financial statements is deemed to be immaterial.

In September 2006, the FASB issued Statement of Financial Accounting Standards ("FAS") No. 157 "Fair Value Measurements" ("FAS 157"), which is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. FAS 157 defines fair value, establishes a framework for measuring fair value consistently in GAAP and expands disclosures about fair value measurements. As early adoption is an option, the Company adopted FAS 157 as of January 1, 2007.

In September 2006, the FASB issued FAS No. 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" ("FAS 158"), which is effective for employers with publicly traded equity securities as of the end of the fiscal year ending after December 15, 2006. FAS 158 requires an employer to (a) recognize in its financial statements an asset for a plan's over funded status or a liability for a plan's under funded status, (b) measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year and (c) recognize changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur as other comprehensive income. The Company adopted FAS 158 for the reporting period ended December 31, 2006.

In February 2007, the FASB issued FAS No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities - including an amendment to FASB statement No. 115" ("FAS 159"), which is effective for employers with publicly traded equity securities as of the end of the fiscal year ending after November 15, 2007. FAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The Company adopted FAS 159 as of January 1, 2007.

3. Investments, Fair Value

Effective January 1, 2007, the Company adopted and implemented FAS 159 and FAS 157 for its equity securities available for sale and other invested assets, which are publicly traded equity securities. In conjunction with the Company implementing a more active management strategy for these specific investments, FAS 159 and FAS 157 provided an appropriate accounting and presentation of these investments in the Company's consolidated financial statements. The Company did not elect FAS 159 for those equity investments in affiliated non-consolidated special purpose vehicles and non-publicly traded limited partnership investments. The Company recognized a $204.8 million cumulative-effect adjustment to retained earnings, net of $110.3 million of tax. The Company recorded a $2.3 million realized gain in the consolidated statements of operations and comprehensive income due to fair value measurement.

The following table presents the equity securities fair value measurements as of March 31, 2007:

		Fair Value Measurement Using		
(Dollars in thousands)	March 31, 2007	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities	$ 1,167,814	$ 1,167,814	$ -	$ -
Other invested assets	$ 201,861	$ 201,861	$ -	$ -

4. Capital Transactions

On December 1, 2005, Group and Holdings filed a shelf registration statement on Form S-3ASR with the Securities and Exchange Commission ("SEC"), as a Well Known Seasoned Issuer under the new registration and offering revisions to the Securities Act of 1933. Generally, under this shelf registration statement, Group is authorized to issue common shares, preferred shares, debt securities, warrants and hybrid securities, Holdings is authorized to issue debt securities and Everest Re Capital Trust III ("Capital Trust III") is authorized to issue trust preferred securities.

- On December 1, 2005, Group issued 2,298,000 of its common shares at a price of $102.89 per share, which resulted in $236.4 million of proceeds before expenses and Holdings sold Group shares it acquired in 2002 at a price of $102.89 per share, which resulted in $46.5 million of proceeds before expenses. Expenses incurred for this transaction were approximately $0.3 million.

- On April 26, 2007, Holdings completed a public offering of $400.0 million principal amount of 6.6% fixed to floating rate long term subordinated notes with a scheduled maturity of May 15, 2037 and a final maturity of May 1, 2067. The net proceeds from the offering are expected to be used to redeem all of the outstanding 7.85% junior subordinated debt securities as soon as possible after November 14, 2007 and for general corporate purposes.

5. Contingencies

In the ordinary course of business, the Company is involved in lawsuits, arbitrations and other formal and informal dispute resolution procedures, the outcomes of which will determine the Company's rights and obligations under insurance, reinsurance and other contractual agreements. In some disputes, the Company seeks to enforce its rights under an agreement or to collect funds owing to it. In other matters, the Company is resisting attempts by others to collect funds or enforce alleged rights. These disputes arise from time to time and are ultimately resolved through both informal and formal means, including negotiated resolution, arbitration and litigation. In all such matters, the Company believes that its positions are legally and commercially reasonable. While the final outcome of these matters cannot be predicted with certainty, the Company does not believe that any of these matters, when finally resolved, will have a material adverse effect on the Company's financial position or liquidity. However, an adverse resolution of one or more of these items in any one quarter or fiscal year could have a material adverse effect on the Company's results of operations in that period.

The Company does not believe that there are any material pending legal proceedings to which it or any of its subsidiaries is a party or of which any of their properties are the subject.

The Company continues to receive claims under expired contracts, both insurance and reinsurance, asserting alleged injuries and/or damages relating to or resulting from environmental pollution and hazardous substances, including asbestos (i.e. asbestos and environmental ("A&E")). The Company's asbestos claims typically involve potential liability for bodily injury from exposure to asbestos or for property damage resulting from asbestos or products containing asbestos. The Company's environmental claims typically involve potential liability for (a) the mitigation or remediation of environmental contamination or (b) bodily injury or property damages caused by the release of hazardous substances into the land, air or water.

As of March 31, 2007, approximately 9% of the Company's gross reserves are an estimate of the Company's ultimate liability for A&E claims. This estimate is made based on judgmental assessment of the underlying exposures as the result of (1) long and variable reporting delays, both from insureds to insurance companies and from ceding companies to reinsurers; (2) historical data, which is more limited and variable on A&E losses than historical information on other types of casualty claims; and (3) unique aspects of A&E exposures for which ultimate value cannot be estimated using traditional reserving techniques. There are significant uncertainties in estimating the amount of the Company's potential losses from A&E claims. Among the uncertainties are: (a) potentially long waiting periods between exposure and manifestation of any bodily injury or property damage; (b) difficulty in identifying sources of asbestos or environmental contamination; (c) difficulty in properly allocating responsibility and/or liability for asbestos or environmental damage; (d) changes in underlying laws and judicial interpretation of those laws; (e) the potential for an asbestos or environmental claim to involve many insurance providers over many policy periods; (f) questions concerning interpretation and application of insurance and reinsurance coverage; and (g) uncertainty regarding the number and identity of insureds with potential asbestos or environmental exposure.

With respect to asbestos claims in particular, several additional factors have emerged in recent years that further compound the difficulty in estimating the Company's liability. These developments include: (a) continued growth in the number of claims filed, in part reflecting a much more aggressive plaintiff bar and including claims against defendants who may only have a "peripheral" condition to asbestos; (b) a disproportionate percentage of claims filed by individuals with no functional injury, which should have little to no financial value but that have increasingly been considered in jury verdicts and settlements; (c) the growth in the number and significance of bankruptcy filings by companies as a result of asbestos claims (including, more recently, bankruptcy filings in which companies attempt to resolve their asbestos liabilities in a manner that is prejudicial to insurers and forecloses insurers from the negotiation of asbestos related bankruptcy reorganization plans); (d) the concentration of claims in a small number of states that favor plaintiffs; (e) the growth in the number of claims that might impact the general liability portion of insurance policies rather than the product liability portion; (f) measures adopted by specific courts to ameliorate the worst procedural abuses; (g) an increase in settlement values being paid to asbestos claimants, especially those with cancer or functional impairment; (h) legislation in some states to address asbestos litigation issues; and (i) the potential that other states or the U.S. Congress may adopt legislation on asbestos litigation. Anecdotal evidence suggests that new claims filing rates have decreased, that new filings of asbestos-driven bankruptcies have decreased and that various procedural and legislative reforms are beginning to diminish the potential ultimate liability for asbestos losses.

Management believes that these uncertainties and factors continue to render reserves for A&E and particularly asbestos losses significantly less subject to traditional actuarial analysis than reserves for other types of losses. Given these uncertainties, management believes that no meaningful range for such ultimate losses can be established particularly for asbestos. Further, A&E reserves may be subject to more variability than non-A&E reserves and such variation could have a material adverse effect on the Company's financial condition, results of operations and/or cash flows. The Company establishes reserves to the extent that, in the judgment of management, the facts and prevailing law reflect an exposure for the Company or its ceding companies.

The following table summarizes incurred losses with respect to A&E on both a gross and net of retrocessional basis for the periods indicated:

(Dollars in thousands)	Three Months Ended March 31,	
Gross basis	2007	2006
Beginning of period reserves	$ 650,134	$ 649,460
Incurred losses	-	10,000
Paid losses	(17,895)	(19,825)
End of period reserves	$ 632,239	$ 639,635
Net basis		
Beginning of period reserves	$ 313,308	$ 311,552
Incurred losses	-	606
Paid losses	(9,323)	(11,124)
End of period reserves	$ 303,985	$ 301,034

The Company's gross A&E liabilities stem from Mt. McKinley Insurance Company's ("Mt. McKinley") direct excess insurance business and Everest Re's assumed business. At March 31, 2007, the gross reserves for A&E losses were comprised of $141.2 million representing case reserves reported by ceding companies, $135.4 million representing additional case reserves established by the Company on assumed reinsurance claims, $208.4 million representing case reserves established by the Company on direct excess insurance claims, including Mt. McKinley, and $147.2 million representing incurred but not reported reserves ("IBNR"). Approximately 89%, or $563.7 million, of gross A&E reserves relate to asbestos, of which $309.8 million was for assumed business and $253.9 million was for direct excess business.

In connection with the acquisition of Mt. McKinley, which has significant exposure to A&E claims, LM Property and Casualty Insurance Company ("LM") provided reinsurance to Mt. McKinley covering 80% ($160.0 million) of the first $200.0 million of any adverse development of Mt. McKinley's reserves as of September 19, 2000 and The Prudential Insurance Company of America ("The Prudential") guaranteed LM's obligations to Mt. McKinley. Cessions under this reinsurance agreement exhausted the limit available under the contract at December 31, 2003.

With respect to Mt. McKinley, where the Company has a direct relationship with policyholders, the Company's aggressive litigation posture and the uncertainties inherent in the asbestos coverage and bankruptcy litigation have provided an opportunity to actively engage in settlement negotiations with a number of those policyholders who have potentially significant asbestos liabilities. Those discussions are oriented toward achieving reasonable negotiated settlements that limit Mt. McKinley's liability to a given policyholder to a sum certain. Since 2004 the Company concluded such settlements or reached agreement in principle with some of its high profile policyholders. The Company has identified policyholders based on their past claim activity and/or potential future liabilities as "High Profile Policyholders" and its settlement efforts are generally directed at such policyholders, in part because their exposures have developed to the point where both the policyholder and the Company have sufficient information to be motivated to settle. The Company believes that this active approach will ultimately result in a more cost-effective liquidation of Mt. McKinley's liabilities than a passive approach, although it may also introduce additional variability in Mt. McKinley's losses and cash flows as reserves are adjusted to reflect the development of negotiations and, ultimately, potentially accelerated settlements.

There is less potential for similar settlements with respect to the Company's reinsurance asbestos claims. Ceding companies, with their direct obligation to insureds and overall responsibility for claim settlements, are not consistently aggressive in developing claim settlement information and conveying this information to reinsurers, which can introduce significant and perhaps inappropriate delays in the reporting of asbestos claims/exposures to reinsurers. These delays not only extend the timing of reinsurance claim settlements, but also restrict the information available to estimate the reinsurers' ultimate exposure.

Due to the uncertainties discussed above, the ultimate losses may vary materially from current loss reserves and, depending on coverage under the Company's various reinsurance arrangements, could have a material adverse effect on the Company's future financial condition, results of operations and/or cash flows.

In 1993 and prior, the Company had a business arrangement with The Prudential wherein, for a fee, the Company accepted settled claim payment obligations of certain property and casualty insurers, and, concurrently, became the owner of the annuity or assignee of the annuity proceeds funded by the property and casualty insurers specifically to fulfill these fully settled obligations. In these circumstances, the Company would be liable if The Prudential, which has an A+ (Superior) financial strength rating from A.M. Best Company ("A.M. Best"), were unable to make the annuity payments. The estimated cost to replace all such annuities for which the Company was contingently liable at March 31, 2007 was $83.2 million.

Prior to its 1995 initial public offering, the Company purchased annuities from an unaffiliated life insurance company with an A+ (Superior) financial strength rating from A.M. Best to settle certain claim liabilities of the company. Should the life insurance company become unable to make the annuity payments, the company would be liable for those claim liabilities. The estimated cost to replace such annuities at March 31, 2007 was $20.4 million.

6. Other Comprehensive (Loss) Income

The following table presents the components of other comprehensive income (loss) for the periods indicated:

	Three Months Ended March 31,	
(Dollars in thousands)	2007	2006
Net unrealized (depreciation) appreciation of investments, net of deferred income taxes	$ (2,936)	$ 3,529
Currency translation adjustments, net of deferred income taxes	(212)	3,271
Other comprehensive (loss) income, net of deferred income taxes	$ (3,148)	$ 6,800

7. Trust Agreements

A subsidiary of the Company, Everest Re, has established a trust agreement as security for assumed losses payable to a non-affiliated ceding company, which effectively uses Everest Re's investments as collateral. At March 31, 2007, the total amount on deposit in the trust account was $23.7 million.

8. Senior Notes

On October 12, 2004, Holdings completed a public offering of $250.0 million principal amount of 5.40% senior notes due October 15, 2014. On March 14, 2000, Holdings completed a public offering of $200.0 million principal amount of 8.75% senior notes due March 15, 2010.

Interest expense incurred in connection with these senior notes was $7.8 million each for the three months ended March 31, 2007 and 2006. Market value, which is based on quoted market price at March 31, 2007 and December 31, 2006, was $247.3 million and $248.1 million, respectively, for the 5.40% senior notes and $218.9 million and $219.8 million, respectively, for the 8.75% senior notes.

9. Junior Subordinated Debt Securities Payable

On March 29, 2004, Holdings issued $329.9 million of 6.20% junior subordinated debt securities due March 29, 2034 to Everest Re Capital Trust II ("Capital Trust II"). Holdings can redeem the junior subordinated debt securities before their maturity at 100% of their principal amount plus accrued interest as of the date of redemption, in whole or in part, on one or more occasions at any time on or after March 30, 2009; or at any time, in whole, but not in part, within 90 days of the occurrence and continuation of a determination that the Trust may become subject to tax or the Investment Company Act.

On November 14, 2002, Holdings issued $216.5 million of 7.85% junior subordinated debt securities due November 15, 2032 to Everest Re Capital Trust ("Capital Trust"). Holdings can redeem the junior subordinated debt securities before their maturity at 100% of their principal amount plus accrued interest as of the date of redemption, in whole or in part, on one or more occasions at any time on or after November 14, 2007; or at any time, in whole, but not in part, within 90 days of the occurrence and continuation of a determination that the Trust may become subject to tax or the Investment Company Act.

Fair value, which is primarily based on quoted market price of the related trust preferred securities at March 31, 2007 and December 31, 2006, was $317.1 million and $316.3 million, respectively, for the 6.20% junior subordinated debt securities and $221.0 million and $221.2 million, respectively, for the 7.85% junior subordinated debt securities.

Interest expense incurred in connection with these junior subordinated notes was $9.4 million for the three months ended March 31, 2007 and 2006.

Capital Trust and Capital Trust II are wholly owned finance subsidiaries of the Company.

Holdings considers that the mechanisms and obligations relating to the trust preferred securities, taken together, constitute a full and unconditional guarantee by Holdings of Capital Trust and Capital Trust II's payment obligations with respect to their respective trust preferred securities.

Capital Trust and Capital Trust II will redeem all of the outstanding trust preferred securities when the junior subordinated debt securities are paid at maturity on November 15, 2032 and March 29, 2034, respectively. The Company may elect to redeem the junior subordinated debt securities, in whole or in part, at any time on or after November 14, 2007 and March 30, 2009, respectively. If such an early redemption occurs, the outstanding trust preferred securities would also be proportionately redeemed.

There are certain regulatory and contractual restrictions on the ability of the Company's operating subsidiaries to transfer funds to the Company in the form of cash dividends, loans or advances. The insurance laws of the State of Delaware, where the Company's direct insurance subsidiaries are domiciled, require regulatory approval before those subsidiaries can pay dividends or make loans or advances to the Company that exceed certain statutory thresholds. In addition, the terms of Holdings Credit Facility (discussed in Note 10) require Everest Re, the Company's principal insurance subsidiary, to maintain a certain statutory surplus level as measured at the end of each fiscal year. At December 31, 2006, $2,451.4 million of the $3,102.6 million in net assets of the Company's consolidated subsidiaries were subject to the foregoing regulatory restrictions.

10. Credit Line

Effective August 23, 2006, Holdings entered into a new five year, $150.0 million senior revolving credit facility with a syndicate of lenders, replacing the October 10, 2003 three year senior revolving credit facility, which expired on October 10, 2006. Both the August 23, 2006 and October 10, 2003 senior revolving credit agreements, which have similar terms, are referred to as the "Holdings Credit Facility". Citibank N.A. is the administrative agent for the Holdings Credit Facility. The Holdings Credit Facility is used for liquidity and general corporate purposes. The Holdings Credit Facility provides for the borrowing of up to $150.0 million with interest at a rate selected by Holdings equal to either, (1) the Base Rate (as defined below) or (2) a periodic fixed rate equal to the Eurodollar Rate plus an applicable margin. The Base Rate means a fluctuating interest rate per annum in effect from time to time to be equal to the higher of (a) the rate of interest publicly announced by Citibank as its prime rate or 0.5% per annum above the Federal Funds Rate, in each case plus the applicable margin. The amount of margin and the fees payable for the Holdings Credit Facility depends upon Holdings' senior unsecured debt rating.

The Holdings Credit Facility requires Holdings to maintain a debt to capital ratio of not greater than 0.35 to 1 and Everest Re to maintain its statutory surplus at $1.5 billion plus 25% of future aggregate net income and 25% of future aggregate capital contributions after December 31, 2005. As of March 31, 2007, Holdings was in compliance with these covenants.

For the three months ended March 31, 2007, there were no outstanding borrowings under the Holdings Credit Facility.

Interest expense and fees incurred in connection with the Holdings Credit Facility were \$0.03 million and \$0.05 million for the three months ended March 31, 2007.

11. Segment Reporting

The Company, through its subsidiaries, operates in four segments: U.S. Reinsurance, U.S. Insurance, Specialty Underwriting and International. The U.S. Reinsurance operation writes property and casualty reinsurance, on both a treaty and facultative basis, through reinsurance brokers, as well as directly with ceding companies within the U.S. The U.S. Insurance operation writes property and casualty insurance primarily through general agents and surplus lines brokers within the U.S. The Specialty Underwriting operation writes accident and health ("A&H"), marine, aviation and surety business within the U.S. and worldwide through brokers and directly with ceding companies. The International operation writes property and casualty reinsurance through Everest Re's branches in Canada and Singapore, in addition to foreign business written through Everest Re's Miami and New Jersey offices.

These segments are managed in a coordinated fashion with respect to pricing, risk management, control of aggregate exposures to catastrophe events, capital, investments and support operations. Management generally monitors and evaluates the financial performance of these operating segments based upon their underwriting results. Underwriting results include earned premium less losses and loss adjustment expenses ("LAE") incurred, commission and brokerage expenses and other underwriting expenses and are analyzed using ratios, in particular loss, commission and brokerage and other underwriting expense ratios, which, respectively, divide incurred losses, commission and brokerage and other underwriting expenses by earned premium.

The Company does not maintain separate balance sheet data for its operating segments. Accordingly, the Company does not review and evaluate the financial results of its operating segments based upon balance sheet data.

The following tables present the relevant underwriting results for the operating segments for the periods indicated:

U.S. Reinsurance

	Three Months Ended March 31,	
(Dollars in thousands)	2007	2006
Gross written premiums	\$ 354,352	\$ 394,397
Net written premiums	260,981	295,686
Premiums earned	\$ 263,185	\$ 289,717
Incurred losses and loss adjustment expenses	86,882	218,488
Commission and brokerage	54,647	67,397
Other underwriting expenses	6,491	4,776
Underwriting gain (loss)	\$ 115,165	\$ (944)

U.S. Insurance

(Dollars in thousands)	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Gross written premiums	$ 217,373	$ 218,006
Net written premiums	139,583	156,322
Premiums earned	$ 140,565	$ 140,977
Incurred losses and loss adjustment expenses	141,029	105,983
Commission and brokerage	21,173	18,537
Other underwriting expenses	12,365	10,705
Underwriting (loss) gain	$ (34,002)	$ 5,752

Specialty Underwriting

(Dollars in thousands)	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Gross written premiums	$ 54,681	$ 64,026
Net written premiums	36,450	48,327
Premiums earned	$ 38,614	$ 51,734
Incurred losses and loss adjustment expenses	29,843	57,058
Commission and brokerage	9,304	14,114
Other underwriting expenses	1,589	1,305
Underwriting loss	$ (2,122)	$ (20,743)

International

(Dollars in thousands)	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Gross written premiums	$ 173,344	$ 175,522
Net written premiums	121,272	125,916
Premiums earned	$ 127,474	$ 121,250
Incurred losses and loss adjustment expenses	68,261	83,982
Commission and brokerage	28,851	24,431
Other underwriting expenses	3,718	2,678
Underwriting gain	$ 26,644	$ 10,159

The following table reconciles the underwriting results for the operating segments to income before tax as reported in the consolidated statements of operations and comprehensive income for the periods indicated:

(Dollars in thousands)	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Underwriting gain (loss)	$ 105,685	$ (5,776)
Net investment income	95,934	83,905
Net realized capital gain	33,874	9,020
Corporate expense	(584)	(938)
Interest, fee and bond issue cost amortization expense	(17,413)	(17,430)
Other expense	(1,163)	(13,047)
Income before taxes	$ 216,333	$ 55,734

The Company produces business in its U.S. and international operations. The net income and assets of the individual foreign countries in which the Company writes business are not identifiable in the Company's financial records. Other than the U.S., no other country represented more than 5% of the Company's revenues.

12. Related-Party Transactions

During the normal course of business, the Company, through its affiliates, engages in reinsurance and brokerage and commission business transactions, which management believes to be at arm's length, with companies controlled by or affiliated with certain of its outside directors. Such transactions, individually and in the aggregate, are not material to the Company's financial condition, results of operation and cash flow.

The Company engages in reinsurance transactions with Bermuda Re and Everest International Reinsurance, Ltd. ("Everest International"), affiliates, primarily driven by capital management considerations under which business is ceded for arm's length consideration. These transactions include:

- Effective September 19, 2000, Mt. McKinley and Bermuda Re entered into a loss portfolio transfer reinsurance agreement, whereby Mt. McKinley transferred all of its net insurance exposures and reserves to Bermuda Re.

- Effective October 1, 2001, Everest Re and Bermuda Re entered into a loss portfolio reinsurance agreement, whereby Everest Re transferred all of its Belgium branch net insurance exposures and reserves to Bermuda Re.

- For premiums earned and losses incurred for the period January 1, 2002 through December 31, 2002, Everest Re, Everest National Insurance Company and Everest Security Insurance Company entered into an Excess of Loss Reinsurance Agreement with Bermuda Re, covering workers' compensation losses occurring on and after January 1, 2002, as respects new, renewal and in force policies effective on that date through December 31, 2002. Bermuda Re is liable for any loss exceeding $100,000 per occurrence, with its liability not to exceed $150,000 per occurrence.

- Effective January 1, 2002 for the 2002 underwriting year, Everest Re ceded 20% of its net retained liability to Bermuda Re through a quota share reinsurance agreement ("whole account quota share").

- Effective January 1, 2003, Everest Re and Bermuda Re amended the whole account quota share, through which Everest Re previously ceded 20% of its business to Bermuda Re so that effective January 1, 2003 Everest Re ceded 25% to Bermuda Re of the net retained liability on all new and renewal policies underwritten during the term of this agreement.

- Effective January 1, 2003, Everest Re entered into a whole account quota share with Bermuda Re, whereby Everest Re's Canadian branch cedes to Bermuda Re 50% of its net retained liability on all new and renewal property business.

- Effective January 1, 2004, Everest Re and Bermuda Re amended the whole account quota share through which Everest Re previously ceded 25% of its business to Bermuda Re so that effective January 1, 2004 Everest Re cedes 22.5% to Bermuda Re and 2.5% to Everest International of the net retained liability on all new and renewal covered business written during the term of this agreement. This amendment remained in effect through December 31, 2005.

- Effective January 1, 2006, Everest Re, Bermuda Re and Everest International amended the whole account quota share so that for all new and renewal business recorded on or after January 1, 2006, Everest Re cedes 31.5% and 3.5% of its casualty business to Bermuda Re and Everest International, respectively, and Everest Re cedes 18.0% and 2.0% of its property business to Bermuda Re and Everest International, respectively. However, in no event shall the loss cessions to Bermuda Re and Everest International relating to any one occurrence on the property business exceed $125.0 million (20% of $625.0 million).

- Effective January 1, 2007, Everest Re and Bermuda Re amended the whole account quota share so that for all new and renewal business recorded on or after January 1, 2007, Everest Re cedes 60% of its Canadian branch property business to Bermuda Re.

- Effective January 1, 2007, Everest Re, Bermuda Re and Everest International amended the whole account quota share so that for all new and renewal property business recorded on or after January 1, 2007, Everest Re cedes 22.5% and 2.5% to Bermuda Re and Everest International, respectively. However, in no event shall the loss cessions to Bermuda Re and Everest International relating to any one occurrence on the property business exceed $130.0 million.

The following table summarizes the premiums and losses ceded by the Company to Bermuda Re and Everest International, respectively, for the periods indicated:

Bermuda Re

	Three Months Ended March 31,	
(Dollars in thousands)	2007	2006
Ceded written premiums	$ 194,050	$ 175,170
Ceded earned premiums	190,942	184,889
Ceded losses and LAE (a)	102,292	101,110

Everest International

	Three Months Ended March 31,	
(Dollars in thousands)	2007	2006
Ceded written premiums	$ 20,577	$ 18,786
Ceded earned premiums	20,390	19,060
Ceded losses and LAE	10,870	11,425

(a) Ceded losses and LAE include the Mt. McKinley loss portfolio transfer that constitutes losses ceded under retroactive reinsurance and therefore, in accordance with FAS 113, “Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts,” a deferred gain on retroactive reinsurance is reflected in other expenses on the consolidated statement of operations and comprehensive income.

Everest Re sold the net assets of its UK branch to Bermuda Re and provided Bermuda Re with a reserve indemnity agreement allowing for indemnity payments of up to 90% of £25.0 million in the event December 31, 2002 losses and LAE reserves develop adversely. The limit available under this agreement was fully exhausted at December 31, 2004.

13. Income Taxes

The Company uses a projected annual effective tax rate in accordance with FAS 109 to calculate its quarterly tax expense. Under this methodology, when an interim quarter’s pre-tax income (loss) varies significantly from a full year’s income (loss) projection, the tax impact resulting from the income (loss) variance is effectively spread between the impacted quarter and the remaining quarters of the year, except for discreet items impacting an individual quarter.

The Company adopted the provisions of FIN 48 as of January 1, 2007. As a result of the implementation of FIN 48, the Company recorded no adjustment in the liability for unrecognized income tax benefits and no adjustment to beginning retained earnings.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. At the date of adoption, January 1, 2007, the Company has $1.3 million of accrued interest related to uncertain tax positions.

Tax years 2003-2006 remain open to examination by the major taxing jurisdictions to which the Company is subject.

14. Subsequent Event

On April 26, 2007, the Company announced that Holdings completed a public offering of $400.0 million of fixed to floating rate long term subordinated notes with a scheduled maturity of May 15, 2037 and a final maturity of May 1, 2067. The net proceeds from the offering are expected to be used to redeem all of the outstanding 7.85% junior subordinated debt securities as soon as possible after November 14, 2007 and for general corporate purposes.

PART I - Item 2

EVEREST REINSURANCE HOLDINGS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATION

RESULTS OF OPERATIONS

Industry Conditions

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

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

During the first quarter of 2007, the Company observed increased competition with slightly reduced premiums, higher commissions and demands by cedants for improved terms and conditions. The extent of the increased competition and its affect on rates, terms and conditions varied widely by market and coverage types. One of the lesser impacted markets was retrocession catastrophe property coverage in regions that were most affected by the catastrophe events of 2005, principally Hurricanes Katrina, Rita and Wilma. Reinsurance capacity in areas including southeastern U.S. exposures and energy lines continued to be constrained. In January 2007, the state of Florida passed legislation that increased coverage provided by the Florida Hurricane Catastrophe Fund, thus potentially reducing the amount of reinsurance that Florida companies will purchase from the private reinsurance market. In addition, the legislature broadened the mandate of the state sponsored homeowners' insurance company to render it a fully competitive market participant. Although the Company is unable to predict the impact on future market conditions from the increased competition and legislative developments, the Company believes that its clients continue to write profitable business in Florida and will continue to purchase both quota share and catastrophe coverage, although at likely lower volumes. The balance of the U.S. and international property lines experienced mostly modest price declines but still exhibit adequate pricing levels.

The Company's U.S. and international casualty lines experienced weaker market conditions led by the medical stop loss and D&O reinsurance classes, as well as the California workers' compensation insurance line. The Company believes that U.S. casualty reinsurance generally remains adequately priced. The Company also believes that increased primary price competition and cedants' increased appetite for retaining more profitable business net following several years of hard-market conditions, has resulted in modestly softer, but profitable, reinsurance pricing. The Company's U.S. insurance operation was also affected, although somewhat less so, by these primary casualty insurance market conditions given the specialty nature of its program orientated business.

The Company is unable to predict the impact on future market conditions from the increased competition and legislative initiatives. In addition to these market forces, reinsurers continue to reassess their risk appetites and rebalance their property portfolios to reflect improved price to exposure metrics against the backdrop of: (i) recent revisions to the industry's catastrophe loss projection models, which are indicating significantly higher loss potentials and consequently higher pricing requirements and (ii) elevated rating agency scrutiny and capital requirements for many catastrophe exposed companies.

In light of its 2005 catastrophe experience, the Company has re-examined its risk management practices and concluded that its control framework operated generally as intended. The Company rebalanced its property portfolio, particularly within peak catastrophe zones, including the Southeast U.S., Mexico and Gulf of Mexico. This effort has enabled the Company to benefit from market dislocations by carefully shifting the mix of its writings toward the most profitable classes, lines, customers and territories and by enhancing its portfolio balance and diversification.

Overall, the Company believes that current marketplace conditions offer solid opportunities for the Company given its strong ratings, distribution system, reputation and expertise. The Company continues to employ its strategy of targeting business that offers the greatest profit potential, while maintaining balance and diversification in its overall portfolio.

Financial Summary

The Company's management monitors and evaluates overall Company performance based upon financial results. The following table displays a summary of the consolidated net income, ratios and stockholder's equity for the periods indicated:

(Dollars in thousands)	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006	Percentage Increase/ (Decrease)
Gross written premiums	$ 799,750	$ 851,951	-6.1%
Net written premiums	558,286	626,251	-10.9%
REVENUES:			
Premiums earned	$ 569,838	$ 603,678	-5.6%
Net investment income	95,934	83,905	14.3%
Net realized capital gains	33,874	9,020	275.5%
Other expense	(1,163)	(13,047)	-91.1%
Total revenues	698,483	683,556	2.2%
CLAIMS AND EXPENSES:			
Incurred losses and loss adjustment expenses	326,015	465,511	-30.0%
Commission, brokerage, taxes and fees	113,975	124,479	-8.4%
Other underwriting expenses	24,747	20,402	21.3%
Interest, fee and bond issue cost amortization expense	17,413	17,430	-0.1%
Total claims and expenses	482,150	627,822	-23.2%
INCOME BEFORE TAXES	216,333	55,734	288.2%
Income tax expense	57,015	12,229	366.2%
NET INCOME	$ 159,318	$ 43,505	266.2%
RATIOS:			Point Change
Loss ratio	57.2%	77.1%	(19.9)
Commission and brokerage ratio	20.0%	20.6%	(0.6)
Other underwriting expense ratio	4.4%	3.4%	1.0
Combined ratio	81.6%	101.1%	(19.5)

(Dollars in millions)	As of March 31, 2007	As of December 31, 2006	
Stockholder's equity	$ 2,375.2	$ 2,218.4	7.1%

Revenues. Gross and net written premiums declined 6.1% and 10.9%, respectively, for the three months ended March 31, 2007 as compared to the three months ended March 31, 2006 as the result of continued disciplined underwriting and risk management practices. Net earned premium declined by 5.6% for the three months ended March 31, 2007, compared to the three months ended March 31, 2006, primarily due to lower gross written premiums, particularly in treaty casualty. Net premiums earned declined 7.2% in the worldwide reinsurance segments, primarily due to the decrease in treaty casualty gross written premiums, partially offset by an increase in treaty property gross written premiums. Net premiums earned during the three months ended March 31, 2007 over the same period in 2006 for the U.S. Insurance segment were relatively flat.

Net investment income increased 14.3% for the three months ended March 31, 2007 compared to the three months ended March 31, 2006, due primarily to the growth in invested assets from positive cash flow from operations. The average investment portfolio yields for the three months ended March 31, 2007 were 4.6% pre-tax and 3.6% after-tax, similar to the three months ended March 31, 2006.

Net realized capital gains were $33.9 million and $9.0 million for the three months ended March 31, 2007 and 2006, respectively, mainly reflecting normal portfolio management activities in response to changes in interest rates and credit spreads and movement in the equity markets. The 2007 net realized capital gains include $2.3 million of realized gain due to fair value remeasurement on the publicly traded equity portfolio.

Expenses. The Company's incurred losses and loss adjustment expenses ("LAE") decreased 30.0% for the three months ended March 31, 2007 compared to the three months ended March 31, 2006, principally due to a decrease in attritional losses from the change in business mix and a decrease in prior years catastrophe loss development.

The Company's loss ratio improved by 20 points for the three months ended March 31, 2007 compared to the three months ended March 31, 2006, primarily reflective of a 12 point improvement of current and prior years attritional losses coupled with an 8 point improvement of prior years catastrophe losses.

Commission, brokerage, and tax expenses decreased by 8.4% in the three months ended March 31, 2007 compared to the three months ended March 31, 2006. The decline in net earned premiums and the change in the business mix were the principal drivers of the decrease in this directly variable expense. Other underwriting expenses for the three months ended March 31, 2007 increased compared to the three months ended March 31, 2006, primarily due to an increase in salaries and benefits.

The Company's effective income tax rate for the three months ended March 31, 2007 was 26.4% compared with an effective tax rate for the three months ended March 31, 2006 of 21.9%. The increase is reflective of increased taxable capital gains and operating income, which mitigated the impact of tax-preferenced investments on the effective tax rate.

Net Income. The Company's net income for the three months ended March 31, 2007 was $159.3 million, which was significantly higher compared with the net income for the three months ended March 31, 2006 of $43.5 million. This significant improvement in net earnings reflects higher realized gains, improved net prior years reserve development, as well as more favorable results from underlying underwriting fundamentals.

Stockholder's Equity. The Company's stockholder's equity increased by $0.2 billion to $2.4 billion for the three months ended March 31, 2007, due to the $159.3 million of net income generated for the period.

Segment Information

The Company, through its subsidiaries, operates in four segments: U.S. Reinsurance, U.S. Insurance, Specialty Underwriting and International. The U.S. Reinsurance operation writes property and casualty reinsurance, on both a treaty and facultative basis, through reinsurance brokers, as well as directly with ceding companies within the U.S. The U.S. Insurance operation writes property and casualty insurance primarily through general agents and surplus lines brokers within the U.S. The Specialty Underwriting operation writes accident and health ("A&H"), marine, aviation and surety business within the U.S. and worldwide through brokers and directly with ceding companies. The International operation writes property and casualty reinsurance through Everest Re's branches in Canada and Singapore, in addition to foreign business written through Everest Re's Miami and New Jersey offices.

These segments are managed in a coordinated fashion with respect to pricing, risk management, control of aggregate exposures to catastrophe events, capital, investments and support operations. Management generally monitors and evaluates the financial performance of these operating segments based upon their underwriting results. Underwriting results include earned premium less losses and LAE incurred, commission and brokerage expenses and other underwriting expenses and are analyzed using ratios, in particular loss, commission and brokerage and other underwriting expense ratios, which, respectively, divide incurred losses, commission and brokerage and other underwriting expenses by earned premium.

The following tables present the relevant underwriting results for the operating segments for the periods indicated:

U.S. Reinsurance

	Three Months Ended March 31,	
(Dollars in thousands)	2007	2006
Gross written premiums	$ 354,352	$ 394,397
Net written premiums	260,981	295,686
Premiums earned	$ 263,185	$ 289,717
Incurred losses and loss adjustment expenses	86,882	218,488
Commission and brokerage	54,647	67,397
Other underwriting expenses	6,491	4,776
Underwriting gain (loss)	$ 115,165	$ (944)

U.S. Insurance

	Three Months Ended March 31,	
(Dollars in thousands)	2007	2006
Gross written premiums	$ 217,373	$ 218,006
Net written premiums	139,583	156,322
Premiums earned	$ 140,565	$ 140,977
Incurred losses and loss adjustment expenses	141,029	105,983
Commission and brokerage	21,173	18,537
Other underwriting expenses	12,365	10,705
Underwriting (loss) gain	$ (34,002)	$ 5,752

Specialty Underwriting

	Three Months Ended March 31,	
(Dollars in thousands)	2007	2006
Gross written premiums	$ 54,681	$ 64,026
Net written premiums	36,450	48,327
Premiums earned	$ 38,614	$ 51,734
Incurred losses and loss adjustment expenses	29,843	57,058
Commission and brokerage	9,304	14,114
Other underwriting expenses	1,589	1,305
Underwriting loss	$ (2,122)	$ (20,743)

International

(Dollars in thousands)	Three Months Ended March 31, 2007		2006	
Gross written premiums	$	173,344	$	175,522
Net written premiums		121,272		125,916
Premiums earned	$	127,474	$	121,250
Incurred losses and loss adjustment expenses		68,261		83,982
Commission and brokerage		28,851		24,431
Other underwriting expenses		3,718		2,678
Underwriting gain	$	26,644	$	10,159

The following table reconciles the underwriting results for the operating segments to income before tax as reported in the consolidated statements of operations and comprehensive income for the periods indicated:

(Dollars in thousands)	Three Months Ended March 31, 2007		2006	
Underwriting gain (loss)	$	105,685	$	(5,776)
Net investment income		95,934		83,905
Net realized capital gain		33,874		9,020
Corporate expense		(584)		(938)
Interest, fee and bond issue cost amortization expense		(17,413)		(17,430)
Other expense		(1,163)		(13,047)
Income before taxes	$	216,333	$	55,734

Three Months Ended March 31, 2007 compared to Three Months Ended March 31, 2006

Written Premiums. Gross written premiums decreased 6.1% to $799.8 million for the three months ended March 31, 2007 from $852.0 million for the three months ended March 31, 2006. The Specialty Underwriting operation decreased 14.6% ($9.3 million) driven by a $9.9 million reduction in surety premiums and a $1.7 million decrease in marine and aviation premiums, partially offset by a $2.3 million increase in A&H premiums. The U.S. Reinsurance operation decreased 10.2% ($40.0 million), principally reflecting a $66.5 million decrease in treaty casualty business in addition to a $7.0 million decline in facultative writings, partially offset by a $33.4 million increase in treaty property business. The International operation decreased 1.2% ($2.2 million), primarily due to a $5.9 million decrease in Asian business, partially offset by a $4.8 million increase in Canadian business. The U.S. Insurance operation remained relatively flat year over year. The Company endeavors to write only business that meets its profit criteria; generally, increases and decreases in a line of business or region are the result of changing perceptions of the profit opportunities in the various markets.

Ceded premiums increased to $241.5 million for the three months ended March 31, 2007 from $225.7 million for the three months ended March 31, 2006. Ceded premiums relate primarily to quota share reinsurance agreements between Everest Re and Bermuda Re and Everest International Reinsurance, Ltd. (“Everest International”).

Net written premiums decreased by 10.9% to $558.3 million for the three months ended March 31, 2007 compared to $626.3 million for the three months ended March 31, 2006, reflecting the $52.2 million decrease in gross written premiums and the $15.8 million increase in ceded premiums.

Premiums Earned. Net premiums earned decreased 5.6% to $569.8 million in the three months ended March 31, 2007 from $603.7 million for the three months ended March 31, 2006. Contributing to this decrease was a 25.4% ($13.1 million) decrease in the Specialty Underwriting operation, a 9.2% ($26.5 million) decrease in the U.S. Reinsurance operation and a 0.3% ($0.4 million) decrease in the U.S. Insurance operation, partially offset by a 5.1% ($6.2 million) increase in the International operation. Additional premiums, related to catastrophe business, included in net earned premiums contributed $4.8 million for the three months ended March 31, 2007 compared to a reduction to net earned premiums of $1.0 million for the three months ended March 31, 2006. The changes reflect period to period changes in net written premiums and business mix, together with normal variability in earning patterns. Business mix changes occur as the Company shifts emphasis between products, lines of business, distribution channels and markets, and as individual contracts renew or non-renew, often with changes in coverage, structure, prices and/or terms and as new contracts are accepted. As premium reporting, earnings, loss and commission characteristics derive from the provisions of individual contracts, the continuous turnover of individual contracts, arising from both strategic shifts and daily underwriting decisions, can and does introduce appreciable variability in various underwriting line items. Changes in estimates of the reporting patterns of ceding companies also affect premiums earned.

Expenses

Incurred Losses and LAE. The Company's loss and LAE reserves reflect estimates of ultimate claim liability. Such estimates are re-evaluated on an ongoing basis, including re-estimates of prior period reserves, taking into consideration all available information and, in particular, recently reported loss and claim experience related to prior periods. The effect of such re-evaluations is recorded in incurred losses for the current period.

The following table shows the components of the Company's incurred losses and LAE for the three months ended as indicated:

	March 31, 2007			March 31, 2006		
(Dollars in millions)	Current Year	Prior Years	Total Incurred	Current Year	Prior Years	Total Incurred
All Segments						
Attritional (a)	$ 305.0	$ 16.6	$ 321.6	$ 410.9	$ 4.1	$ 415.0
Catastrophes	4.2	0.2	4.4	-	49.9	49.9
A&E	-	-	-	-	0.6	0.6
Total All segments	$ 309.2	$ 16.8	$ 326.0	$ 410.9	$ 54.6	$ 465.5
Loss Ratio	54.3%	2.9%	57.2%	68.1%	9.0%	77.1%

(a) Attritional losses exclude catastrophe and A&E losses.
(Some amounts may not reconcile due to rounding.)

The Company's incurred losses and LAE decreased 30.0% to $326.0 million for the three months ended March 31, 2007 from $465.5 million for the three months ended March 31, 2006, primarily reflective of improved prior years catastrophe losses, lower attritional losses due to lower earned premiums, a lower accident year loss ratio in the current quarter and mix of business, partially offset by a slight increase in current year catastrophe losses.

The Company's loss ratio, which is calculated by dividing incurred losses and LAE by current year net premiums earned, improved by 19.9 points to 57.2% for the three months ended March 31, 2007 over the comparable 2006 period, principally due to an 8.3 point improvement of prior years catastrophe losses, coupled with a 12.3 point improvement of current and prior years attritional losses, partially offset by 0.7 points of current year catastrophe losses.

The following table shows the U.S. Reinsurance segment components of incurred losses and LAE for the three months ended as indicated:

	March 31, 2007			March 31, 2006		
(Dollars in millions)	Current Year	Prior Years	Total Incurred	Current Year	Prior Years	Total Incurred
Attritional	$ 114.0	$ (19.5)	$ 94.5	$ 176.6	$ 25.8	$ 202.4
Catastrophes	-	(7.6)	(7.6)	-	15.5	15.5
A&E	-	-	-	-	0.6	0.6
Total segment	$ 114.0	$ (27.1)	$ 86.9	$ 176.6	$ 41.9	$ 218.5
Loss Ratio	43.3%	-10.3%	33.0%	61.0%	14.5%	75.4%

(Some amounts may not reconcile due to rounding.)

The U.S. Reinsurance segment's incurred losses and LAE decreased 60.2%, or $131.6 million, for the three months ended March 31, 2007 as compared to the same period in 2006, principally due to the reduction in current and prior years attritional losses within treaty property. The segment's loss ratio for the three months ended March 31, 2007 improved by 42.4 points over the first quarter of 2006, reflecting a 17.7 point improvement in current year attritional losses and 24.7 point improvement in prior years losses.

The following table shows the U.S. Insurance segment components of incurred losses and LAE for the three months ended as indicated:

	March 31, 2007			March 31, 2006		
(Dollars in millions)	Current Year	Prior Years	Total Incurred	Current Year	Prior Years	Total Incurred
Attritional	$ 97.4	$ 43.7	$ 141.1	$ 127.2	$ (21.5)	$ 105.7
Catastrophes	-	(0.1)	$ (0.1)	-	0.3	0.3
Total segment	$ 97.4	$ 43.6	$ 141.0	$ 127.2	$ (21.2)	$ 106.0
Loss Ratio	69.3%	31.0%	100.3%	90.2%	-15.0%	75.2%

(Some amounts may not reconcile due to rounding.)

The U.S. Insurance segment's incurred losses and LAE increased 33.1%, or $35.0 million, for the three months ended March 31, 2007 as compared to the same period in 2006, mainly reflecting prior years attritional reserve strengthening for the run-off of a credit insurance program. The Company was able to better analyze historical experience and project it to ultimate as a result of the program manager eliminating its claim backlog. Analysis of the additional data led the Company to conclude that ultimate experience would be more adverse than previously expected.

The following table shows the Specialty Underwriting segment components of incurred losses and LAE for the three months ended as indicated:

	March 31, 2007			March 31, 2006		
(Dollars in millions)	Current Year	Prior Years	Total Incurred	Current Year	Prior Years	Total Incurred
Attritional	$ 23.2	$ -	$ 23.2	$ 37.2	$ (3.5)	$ 33.7
Catastrophes	-	6.6	6.6	-	23.3	23.3
Total segment	$ 23.2	$ 6.6	$ 29.8	$ 37.2	$ 19.8	$ 57.1
Loss Ratio	60.2%	17.1%	77.3%	72.0%	38.3%	110.3%

(Some amounts may not reconcile due to rounding.)

The Specialty Underwriting segment's incurred losses and LAE decreased 47.7%, or $27.2 million, for the three months ended March 31, 2007 as compared to the same period in 2006, reflecting reduced prior years catastrophe losses principally for the marine line of business, coupled with a lower current year attritional loss ratio.

The following table shows the International segment components of incurred losses and LAE for the three months ended as indicated:

	March 31, 2007			March 31, 2006		
(Dollars in millions)	Current Year	Prior Years	Total Incurred	Current Year	Prior Years	Total Incurred
Attritional	$ 70.3	$ (7.6)	$ 62.7	$ 69.9	$ 3.3	$ 73.2
Catastrophes	4.2	1.3	5.5	-	10.8	10.8
Total segment	$ 74.5	$ (6.3)	$ 68.3	$ 69.9	$ 14.1	$ 84.0
Loss Ratio	58.5%	-4.9%	53.5%	57.6%	11.6%	69.3%

(Some amounts may not reconcile due to rounding.)

The International segment's incurred losses and LAE decreased 18.7%, or $15.7 million, for the three months ended March 31, 2007 as compared to the same period in 2006. The segment's loss ratio improved by 15.8 points over the comparable 2006 period, primarily due to the 16.5 point improvement of prior years losses.

Underwriting Expenses. Underwriting expenses are comprised of commission, brokerage, taxes and fees as well as other underwriting expenses, the latter being the direct expenses of the Company. Total underwriting expenses were $138.7 million and $144.9 million for the three months ended March 31, 2007 and 2006, respectively. The Company's expense ratio, which is calculated by dividing underwriting expenses by net premiums earned, was 24.4% and 24.0% for the three months ended March 31, 2007 and 2006, respectively.

The following table shows the expense ratios for each of the Company's operating segments for the three months ended March 31, 2007 and 2006.

Segment Expense Ratios

Segment	2007	2006
U.S. Reinsurance	23.2%	24.9%
U.S. Insurance	23.9%	20.7%
Specialty Underwriting	28.2%	29.8%
International	25.6%	22.3%

Segment underwriting expenses decreased by 4.0% to $138.1 million for the three months ended March 31, 2007 from $143.9 million for the three months ended March 31, 2006. Commission, brokerage, taxes and fees decreased by $10.5 million, principally due to decreased premium volume and changes in the mix of business. Segment other underwriting expenses for the three months ended March 31, 2007 were $24.2 million compared to $19.5 million for the three months ended March 31, 2006, primarily due to an increase in compensation and benefit costs. Contributing to the segment underwriting expense decrease were a 29.4% ($4.5 million) decrease in the Specialty Underwriting operation and a 15.3% ($11.0 million) decrease in the U.S. Reinsurance operation, partially offset by a 20.1% ($5.5 million) increase in the International operation and a 14.7% ($4.3 million) increase in the U.S. Insurance operation. The changes for each operation's expenses principally resulted from changes in commission expenses due to changes in premium volume and business mix by class and type.

The Company's combined ratio, which is the sum of the loss and expense ratios, decreased by 19.5 points to 81.6% in the three months ended March 31, 2007 compared to 101.1% for the three months ended March 31, 2006, primarily as a result of lower prior years' catastrophe and attritional losses.

The following table shows the combined ratios for each of the Company's operating segments for the three months ended March 31, 2007 and 2006. The combined ratios for all operations were impacted by the loss and expense ratio variability noted above.

Segment Combined Ratios

Segment	2007	2006
U.S. Reinsurance	56.2%	100.3%
U.S. Insurance	124.2%	95.9%
Specialty Underwriting	105.5%	140.1%
International	79.1%	91.6%

Investment Results. Net investment income increased 14.3% to $95.9 million for the three months ended March 31, 2007 from $83.9 million for the three months ended March 31, 2006, reflecting the growth in invested assets to $8.6 billion at March 31, 2007 from $8.5 billion at March 31, 2006; additional other investment income from limited partnerships, which income tends to fluctuate period over period and a reduction in interest credited on funds held. Period to period changes in investment income are impacted by changes in the level and mix of invested assets and prevailing interest rates.

The following table shows the components of net investment income for the three months ended March 31, 2007 as indicated:

(Dollars in thousands)	2007	2006
Fixed maturities	$ 75,144	$ 74,904
Equity securities	2,840	2,805
Short-term investments	8,473	4,082
Other investment income	11,138	6,736
Total gross investment income	97,595	88,527
Interest credited and other expense	(1,661)	(4,622)
Total investment expenses	$ 95,934	$ 83,905

The following table shows a comparison of various investment yields for the periods indicated:

	2007	2006
Imbedded pre-tax yield of cash and invested assets at March 31 and December 31	4.8%	4.6%
Imbedded after-tax yield of cash and invested assets at March 31 and December 31	3.8%	3.7%
Annualized pre-tax yield on average cash and invested assets for the three months ended March 31	4.6%	4.4%
Annualized after-tax yield on average cash and invested assets for the three months ended March 31	3.6%	3.6%

Net realized capital gains of $33.9 million for the three months ended March 31, 2007 reflected realized capital gains on the Company's investments of $31.7 million, resulting principally from gains on the sale of equity securities of $31.0 million, gains on the sale of fixed maturities of $0.6 million and a $2.3 million fair value adjustment on equity and other invested asset securities, partially offset by $0.1 million of realized capital losses primarily on the sale of equity securities. Net realized capital gains of $9.0 million for the three months ended March 31, 2006 reflected $4.8 million of realized capital gains on the sale of equity securities and $4.2 million from the sale of fixed maturities.

Corporate, Non-allocated Expenses. Corporate underwriting expenses not allocated to segments were $0.6 million and $0.9 million for the three months ended March 31, 2007 and 2006, respectively.

Interest, fees and bond issue cost amortization expense for the three months ended March 31, 2007 and 2006 were $17.4 million. For the three months ended March 31, 2007 and 2006 this expense was comprised of $7.8 million related to the senior notes, $9.4 million related to the junior subordinated debt securities, $0.2 million related to the bond issue cost amortization and less than $0.05 million related to the credit line under the Company's revolving credit facility.

Other expense for the three months ended March 31, 2007 was $1.2 million compared to $13.0 million for the three months ended March 31, 2006. The change in other expense for the three months ended March 31, 2007 was primarily due to fluctuations in foreign currency exchange.

Income Taxes. The Company's income tax expense is primarily a function of the U.S. statutory tax rates, coupled with the impact from tax preferenced investment income. The Company recorded income tax expense of $57.0 million for the three months ended March 31, 2007 compared to $12.2 million for the three months ended

March 31, 2006. The increase in tax expense and effective tax rate was primarily due to the increase in pre-tax income, which mitigated the impact of tax preferenced investments on the effective tax rate.

Net Income. Net income for the three months ended March 31, 2007 was $159.3 million compared to $43.5 million for the three months ended March 31, 2006 increased primarily due to the improved underwriting results and increased realized capital gains.

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

The Company's investment strategy seeks to maximize after-tax income through a high quality, diversified, taxable and tax-preferenced fixed maturity portfolio, while maintaining an adequate level of liquidity. The Company's mix of taxable and tax-preferenced investments is adjusted continuously, consistent with its current and projected operating results, market conditions and the Company's tax position. The fixed maturities in the investment portfolio are comprised of available for sale securities. Additionally, the Company invests in equity securities, which it believes will enhance the risk-adjusted total return of the investment portfolio.

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

Interest Rate Risk. The Company's $8.6 billion investment portfolio at March 31, 2007 is principally comprised of fixed maturity securities, which are subject to interest rate risk and foreign currency rate risk, and equity securities, which are subject to price fluctuations. The impact of the foreign exchange risks on the investment portfolio is generally mitigated by changes in the dollar value of foreign currency denominated liabilities and their associated income statement impact.

Interest rate risk is the potential change in value of the fixed maturity portfolio, including short-term investments, from a change in market interest rates. In a declining interest rate environment, it includes prepayment risk on the $207.0 million of mortgage-backed securities. Prepayment risk results from potential accelerated principal payments that shorten the average life and thus the expected yield of the security.

The table below displays the potential impact of market value fluctuations and after-tax unrealized appreciation on the Company's fixed maturity portfolio (including $732.7 million of short-term investments) as of March 31, 2007 based on upward and downward parallel and immediate 100 and 200 basis point shifts in interest rates. For legal entities with a U.S. dollar functional currency, this modeling was performed on each security individually. To generate appropriate price estimates on mortgage-backed securities, changes in prepayment expectations under different interest rate environments were taken into account. For legal entities with a non-U.S. dollar functional currency, the effective duration of the involved portfolio of securities was used as a proxy for the market value change under the various interest rate change scenarios. All amounts are in U.S. dollars and are presented in millions.

As of March 31, 2007
Interest Rate Shift in Basis Points

	-200	-100	0	100	200
Total Market Value	$ 7,343.9	$ 7,042.7	$ 6,737.1	$ 6,391.4	$ 6,020.9
Market Value Change from Base (%)	9.0 %	4.5 %	0.0 %	-5.1 %	-10.6 %
Change in Unrealized Appreciation					
After-tax from Base ($)	$ 394.5	$ 198.7	$ -	$ (224.7)	$ (465.5)

The Company had $7,269.0 million and $7,397.3 million of reserves for losses and LAE as of March 31, 2007 and December 31, 2006, respectively. These amounts are recorded at their nominal value as opposed to fair value, which would reflect a discount adjustment to reflect the time value of money. Since losses are paid out over a period of time, the fair value of the reserves is less than the nominal value. As interest rates rise, the fair value of the reserves decreases and, conversely, as interest rates decline, the fair value increases. These movements are the opposite of the interest rate impacts on the fair value of investments. While the difference between fair value and nominal value is not reflected in the Company's financial statements, the Company's financial results will include investment income over time from the investment portfolio until the claims are paid. The Company's loss and loss reserve obligations have an expected duration that is reasonably consistent with the Company's fixed income portfolio.

Equity Risk. Equity risk is the potential change in market value of the common stock and preferred stock portfolios arising from changing equity prices. The Company's equity investments are mainly exchange traded and mutual funds, which invest principally in high quality common and preferred stocks that are traded on the major exchanges in the U.S. The primary investment objective of the equity portfolio is to obtain greater total return relative to bonds over time through market appreciation and income.

The table below displays the impact on market value and after-tax change in fair value of a 10% and 20% change in equity prices up and down for the period indicated. All amounts are in U.S. dollars and are presented in millions.

As of March 31, 2007
Change in Equity Values in Percent

	-20%	-10%	0%	10%	20%
Fair Value of the Equity Portfolio	$ 934.3	$ 1,051.0	$ 1,167.8	$ 1,284.6	$ 1,401.4
After-tax Change in Fair Value	$ (151.8)	$ (75.9)	$ -	$ 75.9	$ 151.8

Foreign Exchange Risk. Foreign currency rate risk is the potential change in value, income and cash flow arising from adverse changes in foreign currency exchange rates. Each of the Company's non-U.S. ("foreign") operations maintains capital in the currency of the country of its geographic location consistent with local regulatory guidelines. Generally, the Company prefers to maintain the capital of its foreign operations in U.S. dollar assets, although this varies by regulatory jurisdiction in accordance with market needs. Each foreign operation may conduct business in its local currency, as well as the currency of other countries in which it operates. The primary foreign currency exposures for these foreign operations are the Canadian Dollar, the British Pound Sterling and the Euro. The Company mitigates foreign exchange exposure by generally matching the currency and duration of its assets to its corresponding operating liabilities. In accordance with Financial Accounting Standards Board Statement No. 52 "Foreign Currency Translation", the Company translates the assets, liabilities and income of non-U.S. dollar functional currency legal entities to the U.S. dollar. This translation amount is reported as a component of other comprehensive income (loss). As of March 31, 2007 there has been no material change in exposure to foreign exchange rates as compared to December 31, 2006.

Safe Harbor Disclosure. This report contains forward-looking statements within the meaning of the U.S. federal securities laws. The Company intends these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in the federal securities laws. In some cases, these statements can be identified by the use of forward-looking words such as "may", "will", "should", "could", "anticipate", "estimate", "expect", "plan", "believe", "predict", "potential" and "intend". Forward-looking statements contained in this report include information regarding the Company's reserves for losses and LAE, the adequacy of the Company's provision for uncollectible balances, estimates of the Company's catastrophe exposure, the effects of catastrophic events on the Company's financial statements and the ability of the Company's subsidiaries to pay dividends. Forward-looking statements only reflect the Company's expectations and are not guarantees of performance. These statements involve risks, uncertainties and assumptions. Actual events or results may differ materially from the Company's expectations. Important factors that could cause the Company's actual events or results to be materially different from the Company's expectations include the uncertainties that surround the estimating of reserves for losses and LAE, those discussed in Note 5 of Notes to Consolidated Financial Statements (unaudited) included in this report and the risks described under the caption "Risk Factors" in the Company's most recent Annual Report on Form 10-K, Part I, Item 1A. The Company undertakes no obligation to update or revise publicly any forward looking statements, whether as a result of new information, future events or otherwise.

PART I – Item 3.

EVEREST REINSURANCE HOLDINGS, INC.
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk Instruments. See "Market Sensitive Instruments" in PART I – Item 2.

PART I – Item 4.

EVEREST REINSURANCE HOLDINGS, INC.
CONTROLS AND PROCEDURES

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

EVEREST REINSURANCE HOLDINGS, INC.
OTHER INFORMATION

PART II – Item 1. Legal Proceedings

In the ordinary course of business, the Company is involved in lawsuits, arbitrations and other formal and informal dispute resolution procedures, the outcomes of which will determine the Company's rights and obligations under insurance, reinsurance and other contractual agreements. In some disputes, the Company seeks to enforce its rights under an agreement or to collect funds owing to it. In other matters, the Company is resisting attempts by others to collect funds or enforce alleged rights. These disputes arise from time to time and are ultimately resolved through both informal and formal means, including negotiated resolution, arbitration and litigation. In all such matters, the Company believes that its positions are legally and commercially reasonable. While the final outcome of these matters cannot be predicted with certainty, the Company does not believe that any of these matters, when finally resolved, will have a material adverse effect on the Company's financial position or liquidity. However, an adverse resolution of one or more of these items in any one quarter or fiscal year could have a material adverse effect on the Company's results of operations in that period.

In May 2005, the Company received and responded to a subpoena from the SEC seeking information regarding certain loss mitigation insurance products. Group, the Company's parent, has stated that the Company will fully cooperate with this and any future inquiries and that the Company does not believe that it has engaged in any improper business practices with respect to loss mitigation insurance products.

The Company's insurance subsidiaries have also received and have responded to broadly distributed information requests by state regulators including among others, from Delaware and Georgia.

PART II – Item 1A. Risk Factors

No material changes.

PART II – Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

PART II – Item 3. Defaults Upon Senior Securities

None.

PART II – Item 4. Submission of Matters to a Vote of Security Holders

None.

PART II – Item 5. Other Information

None.

Part II – Item 6. Exhibits

Exhibit Index:

Exhibit No.	Description
31.1	Section 302 Certification of Joseph V. Taranto
31.2	Section 302 Certification of Craig Eisenacher
32.1	Section 906 Certification of Joseph V. Taranto and Craig Eisenacher

Everest Reinsurance Holdings, Inc.

Signatures

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

Everest Reinsurance Holdings, Inc.
(Registrant)

/s/ CRAIG EISENACHER
Craig Eisenacher
Executive Vice President and
Chief Financial Officer

(Duly Authorized Officer and Principal Financial Officer)

Dated: May 15, 2007