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:
June 30, 2011	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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES X NO ____

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

Large accelerated filer	____	Accelerated filer	____
Non-accelerated filer (Do not check if smaller reporting company)	X	Smaller reporting company	____

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

YES ____ NO X

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

Class	Number of Shares Outstanding At August 1, 2011
Common Shares, $0.01 par value	1,000

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

EVEREST REINSURANCE HOLDINGS, INC.

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Part I

ITEM 1. FINANCIAL STATEMENTS

EVEREST REINSURANCE HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except par value per share)	June 30, 2011 (unaudited)	December 31, 2010
ASSETS:		
Fixed maturities - available for sale, at market value (amortized cost: 2011, $5,098,886; 2010, $5,438,359)	$ 5,299,902	$ 5,599,940
Fixed maturities - available for sale, at fair value	128,337	180,482
Equity securities - available for sale, at market value (cost: 2011, $15 2010, $15)	12	13
Equity securities - available for sale, at fair value	972,802	683,454
Short-term investments	566,111	516,885
Other invested assets (cost: 2011, $393,058; 2010, $405,401)	392,843	406,916
Other invested assets, at fair value	794,608	788,142
Cash	288,365	118,092
Total investments and cash	8,442,980	8,293,924
Accrued investment income	62,790	70,874
Premiums receivable	773,721	643,257
Reinsurance receivables - unaffiliated	685,233	670,168
Reinsurance receivables - affiliated	3,056,730	2,708,193
Funds held by reinsureds	177,553	171,179
Deferred acquisition costs	167,339	184,247
Prepaid reinsurance premiums	567,466	629,323
Deferred tax asset	150,594	183,924
Federal income taxes recoverable	147,127	142,421
Other assets	240,901	171,923
TOTAL ASSETS	$ 14,472,434	$ 13,869,433
LIABILITIES:		
Reserve for losses and loss adjustment expenses	$ 8,275,580	$ 7,652,303
Unearned premium reserve	1,187,555	1,287,476
Funds held under reinsurance treaties	178,453	180,377
Losses in the course of payment	29,875	13,089
Commission reserves	32,117	37,796
Other net payable to reinsurers	556,127	467,486
Revolving credit borrowings	40,000	50,000
5.4% Senior notes due 10/15/2014	249,835	249,812
6.6% Long term notes due 05/01/2067	238,352	238,351
Junior subordinated debt securities payable	329,897	329,897
Accrued interest on debt and borrowings	4,789	4,793
Other liabilities	272,363	230,312
Total liabilities	11,394,943	10,741,692
Commitments and Contingencies (Note 6)		
STOCKHOLDER'S EQUITY:		
Common stock, par value: $0.01; 3,000 shares authorized; 1,000 shares issued and outstanding (2011 and 2010)	-	-
Additional paid-in capital	330,990	327,767
Accumulated other comprehensive income (loss), net of deferred income tax expense (benefit) of $107,272 at 2011 and $88,289 at 2010	199,219	163,966
Retained earnings	2,547,282	2,636,008
Total stockholder's equity	3,077,491	3,127,741
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 14,472,434	$ 13,869,433

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2011	2010	2011	2010
	(unaudited)		(unaudited)	
REVENUES:				
Premiums earned	$ 452,050	$ 442,724	$ 911,443	$ 856,858
Net investment income	84,459	89,346	171,591	174,453
Net realized capital gains (losses):				
Other-than-temporary impairments on fixed maturity securities	-	-	(13,611)	-
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	-	-	-	-
Other net realized capital gains (losses)	(68,184)	(95,473)	(14,097)	(100,780)
Total net realized capital gains (losses)	(68,184)	(95,473)	(27,708)	(100,780)
Other income (expense)	(11,568)	8,709	(11,536)	13,821
Total revenues	456,757	445,306	1,043,790	944,352
CLAIMS AND EXPENSES:				
Incurred losses and loss adjustment expenses	312,809	314,749	865,837	741,753
Commission, brokerage, taxes and fees	80,305	88,197	168,817	156,038
Other underwriting expenses	39,223	35,371	77,440	68,085
Corporate expenses	1,165	1,463	2,355	3,689
Interest, fee and bond issue cost amortization expense	12,695	12,722	25,377	29,062
Total claims and expenses	446,197	452,502	1,139,826	998,627
INCOME (LOSS) BEFORE TAXES	10,560	(7,196)	(96,036)	(54,275)
Income tax expense (benefit)	1,753	(24,083)	(7,310)	(26,233)
NET INCOME (LOSS)	$ 8,807	$ 16,887	$ (88,726)	$ (28,042)
Other comprehensive income (loss), net of tax	34,236	24,799	35,253	36,545
COMPREHENSIVE INCOME (LOSS)	$ 43,043	$ 41,686	$ (53,473)	$ 8,503

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 June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
	(unaudited)		(unaudited)	
COMMON STOCK (shares outstanding):				
Balance, beginning of period	1,000	1,000	1,000	1,000
Balance, end of period	1,000	1,000	1,000	1,000
ADDITIONAL PAID-IN CAPITAL:				
Balance, beginning of period	$ 329,356	$ 322,459	$ 327,767	$ 321,185
Share-based compensation plans	1,634	1,697	3,223	2,971
Balance, end of period	330,990	324,156	330,990	324,156
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), NET OF DEFERRED INCOME TAXES:				
Balance, beginning of period	164,983	178,724	163,966	166,978
Net increase (decrease) during the period	34,236	24,799	35,253	36,545
Balance, end of period	199,219	203,523	199,219	203,523
RETAINED EARNINGS:				
Balance, beginning of period	2,538,475	2,325,682	2,636,008	2,370,611
Net income (loss)	8,807	16,887	(88,726)	(28,042)
Balance, end of period	2,547,282	2,342,569	2,547,282	2,342,569
TOTAL STOCKHOLDER'S EQUITY, END OF PERIOD	$ 3,077,491	$ 2,870,248	$ 3,077,491	$ 2,870,248

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 June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
	(unaudited)		(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	$ 8,807	$ 16,887	$ (88,726)	$ (28,042)
Adjustments to reconcile net income to net cash provided by operating activities:				
Decrease (increase) in premiums receivable	(17,216)	21,553	(128,544)	24,883
Decrease (increase) in funds held by reinsureds, net	(8,008)	(18,472)	(7,812)	(16,262)
Decrease (increase) in reinsurance receivables	(49,828)	(18,620)	(355,899)	(227,797)
Decrease (increase) in deferred tax asset	(19,965)	(46,121)	14,349	(54,415)
Decrease (increase) in prepaid reinsurance premiums	38,227	2,059	62,163	(16,192)
Increase (decrease) in reserve for losses and loss adjustment expenses	121,207	(12,762)	586,366	290,352
Increase (decrease) in unearned premiums	(80,213)	(10,237)	(103,362)	7,142
Change in equity adjustments in limited partnerships	(13,939)	(8,882)	(32,354)	(18,296)
Change in other assets and liabilities, net	32,717	16,395	103,464	142,621
Non-cash compensation expense	1,674	1,685	3,054	2,880
Amortization of bond premium (accrual of bond discount)	3,422	1,071	6,914	4,617
Amortization of underwriting discount on senior notes	12	11	24	53
Net realized capital (gains) losses	68,184	95,473	27,708	100,780
Net cash provided by (used in) operating activities	85,081	40,040	87,345	212,324
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from fixed maturities matured/called - available for sale, at market value	156,078	136,606	263,533	308,869
Proceeds from fixed maturities matured/called - available for sale, at fair value	5,875	-	12,775	-
Proceeds from fixed maturities sold - available for sale, at market value	270,169	206,078	786,890	371,563
Proceeds from fixed maturities sold - available for sale, at fair value	17,168	6,115	50,120	8,612
Proceeds from equity securities sold - available for sale, at market value	-	-	27,096	-
Proceeds from equity securities sold - available for sale, at fair value	37,000	51,400	89,696	72,742
Distributions from other invested assets	28,416	15,715	89,775	23,880
Cost of fixed maturities acquired - available for sale, at market value	(236,991)	(280,050)	(709,796)	(555,576)
Cost of fixed maturities acquired - available for sale, at fair value	(7,148)	(9,487)	(15,224)	(23,681)
Cost of equity securities acquired - available for sale, at market value	-	-	(27,059)	-
Cost of equity securities acquired - available for sale, at fair value	(212,606)	(30,140)	(339,271)	(50,879)
Cost of other invested assets acquired	(22,064)	(8,634)	(45,078)	(18,374)
Cost of other invested assets acquired, at fair value	-	(200,079)	(37,611)	(247,111)
Cost of businesses acquired	-	-	(63,100)	-
Net change in short-term investments	(196,488)	(2,164)	(47,185)	9,921
Net change in unsettled securities transactions	188,839	(51,843)	44,841	(35,520)
Net cash provided by (used in) investing activities	28,248	(166,483)	80,402	(135,554)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Tax benefit from share-based compensation	(40)	12	169	91
Net cost of senior notes maturing	-	-	-	(200,000)
Revolving credit borrowings	-	133,000	(10,000)	133,000
Net cash provided by (used in) financing activities	(40)	133,012	(9,831)	(66,909)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	5,711	(7,459)	12,357	(10,494)
Net increase (decrease) in cash	119,000	(890)	170,273	(633)
Cash, beginning of period	169,365	107,737	118,092	107,480
Cash, end of period	$ 288,365	$ 106,847	$ 288,365	$ 106,847
SUPPLEMENTAL CASH FLOW INFORMATION:				
Cash transactions:				
Income taxes paid (recovered)	$ (31,557)	$ (53,156)	$ (20,765)	$ (49,390)
Interest paid	19,838	19,866	25,041	33,765
Non-cash transaction:				
Net assets acquired and liabilities assumed from business acquisitions	-	-	19,130	-

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

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the Three and Six Months Ended June 30, 2011 and 2010

1. GENERAL

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

2. BASIS OF PRESENTATION

The unaudited consolidated financial statements of the Company for the three and six months ended June 30, 2011 and 2010 include all adjustments, consisting of normal recurring accruals, which, in the opinion of management, are necessary for a fair statement of the results on an interim basis. Certain financial information, which is normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), has been omitted since it is not required for interim reporting purposes. The December 31, 2010 consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. The results for the three and six months ended June 30, 2011 and 2010 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, 2010, 2009 and 2008 included in the Company's most recent Form 10-K filing.

All intercompany accounts and transactions have been eliminated.

Certain reclassifications and format changes have been made to prior years' amounts to conform to the 2011 presentation.

Application of Recently Issued Accounting Standard Changes

Financial Accounting Standards Board Launched Accounting Codification. In June 2009, the Financial Accounting Standards Board ("FASB") issued authoritative guidance establishing the FASB Accounting Standards Codification™ ("Codification") as the single source of authoritative U.S. GAAP recognized by the FASB to be applied by non-governmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Codification supersedes all existing non-SEC accounting and reporting standards. All other non-grandfathered, non-SEC accounting literature not included in the Codification will become non-authoritative.

Following the Codification, the FASB will no longer issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, the FASB will issue Accounting Standards Updates, which will serve to update the Codification, provide background information about the guidance and provide the basis for conclusions on the changes to the Codification.

GAAP is not intended to be changed as a result of the FASB's Codification, but it will change the way the guidance is organized and presented. As a result, these changes will have a significant impact on how companies reference GAAP in their financial statements and in the accounting policies for financial statements issued for interim and annual periods ending after September 15, 2009. The Company's adoption of this guidance impacts the way the Company references U.S. GAAP accounting standards in the financial statements and Notes to Consolidated Financial Statements.

Treatment of Insurance Contract Acquisition Costs. In October 2010, the FASB issued authoritative guidance for the accounting for costs associated with acquiring or renewing insurance contracts. The guidance identifies the incremental direct costs of contract acquisition and costs directly related to acquisition activities that should be capitalized. This guidance is effective for reporting periods beginning after December 15, 2011. The Company will adopt this guidance prospectively, as of January 1, 2012.

Subsequent Events. In May 2009, the FASB issued authoritative guidance for subsequent events, which was later modified in February 2010, that addresses the accounting for and disclosure of subsequent events not addressed in other applicable U.S. GAAP. The Company implemented the new disclosure requirement beginning with the second quarter of 2009 and included it in the Notes to Consolidated Interim Financial Statements.

Improving Disclosures About Fair Value Measurements. In January 2010, the FASB amended the authoritative guidance for disclosures on fair value measurements. Effective for interim and annual reporting periods beginning after December 15, 2009, the guidance requires a new separate disclosure for: significant transfers in and out of Level 1 and 2 and the reasons for the transfers; and provided clarification on existing disclosures to include: fair value measurement disclosures by class of assets and liabilities and disclosure on valuation techniques and inputs used to measure fair value that fall in either Level 2 or Level 3. The Company implemented this guidance effective January 1, 2010. Effective for interim and annual reporting periods beginning after December 15, 2010, the guidance requires another new separate disclosure in regards to Level 3 fair value measurements in that, the period activity will present separately information about purchases, sales, issuances and settlements. Comparative disclosures shall be required only for periods ending after initial adoption. The Company implemented this guidance beginning with the third quarter of 2010.

Other-Than-Temporary Impairments on Investment Securities. In April 2009, the FASB revised the authoritative guidance for the recognition and presentation of other-than-temporary impairments. This new guidance amends the recognition guidance for other-than-temporary impairments of debt securities and expands the financial statement disclosures for other-than-temporary impairments on debt and equity securities. For available for sale debt securities that the Company has no intent to sell and more likely than not will not be required to sell prior to recovery, only the credit loss component of the impairment would be recognized in earnings, while the rest of the fair value loss would be recognized in accumulated other comprehensive income (loss). The Company adopted this guidance effective April 1, 2009. Upon adoption the Company recognized a cumulative-effect adjustment increase in retained earnings and decrease in accumulated other comprehensive income (loss) as follows:

(Dollars in thousands)		
Cumulative-effect adjustment, gross	$	23,846
Tax		(8,346)
Cumulative-effect adjustment, net	$	15,500

3. INVESTMENTS

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

	At June 30, 2011			
(Dollars in thousands)	Amortized Cost	Unrealized Appreciation	Unrealized Depreciation	Market Value
Fixed maturity securities				
U.S. Treasury securities and obligations of				
U.S. government agencies and corporations	$ 84,214	$ 1,878	$ (1,676)	$ 84,416
Obligations of U.S. states and political subdivisions	2,110,206	109,724	(5,985)	2,213,945
Corporate securities	895,793	42,589	(12,572)	925,810
Asset-backed securities	40,383	685	(16)	41,052
Mortgage-backed securities				
Commercial	41,840	7,787	(727)	48,900
Agency residential	321,195	17,596	(17)	338,774
Non-agency residential	27,404	534	(93)	27,845
Foreign government securities	874,577	43,523	(11,291)	906,809
Foreign corporate securities	703,274	26,878	(17,801)	712,351
Total fixed maturity securities	$ 5,098,886	$ 251,194	$ (50,178)	$ 5,299,902
Equity securities	$ 15	$ -	$ (3)	$ 12

	At December 31, 2010			
(Dollars in thousands)	Amortized Cost	Unrealized Appreciation	Unrealized Depreciation	Market Value
Fixed maturity securities				
U.S. Treasury securities and obligations of				
U.S. government agencies and corporations	$ 153,263	$ 2,450	$ (5,146)	$ 150,567
Obligations of U.S. states and political subdivisions	2,809,514	116,920	(24,929)	2,901,505
Corporate securities	688,938	42,522	(9,775)	721,685
Asset-backed securities	19,860	705	(14)	20,551
Mortgage-backed securities				
Commercial	31,887	7,618	-	39,505
Agency residential	355,928	13,975	(212)	369,691
Non-agency residential	29,373	912	(317)	29,968
Foreign government securities	731,930	32,678	(15,567)	749,041
Foreign corporate securities	617,666	20,939	(21,178)	617,427
Total fixed maturity securities	$ 5,438,359	$ 238,719	$ (77,138)	$ 5,599,940
Equity securities	$ 15	$ -	$ (2)	$ 13

In accordance with FASB guidance, the Company reclassified the non-credit portion of other-than-temporary impairments from retained earnings into accumulated other comprehensive income (loss), on April 1, 2009. The table below presents the pre-tax cumulative unrealized appreciation (depreciation) on those corporate securities, for the periods indicated:

(Dollars in thousands)	At June 30, 2011	At December 31, 2010
Pre-tax cumulative unrealized appreciation (depreciation)	$ 828	$ 823

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

	At June 30, 2011		At December 31, 2010	
(Dollars in thousands)	Amortized Cost	Market Value	Amortized Cost	Market Value
Fixed maturity securities – available for sale				
Due in one year or less	$ 240,540	$ 244,567	$ 212,728	$ 207,739
Due after one year through five years	1,810,582	1,858,872	1,642,227	1,681,497
Due after five years through ten years	1,119,257	1,169,942	1,203,497	1,253,609
Due after ten years	1,497,685	1,569,950	1,942,859	1,997,380
Asset-backed securities	40,383	41,052	19,860	20,551
Mortgage-backed securities				
Commercial	41,840	48,900	31,887	39,505
Agency residential	321,195	338,774	355,928	369,691
Non-agency residential	27,404	27,845	29,373	29,968
Total fixed maturity securities	$ 5,098,886	$ 5,299,902	$ 5,438,359	$ 5,599,940

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2011	2010	2011	2010
Increase (decrease) during the period between the market value and cost of investments carried at market value, and deferred taxes thereon:				
Fixed maturity securities	$ 56,368	$ 46,864	$ 39,430	$ 50,017
Fixed maturity securities, cumulative other-than-temporary impairment adjustment	(15)	(470)	5	2,582
Equity securities	-	-	-	(1)
Other invested assets	(3,165)	(17)	(1,730)	496
Change in unrealized appreciation (depreciation), pre-tax	53,188	46,377	37,705	53,094
Deferred tax benefit (expense)	(18,621)	(16,396)	(13,195)	(17,679)
Deferred tax benefit (expense), cumulative other-than-temporary impairment adjustment	5	164	(2)	(904)
Change in unrealized appreciation (depreciation), net of deferred taxes, included in shareholders' equity	$ 34,572	$ 30,145	$ 24,508	$ 34,511

The Company frequently reviews its fixed maturity securities investment portfolio for declines in market value and focuses its attention on securities whose fair value has fallen below 80% of their amortized cost at the time of review. The Company then assesses whether the decline in value is temporary or other-than-temporary. In making its assessment, the Company evaluates the current market and interest rate environment as well as specific issuer information. Generally, a change in a security's value caused by a change in the market or interest rate environment does not constitute an other-than-temporary impairment, but rather a temporary decline in market value. Temporary declines in market value are recorded as unrealized losses in accumulated other comprehensive income (loss). If the Company determines that the decline is other-than-temporary and the Company does not have the intent to sell the security; and it is more likely than not that the Company will not have to sell the security before recovery of its cost basis, the carrying value of the investment is written down to fair value. The fair value adjustment that is credit related is recorded in net realized capital gains (losses) in the Company's consolidated statements of operations and comprehensive income (loss). The fair value adjustment that is non-credit related is recorded as a component of other comprehensive income (loss), net of tax, and is included in accumulated other comprehensive income (loss) in the Company's consolidated balance sheets. The Company's assessments are based on the issuers current and expected future financial position, timeliness with respect to interest and/or principal payments, speed of repayments and any applicable credit enhancements or breakeven constant default rates on mortgage-backed and asset-backed securities, as well as relevant information provided by rating agencies, investment advisors and analysts.

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

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

	Duration of Unrealized Loss at June 30, 2011 By Security Type					
	Less than 12 months		Greater than 12 months		Total	
(Dollars in thousands)	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
Fixed maturity securities - available for sale						
U.S. Treasury securities and obligations of U.S. government agencies and corporations	$ 19,681	$ (1,153)	$ 3,417	$ (523)	$ 23,098	$ (1,676)
Obligations of U.S. states and political subdivisions	34,916	(1,152)	55,794	(4,833)	90,710	(5,985)
Corporate securities	183,948	(5,707)	82,476	(6,865)	266,424	(12,572)
Asset-backed securities	5,089	(16)	-	-	5,089	(16)
Mortgage-backed securities						
Commercial	9,716	(727)	-	-	9,716	(727)
Agency residential	1,485	(11)	1,258	(6)	2,743	(17)
Non-agency residential	-	-	830	(93)	830	(93)
Foreign government securities	50,741	(1,797)	78,372	(9,494)	129,113	(11,291)
Foreign corporate securities	116,829	(7,890)	57,756	(9,911)	174,585	(17,801)
Total fixed maturity securities	$ 422,405	$ (18,453)	$ 279,903	$ (31,725)	$ 702,308	$ (50,178)
Equity securities	-	-	12	(3)	12	(3)
Total	$ 422,405	$ (18,453)	$ 279,915	$ (31,728)	$ 702,320	$ (50,181)

	Duration of Unrealized Loss at June 30, 2011 By Maturity					
	Less than 12 months		Greater than 12 months		Total	
(Dollars in thousands)	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
Fixed maturity securities						
Due in one year or less	$ 7,796	$ (549)	$ 16,599	$ (3,045)	$ 24,395	$ (3,594)
Due in one year through five years	177,973	(9,464)	127,966	(12,043)	305,939	(21,507)
Due in five years through ten years	177,091	(5,705)	54,976	(5,852)	232,067	(11,557)
Due after ten years	43,255	(1,981)	78,274	(10,686)	121,529	(12,667)
Asset-backed securities	5,089	(16)	-	-	5,089	(16)
Mortgage-backed securities	11,201	(738)	2,088	(99)	13,289	(837)
Total fixed maturity securities	$ 422,405	$ (18,453)	$ 279,903	$ (31,725)	$ 702,308	$ (50,178)

The aggregate market value and gross unrealized losses related to investments in an unrealized loss position at June 30, 2011 were $702,320 thousand and $50,181 thousand, respectively. There were no unrealized losses on a single issuer that exceeded 0.1% of the market value of the fixed maturity securities at June 30, 2011. In addition, as indicated on the above table, there was no significant concentration of unrealized losses in any one market sector. The $18,453 thousand of unrealized losses related to fixed maturity securities that have been in an unrealized loss position for less than one year were generally comprised of highly rated municipal, U.S. and foreign government and domestic and foreign corporate securities. Of these unrealized losses, $16,614 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating organization. The majority of the unrealized losses related to foreign government and foreign corporate securities are due to currency exchange rate movements as opposed to market value movements. The non-investment grade securities with unrealized losses were mainly comprised of corporate securities. The $31,725 thousand of unrealized losses related to fixed maturity in an unrealized loss position for more than one year related primarily to foreign corporate and foreign government securities. Of these unrealized losses, $27,807 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating organization. The majority of the unrealized losses related to foreign government and foreign corporate securities are due to currency exchange rate movements as opposed to market value movements. The gross unrealized depreciation greater than 12 months for mortgage-backed securities included $43 thousand related to sub-prime and alt-A loans. In all instances, projected cash flows were sufficient to recover the full book value of the investments and the related interest obligations. The mortgage-backed securities still have excess credit coverage and are current on interest and principal payments. Unrealized losses at June 30, 2011 are comparable with unrealized losses at December 31, 2010.

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

	Duration of Unrealized Loss at December 31, 2010 By Security Type					
	Less than 12 months		Greater than 12 months		Total	
(Dollars in thousands)	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
Fixed maturity securities - available for sale						
U.S. Treasury securities and obligations of U.S. government agencies and corporations	$ 47,985	$ (1,916)	$ 43,264	$ (3,230)	$ 91,249	$ (5,146)
Obligations of U.S. states and political subdivisions	336,522	(9,519)	171,812	(15,410)	508,334	(24,929)
Corporate securities	74,389	(2,715)	33,109	(7,060)	107,498	(9,775)
Asset-backed securities	3,900	(14)	-	-	3,900	(14)
Mortgage-backed securities						
Agency residential	20,867	(212)	-	-	20,867	(212)
Non-agency residential	-	-	22,439	(317)	22,439	(317)
Foreign government securities	92,123	(3,776)	124,807	(11,791)	216,930	(15,567)
Foreign corporate securities	120,294	(5,512)	121,304	(15,666)	241,598	(21,178)
Total fixed maturity securities	$ 696,080	$ (23,664)	$ 516,735	$ (53,474)	$ 1,212,815	$ (77,138)
Equity securities	-	-	13	(2)	13	(2)
Total	$ 696,080	$ (23,664)	$ 516,748	$ (53,476)	$ 1,212,828	$ (77,140)

	Duration of Unrealized Loss at December 31, 2010 By Maturity					
	Less than 12 months		Greater than 12 months		Total	
(Dollars in thousands)	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
Fixed maturity securities						
Due in one year or less	$ 5,982	$ (319)	$ 48,233	$ (8,089)	$ 54,215	$ (8,408)
Due in one year through five years	186,524	(9,059)	129,197	(11,559)	315,721	(20,618)
Due in five years through ten years	139,896	(4,356)	92,692	(8,215)	232,588	(12,571)
Due after ten years	338,911	(9,704)	224,174	(25,294)	563,085	(34,998)
Asset-backed securities	3,900	(14)	-	-	3,900	(14)
Mortgage-backed securities	20,867	(212)	22,439	(317)	43,306	(529)
Total fixed maturity securities	$ 696,080	$ (23,664)	$ 516,735	$ (53,474)	$ 1,212,815	$ (77,138)

The aggregate market value and gross unrealized losses related to investments in an unrealized loss position at December 31, 2010 were $1,212,828 thousand and $77,140 thousand, respectively. There were no unrealized losses on a single issuer that exceeded 0.09% of the market value of the fixed maturity securities at December 31, 2010. In addition, as indicated on the above table, there was no significant concentration of unrealized losses in any one market sector. The $23,664 thousand of unrealized losses related to fixed maturity securities that have been in an unrealized loss position for less than one year were generally comprised of highly rated municipal, U.S. government, foreign government and domestic and foreign corporate securities. Of these unrealized losses, $23,424 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating organization. The $53,474 thousand of unrealized losses related to fixed maturity securities in an unrealized loss position for more than one year also related primarily to highly rated U.S. government, domestic and foreign corporate, foreign government and municipal securities. Of these unrealized losses, $48,165 thousand related to securities that were rated investment grade by at least one nationally recognized statistical rating organization. The non-investment grade securities with unrealized losses were mainly comprised of corporate securities. The gross unrealized depreciation greater than 12 months for mortgage-backed securities included $32 thousand related to sub-prime and alt-A loans. In all instances, projected cash flows were sufficient to recover the full book value of the investments and the related interest obligations.

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

The components of net investment income are presented in the table below for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2011	2010	2011	2010
Fixed maturity securities	$ 59,139	$ 75,862	$ 119,758	$ 149,417
Equity securities	6,468	2,618	11,640	5,022
Short-term investments and cash	387	75	594	152
Other invested assets				
Limited partnerships	13,939	8,882	32,354	18,296
Dividends from Parent's shares	4,666	4,127	9,314	5,553
Other	4,126	330	4,723	702
Total gross investment income	88,725	91,894	178,383	179,142
Interest debited (credited) and other investment expense	(4,266)	(2,548)	(6,792)	(4,689)
Total net investment income	$ 84,459	$ 89,346	$ 171,591	$ 174,453

The Company records results from limited partnership investments on the equity method of accounting with changes in value reported through net investment income. Due to the timing of receiving financial information from these partnerships, the results are generally reported on a one month or quarter lag. If the Company determines there has been a significant decline in value of a limited partnership during this lag period, a loss will be recorded in the period in which the Company indentifies the decline.

The Company had contractual commitments to invest up to an additional $142,091 thousand in limited partnerships at June 30, 2011. These commitments will be funded when called in accordance with the partnership agreements, which have investment periods that expire, unless extended, through 2016.

The components of net realized capital gains (losses) are presented in the table below for the periods indicated:

(Dollars in thousands)	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Fixed maturity securities, market value:				
Other-than-temporary impairments	$ -	$ -	$ (13,611)	$ -
Gains (losses) from sales	(5,978)	1,617	(18,288)	840
Fixed maturity securities, fair value:				
Gains (losses) from sales	565	190	(950)	273
Gains (losses) from fair value adjustments	(40)	(2,518)	(3,523)	482
Equity securities, market value:				
Gains (losses) from sales	-	-	37	-
Equity securities, fair value:				
Gains (losses) from sales	(206)	(2,893)	1,666	(999)
Gains (losses) from fair value adjustments	(23)	(30,017)	38,107	(16,786)
Other invested assets, fair value:				
Gains (losses) from fair value adjustments	(62,500)	(61,853)	(31,145)	(84,590)
Short-term investment gains (losses)	(2)	1	(1)	-
Total net realized capital gains (losses)	$ (68,184)	$ (95,473)	$ (27,708)	$ (100,780)

The Company recorded as net realized capital gains (losses) in the consolidated statements of operations and comprehensive income (loss) both fair value re-measurements and write-downs in the value of securities deemed to be impaired on an other-than-temporary basis as displayed in the table above. The Company had no other-than-temporary impaired securities where the impairment had both a credit and non-credit component.

The proceeds and split between gross gains and losses, from sales of fixed maturity and equity securities, are presented in the table below for the periods indicated:

(Dollars in thousands)	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Proceeds from sales of fixed maturity securities	$ 287,337	$ 212,193	$ 837,010	$ 380,175
Gross gains from sales	3,316	5,545	17,582	7,321
Gross losses from sales	(8,729)	(3,738)	(36,820)	(6,208)
Proceeds from sales of equity secuities	$ 37,000	$ 51,400	$ 116,792	$ 72,742
Gross gains from sales	722	1,214	3,102	3,584
Gross losses from sales	(928)	(4,107)	(1,399)	(4,583)

4. FAIR VALUE

The Company's fixed maturity and equity securities are managed by third party investment asset managers. The investment asset managers obtain prices from nationally recognized pricing services. These services seek to utilize market data and observations in their evaluation process. They use pricing applications that vary by asset class and incorporate available market information and when fixed maturity securities do not trade on a daily basis the services will apply available information through processes such as benchmark curves, benchmarking of like securities, sector groupings and matrix pricing. In addition, they use model processes, such as the Option Adjusted Spread model to develop prepayment and interest rate scenarios for securities that have prepayment features.

In limited instances where prices are not provided by pricing services or in rare instances when a manager may not agree with the pricing service, price quotes on a non-binding basis are obtained from investment brokers. The investment asset managers do not make any changes to prices received from either the pricing services or the investment brokers. In addition, the investment asset managers have procedures in place to review the reasonableness of the prices from the service providers and may request verification of the prices. In addition, the Company tests the prices on a random basis to an independent pricing source. In limited situations, where financial markets are inactive or illiquid, the Company may use its own assumptions about future cash flows and risk-adjusted discount rates to determine fair value. The Company made no such adjustments at June 30, 2011 and 2010.

Equity securities in U.S. denominated currency are categorized as Level 1, Quoted Prices in Active Markets for Identical Assets, since the securities are actively traded on an exchange and prices are based on quoted prices from the exchange. Equity securities traded on foreign exchanges are categorized as Level 2 due to potential foreign exchange adjustments to fair or market value.

Fixed maturity securities are generally categorized as Level 2, Significant Other Observable Inputs, since a particular security may not have traded but the pricing services are able to use valuation models with observable market inputs such as interest rate yield curves and prices for similar fixed maturity securities in terms of issuer, maturity and seniority. Valuations that are derived from techniques in which one or more of the significant inputs are unobservable (including assumptions about risk) are categorized as Level 3, Significant Unobservable Inputs. These securities include broker priced securities.

Other invested assets, at fair value, are categorized as Level 1, Quoted Prices in Active Markets for Identical Assets, since the securities are shares of the Company's parent, which are actively traded on an exchange and the price is based on a quoted price.

The following table presents the fair value measurement levels for all assets, which the Company has recorded at fair value (fair and market value) as of the period indicated:

(Dollars in thousands)	June 30, 2011	Fair Value Measurement Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Fixed maturities, market value				
U.S. Treasury securities and obligations of U.S. government agencies and corporations	$ 84,416	$ -	$ 84,416	$ -
Obligations of U.S. States and political subdivisions	2,213,945	-	2,213,945	-
Corporate securities	925,810	-	925,810	-
Asset-backed securities	41,052	-	38,586	2,466
Mortgage-backed securities				
Commercial	48,900	-	48,900	-
Agency residential	338,774	-	338,774	-
Non-agency residential	27,845	-	27,464	381
Foreign government securities	906,809	-	906,809	-
Foreign corporate securities	712,351	-	712,351	-
Total fixed maturities, market value	5,299,902	-	5,297,055	2,847
Fixed maturities, fair value	128,337	-	128,337	-
Equity securities, market value	12	12	-	-
Equity securities, fair value	972,802	899,146	73,656	-
Other invested assets, fair value	794,608	794,608	-	-

There were no significant transfers between Level 1 and Level 2 for the three and six months ended June 30, 2011.

The following table presents the fair value measurement levels for all assets, which the Company has recorded at fair value (fair and market value) as of the period indicated:

(Dollars in thousands)	December 31, 2010	Fair Value Measurement Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Fixed maturities, market value				
U.S. Treasury securities and obligations of U.S. government agencies and corporations	$ 150,567	$ -	$ 150,567	$ -
Obligations of U.S. States and political subdivisions	2,901,505	-	2,901,505	-
Corporate securities	721,685	-	721,685	-
Asset-backed securities	20,551	-	19,590	961
Mortgage-backed securities				
Commercial	39,505	-	39,505	-
Agency residential	369,691	-	369,691	-
Non-agency residential	29,968	-	29,510	458
Foreign government securities	749,041	-	749,041	-
Foreign corporate securities	617,427	-	613,792	3,635
Total fixed maturities, market value	5,599,940	-	5,594,886	5,054
Fixed maturities, fair value	180,482	-	180,482	-
Equity securities, market value	13	13	-	-
Equity securities, fair value	683,454	683,454	-	-
Other invested assets, fair value	788,142	788,142	-	-

The following tables present the activity under Level 3, fair value measurements using significant unobservable inputs by asset type, for the periods indicated:

	Three Months Ended June 30, 2011				Six Months Ended June 30, 2011			
(Dollars in thousands)	Asset-backed Securities	Foreign Corporate	Non-agency RMBS	Total	Asset-backed Securities	Foreign Corporate	Non-agency RMBS	Total
Beginning balance	$ 6,273	$ 519	$ 448	$ 7,240	$ 961	$ 3,635	$ 458	$ 5,054
Total gains or (losses) (realized/unrealized)								
Included in earnings (or changes in net assets)	64	-	28	92	64	-	49	113
Included in other comprehensive income (loss)	(84)	-	(48)	(132)	(147)	-	(48)	(195)
Purchases, issuances and settlements	(82)	-	(47)	(129)	56	-	(78)	(22)
Transfers in and/or (out) of Level 3	(3,705)	(519)	-	(4,224)	1,532	(3,635)	-	(2,103)
Ending balance	$ 2,466	$ -	$ 381	$ 2,847	$ 2,466	$ -	$ 381	$ 2,847
The amount of total gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

(Some amounts may not reconcile due to rounding.)

(Dollars in thousands)	Three Months Ended June 30, 2010 Corporate Securities	Asset-backed Securities	Non-agency RMBS	Total	Six Months Ended June 30, 2010 Corporate Securities	Asset-backed Securities	Non-agency RMBS	Total
Beginning balance	$ 6,930	$ 6,368	$ 456	$ 13,754	$ 6,930	$ 6,258	$ 426	$ 13,614
Total gains or (losses) (realized/unrealized)								
Included in earnings (or changes in net assets)	(1)	-	24	23	(1)	-	49	48
Included in other comprehensive income (loss)	36	122	51	209	36	44	92	172
Purchases, issuances and settlements	-	72	(34)	38	-	260	(70)	190
Transfers in and/or (out) of Level 3	-	-	-	-	-	-	-	-
Ending balance	$ 6,965	$ 6,562	$ 497	$ 14,024	$ 6,965	$ 6,562	$ 497	$ 14,024
The amount of total gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

(Some amounts may not reconcile due to rounding.)

5. CAPITAL TRANSACTIONS

On December 17, 2008, we renewed our shelf registration statement on Form S-3ASR with the SEC, as a Well Known Seasoned Issuer. This shelf registration statement can be used by Group to register common shares, preferred shares, debt securities, warrants, share purchase contracts and share purchase units; by Holdings to register debt securities and by Everest Re Capital Trust III ("Capital Trust III") to register trust preferred securities.

6. 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. The statuses of these proceedings are considered when the Company determines its reserves for losses and loss adjustment expenses. 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.

There are no known significant pending legal issues not involving insurance or reinsurance business activity.

The Company continues to receive claims under expired insurance and reinsurance contracts asserting injuries and/or damages relating to or resulting from environmental pollution and hazardous substances, including asbestos. Environmental claims typically assert liability for (a) the mitigation or remediation of environmental contamination or (b) bodily injury or property damage caused by the release of hazardous substances into the land, air or water. Asbestos claims typically assert liability for bodily injury from exposure to asbestos or for property damage resulting from asbestos or products containing asbestos.

The Company's reserves include an estimate of the Company's ultimate liability for asbestos and environmental ("A&E") claims. As of June 30, 2011, approximately 6% of the Company's gross reserves were an estimate of the Company's ultimate liability for A&E claims. The Company's A&E liabilities emanate from Mt. McKinley, a direct subsidiary of the Company, direct insurance business and Everest Re's assumed reinsurance business. All of the contracts of insurance and reinsurance under which the Company has received claims during the past three years, expired more than 20 years ago. There are significant uncertainties surrounding the Company's reserves for it's A&E losses.

A&E exposures represent a separate exposure group for monitoring and evaluating reserve adequacy. The following table summarizes incurred losses with respect to A&E reserves on both a gross and net of reinsurance basis for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2011	2010	2011	2010
Gross basis:				
Beginning of period reserves	$ 535,764	$ 625,208	$ 554,790	$ 638,674
Incurred losses	753	-	753	-
Paid losses	(9,795)	(11,073)	(28,821)	(24,539)
End of period reserves	$ 526,722	$ 614,135	$ 526,722	$ 614,135
Net basis:				
Beginning of period reserves	$ 368,144	$ 419,230	$ 382,507	$ 430,421
Incurred losses	(30)	-	(30)	-
Paid losses	(7,585)	(6,579)	(21,948)	(17,770)
End of period reserves	$ 360,528	$ 412,651	$ 360,528	$ 412,651

(Some amounts may not reconcile due to rounding)

At June 30, 2011, the gross reserves for A&E losses were comprised of $139,183 thousand representing case reserves reported by ceding companies, $108,765 thousand representing additional case reserves established by the Company on assumed reinsurance claims, $36,881 thousand representing case reserves established by the Company on direct excess insurance claims, including Mt. McKinley and $241,893 thousand representing IBNR reserves.

With respect to asbestos only, at June 30, 2011, the Company had gross asbestos loss reserves of $505,146 thousand, or 95.9%, of total A&E reserves, of which $403,150 thousand was for assumed business and $101,996 thousand was for direct business.

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. 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.

Due to the uncertainties, the ultimate losses attributable to A&E, and particularly asbestos, may be subject to more variability than are non-A&E reserves and such variation, 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 cash flows.

In 1993 and prior, the Company had a business arrangement with The Prudential Insurance Company of America ("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"), was unable to make the annuity payments. The table below presents the estimated cost to replace all such annuities for which the Company was contingently liable for the periods indicated:

(Dollars in thousands)	At June 30, 2011	At December 31, 2010
	$ 143,013	$ 150,560

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 table below presents the estimated cost to replace all such annuities for which the Company was contingently liable for the periods indicated:

(Dollars in thousands)	At June 30, 2011	At December 31, 2010
	$ 26,988	$ 26,542

7. OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents the components of comprehensive income (loss) in the consolidated statements of operations for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2011	2010	2011	2010
Unrealized appreciation (depreciation) ("URA(D)") on securities arising during the period				
URA(D) of investments - temporary	$ 53,203	$ 46,846	$ 37,700	$ 50,512
URA(D) of investments - non-credit OTTI	(15)	(469)	5	2,582
Tax benefit (expense) from URA(D) arising during the period	(18,616)	(16,232)	(13,197)	(18,583)
Total URA(D) on securities arising during the period, net of tax	34,572	30,145	24,508	34,511
Foreign currency translation adjustments	(1,664)	(8,896)	14,236	1,830
Tax benefit (expense) from foreign currency translation	582	3,114	(4,983)	(640)
Net foreign currency translation adjustments	(1,082)	(5,782)	9,253	1,190
Pension adjustments	1,147	671	2,295	1,299
Tax benefit (expense) on pension	(401)	(235)	(803)	(455)
Net pension adjustments	746	436	1,492	844
Other comprehensive income (loss), net of tax	$ 34,236	$ 24,799	$ 35,253	$ 36,545

The following table presents the components of accumulated other comprehensive income (loss), net of tax, in the consolidated balance sheets for the periods indicated:

(Dollars in thousands)	At June 30, 2011	At December 31, 2010
URA(D) on securities, net of deferred taxes		
Temporary	$ 129,980	$ 105,474
Non-credit, OTTI	538	535
Total unrealized appreciation (depreciation) on investments, net of deferred taxes	130,518	106,009
Foreign currency translation adjustments, net of deferred taxes	93,292	84,040
Pension adjustments, net of deferred taxes	(24,591)	(26,083)
Accumulated other comprehensive income (loss)	$ 199,219	$ 163,966

8. CREDIT FACILITY

Effective August 23, 2006, Holdings entered into a five year, $150,000 thousand senior revolving credit facility with a syndicate of lenders referred to as the "Holdings Credit Facility". Citibank N.A. is the administrative agent for the Holdings Credit Facility. The Holdings Credit Facility may be used for liquidity and general corporate purposes. The Holdings Credit Facility provides for the borrowing of up to $150,000 thousand 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 (b) 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 $1,500,000 thousand plus 25% of future aggregate net income and 25% of future aggregate capital contributions after December 31, 2005, which at June 30, 2011, was $2,005,890 thousand. As of June 30, 2011, Holdings was in compliance with all Holdings Credit Facility covenants.

The following table summarizes outstanding letters of credit and/or borrowings for the periods indicated:

(Dollars in thousands)	At June 30, 2011				At December 31, 2010			
Bank	Commitment	In Use	Date of Loan	Maturity/Expiry Date	Commitment	In Use	Date of Loan	Maturity/Expiry Date
Citibank Holdings Credit Facility	$ 150,000	$ 15,000	6/16/2011	7/18/2011	$ 150,000	$ 50,000	12/16/2010	1/18/2011
		10,000	6/28/2011	7/28/2011		-		
		15,000	6/06/2011	7/06/2011		-		
Total revolving credit borrowings		40,000				50,000		
Total letters of credit		9,527		12/31/2011		9,527		12/31/2011
Total Citibank Holdings Credit Facility	$ 150,000	$ 49,527			$ 150,000	$ 59,527		

Prior to August 23, 2011, the Company plans to enter into a new Holdings Credit Facility with terms similar to the expiring Facility.

The following table presents the costs incurred in connection with the Holdings Credit Facility for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2011	2010	2011	2010
Credit facility fees incurred	$ 89	$ 141	$ 179	$ 150

9. TRUST AGREEMENTS

A subsidiary of the Company, Everest Re, has established a trust agreement, which effectively uses Everest Re's investments as collateral, as security for assumed losses payable to a non-affiliated ceding company. At June 30, 2011, the total amount on deposit in the trust account was $14,268 thousand.

10. SENIOR NOTES

The table below displays Holdings' outstanding senior notes. Market value is based on quoted market prices.

				June 30, 2011		December 31, 2010	
(Dollars in thousands)	Date Issued	Date Due	Principal Amounts	Consolidated Balance Sheet Amount	Market Value	Consolidated Balance Sheet Amount	Market Value
5.40% Senior notes	10/12/2004	10/15/2014	$ 250,000	$ 249,835	$ 270,570	$ 249,812	$ 267,500
8.75% Senior notes (matured and paid on March 15, 2010)	03/14/2000	03/15/2010	$ 200,000	$ -	$ -	$ -	$ -

Interest expense incurred in connection with these senior notes is as follows for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2011	2010	2011	2010
Interest expense incurred	$ 3,387	$ 3,385	$ 6,773	$ 10,447

11. LONG TERM SUBORDINATED NOTES

The table below displays Holdings' outstanding fixed to floating rate long term subordinated notes. Market value is based on quoted market prices.

			Maturity Date		June 30, 2011		December 31, 2010	
(Dollars in thousands)	Date Issued	Original Principal Amount	Scheduled	Final	Consolidated Balance Sheet Amount	Market Value	Consolidated Balance Sheet Amount	Market Value
6.6% Long term subordinated notes	04/26/2007	$ 400,000	05/15/2037	05/01/2067	$ 238,352	$ 236,031	$ 238,351	$ 227,825

During the fixed rate interest period from May 3, 2007 through May 14, 2017, interest will be at the annual rate of 6.6%, payable semi-annually in arrears on November 15 and May 15 of each year, commencing on November 15, 2007, subject to Holdings' right to defer interest on one or more occasions for up to ten consecutive years. During the floating rate interest period from May 15, 2017 through maturity, interest will be based on the 3 month LIBOR plus 238.5 basis points, reset quarterly, payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, subject to Holdings' right to defer interest on one or more occasions for up to ten consecutive years. Deferred interest will accumulate interest at the applicable rate compounded semi-annually for periods prior to May 15, 2017, and compounded quarterly for periods from and including May 15, 2017.

Holdings can redeem the long term subordinated notes prior to May 15, 2017, in whole but not in part at the applicable redemption price, which will equal the greater of (a) 100% of the principal amount being redeemed and (b) the present value of the principal payment on May 15, 2017 and scheduled payments of interest that would have accrued from the redemption date to May 15, 2017 on the long term subordinated notes being redeemed, discounted to the redemption date on a semi-annual basis at a discount rate equal to the treasury rate plus an applicable spread of either 0.25% or 0.50%, in each case plus accrued and unpaid interest. Holdings may redeem the long term subordinated notes on or after May 15, 2017, in whole or in part at 100% of the principal amount plus accrued and unpaid interest; however, redemption on or after the scheduled maturity date and prior to May 1, 2047 is subject to a replacement capital covenant. This covenant is for the benefit of certain senior note holders and it mandates that Holdings receive proceeds from the sale of another subordinated debt issue, of at least similar size, before it may redeem the subordinated notes.

On March 19, 2009, Group announced the commencement of a cash tender offer for any and all of the 6.60% fixed to floating rate long term subordinated notes. Upon expiration of the tender offer, the Company had reduced its outstanding debt by $161,441 thousand, which resulted in a pre-tax gain on debt repurchase of $78,271 thousand.

Interest expense incurred in connection with these long term subordinated notes is as follows for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2011	2010	2011	2010
Interest expense incurred	$ 3,937	$ 3,937	$ 7,874	$ 7,874

12. JUNIOR SUBORDINATED DEBT SECURITIES PAYABLE

The following table displays Holdings' outstanding junior subordinated debt securities due to Everest Re Capital Trust II ("Capital Trust II"), a wholly-owned finance subsidiary of Holdings. Fair value is primarily based on the quoted market price of the related trust preferred securities.

				June 30, 2011		December 31, 2010	
(Dollars in thousands)	Date Issued	Date Due	Amount Issued	Consolidated Balance Sheet Amount	Fair Value	Consolidated Balance Sheet Amount	Fair Value
6.20% Junior subordinated debt securities	03/29/2004	03/29/2034	$ 329,897	$ 329,897	$ 321,577	$ 329,897	$ 294,825

Holdings may redeem the junior subordinated debt securities before their maturity at 100% of their principal amount plus accrued interest as of the date of redemption. The securities may be redeemed, 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.

Interest expense incurred in connection with these junior subordinated debt securities is as follows for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2011	2010	2011	2010
Interest expense incurred	$ 5,114	$ 5,114	$ 10,227	$ 10,227

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 II's payment obligations with respect to their trust preferred securities.

Capital Trust II will redeem all of the outstanding trust preferred securities when the junior subordinated debt securities are paid at maturity on March 29, 2034. The Company may elect to redeem the junior subordinated debt securities, in whole or in part, at any time on or after March 30, 2009. 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 Holdings' operating subsidiaries to transfer funds to Holdings in the form of cash dividends, loans or advances. The insurance laws of the State of Delaware, where Holdings' direct insurance subsidiaries are domiciled, require regulatory approval before those subsidiaries can pay dividends or make loans or advances to Holdings that exceed certain statutory thresholds. In addition, the terms of Holdings Credit Facility (discussed in Note 8) require Everest Re, Holdings' principal insurance subsidiary, to maintain a certain statutory surplus level as measured at the end of each fiscal year. At December 31, 2010, $2,293,643 thousand of the $2,929,526 thousand in net assets of Holdings' consolidated subsidiaries were subject to the foregoing regulatory restrictions.

13. SEGMENT REPORTING

The Company, through its subsidiaries, operates in four segments: U.S. Reinsurance, 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 Insurance operation writes property and casualty insurance directly and through general agents, brokers and surplus lines brokers within the U.S and Canada. 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 non-U.S. property and casualty reinsurance through Everest Re's branches in Canada and Singapore and offices in Brazil, Miami and New Jersey.

These segments are managed independently, but conform with corporate guidelines with respect to pricing, risk management, control of aggregate catastrophe exposures, 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. Underwriting results are measured using ratios, in particular loss, commission and brokerage and other underwriting expense ratios, which, respectively, divide incurred losses, commissions and brokerage and other underwriting expenses by premiums earned.

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 underwriting results for the operating segments for the periods indicated:

U.S. Reinsurance	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2011	2010	2011	2010
Gross written premiums	$ 230,260	$ 268,215	$ 484,167	$ 512,223
Net written premiums	123,797	150,462	260,348	278,924
Premiums earned	$ 141,633	$ 162,492	$ 286,788	$ 289,493
Incurred losses and LAE	112,650	84,346	236,077	174,454
Commission and brokerage	32,541	35,854	69,646	63,072
Other underwriting expenses	7,871	9,377	15,773	17,183
Underwriting gain (loss)	$ (11,429)	$ 32,915	$ (34,708)	$ 34,784

Insurance	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2011	2010	2011	2010
Gross written premiums	$ 226,132	$ 204,941	$ 480,607	$ 433,178
Net written premiums	109,204	80,812	234,230	183,279
Premiums earned	$ 114,937	$ 86,187	$ 220,265	$ 187,353
Incurred losses and LAE	84,404	71,800	169,922	144,750
Commission and brokerage	7,377	6,098	13,698	7,739
Other underwriting expenses	22,401	16,279	44,273	32,856
Underwriting gain (loss)	$ 755	$ (7,990)	$ (7,628)	$ 2,008

Specialty Underwriting	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2011	2010	2011	2010
Gross written premiums	$ 66,367	$ 65,855	$ 135,537	$ 131,742
Net written premiums	35,500	37,823	75,882	75,062
Premiums earned	$ 33,057	$ 39,342	$ 75,451	$ 78,240
Incurred losses and LAE	24,891	34,512	50,148	61,973
Commission and brokerage	7,439	8,972	15,404	17,507
Other underwriting expenses	2,001	2,407	4,005	4,358
Underwriting gain (loss)	$ (1,274)	$ (6,549)	$ 5,894	$ (5,598)

International	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2011	2010	2011	2010
Gross written premiums	$ 288,749	$ 306,998	$ 597,596	$ 582,348
Net written premiums	141,501	166,046	299,625	311,255
Premiums earned	$ 162,423	$ 154,703	$ 328,939	$ 301,772
Incurred losses and LAE	90,864	124,091	409,690	360,576
Commission and brokerage	32,948	37,273	70,069	67,720
Other underwriting expenses	6,950	7,308	13,389	13,688
Underwriting gain (loss)	$ 31,661	$ (13,969)	$ (164,209)	$ (140,212)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2011	2010	2011	2010
Underwriting gain (loss)	$ 19,713	$ 4,407	$ (200,651)	$ (109,018)
Net investment income	84,459	89,346	171,591	174,453
Net realized capital gains (losses)	(68,184)	(95,473)	(27,708)	(100,780)
Corporate expense	(1,165)	(1,463)	(2,355)	(3,689)
Interest, fee and bond issue cost amortization expense	(12,695)	(12,722)	(25,377)	(29,062)
Other income (expense)	(11,568)	8,709	(11,536)	13,821
Income (loss) before taxes	$ 10,560	$ (7,196)	$ (96,036)	$ (54,275)

The Company produces business in the U.S. and internationally. The net income deriving from and assets residing in the individual foreign countries in which the Company writes business are not identifiable in the Company's financial records. Based on gross written premium, the table below presents the largest country, other than the U.S., in which the Company writes business, for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2011	2010	2011	2010
Canada	$ 39,232	$ 49,976	$ 83,184	$ 85,279

No other country represented more than 5% of the Company's revenue.

14. RELATED-PARTY TRANSACTIONS

Parent

Group's Board of Directors approved an amended share repurchase program authorizing Group and/or its subsidiary Holdings to purchase Group's common shares through open market transactions, privately negotiated transactions or both. The table below represents the amendments to the share repurchase program for the common shares approved for repurchase.

Amendment Date	Common Shares Authorized for Repurchase
09/21/2004	5,000,000
07/21/2008	5,000,000
02/24/2010	5,000,000
	15,000,000

As of June 30, 2011, Holdings held 9,719,971 common shares of Group, which it had purchased in the open market between February 1, 2007 and March 8, 2011. The table below represents the total purchase price for these common shares purchased.

(Dollars in thousands)		
Total purchase price	$	835,371

Holdings reports these purchases as other invested assets, fair value, in the consolidated balance sheets with changes in fair value re-measurement recorded in net realized capital gains (losses) in the consolidated statements of operations and comprehensive income (loss). The following table presents the dividends received on these common shares that are reported as net investment income in the consolidated statements of operations and comprehensive income (loss) for the period indicated.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2011	2010	2011	2010
Dividends received	$ 4,666	$ 4,127	$ 9,314	$ 5,553

Outside Directors

During the normal course of business, the Company, through its affiliates, engages in insurance and brokerage and commission business transactions, with companies controlled by or affiliated with one or more 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 flows.

Affiliated Companies

Everest Global Services, Inc. ("Everest Global"), an affiliate of Holdings, provides centralized management and home office services, through a management agreement, to Holdings and other affiliated companies within Holdings' consolidated structure. Services provided by Everest Global include executive managerial services, legal services, actuarial services, accounting services, information technology services and others.

The following table presents the expenses incurred by Holdings from services provided by Everest Global for the periods indicated.

(Dollars in thousands)	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Expenses incurred	$ 15,370	$ 16,566	$ 30,447	$ 31,467

Affiliates

The Company engages in reinsurance transactions with Bermuda Re and Everest International Reinsurance, Ltd. ("Everest International"), affiliates, primarily driven by enterprise risk and capital management considerations under which business is ceded at market rates and terms.

The table below represents affiliated quota share reinsurance agreements ("whole account quota share") for all new and renewal business for the indicated coverage period:

(Dollars in thousands)

Coverage Period	Ceding Company	Percent Ceded	Assuming Company	Type of Business	Single Occurrence Limit	Aggregate Limit
01/01/2002-12/31/2002	Everest Re	20.0%	Bermuda Re	property / casualty business	$ -	$ -
01/01/2003-12/31/2003	Everest Re	25.0%	Bermuda Re	property / casualty business	-	-
01/01/2004-12/31/2005	Everest Re	22.5%	Bermuda Re	property / casualty business	-	-
	Everest Re	2.5%	Everest International	property / casualty business	-	-
01/01/2006-12/31/2006	Everest Re	18.0%	Bermuda Re	property business	125,000 (1)	-
	Everest Re	2.0%	Everest International	property business	-	-
01/01/2006-12/31/2007	Everest Re	31.5%	Bermuda Re	casualty business	-	-
	Everest Re	3.5%	Everest International	casualty business	-	-
01/01/2007-12/31/2007	Everest Re	22.5%	Bermuda Re	property business	130,000 (1)	-
	Everest Re	2.5%	Everest International	property business	-	-
01/01/2008-12/31/2008	Everest Re	36.0%	Bermuda Re	property / casualty business	130,000 (1)	275,000 (2)
	Everest Re	4.0%	Everest International	property / casualty business	-	-
01/01/2009-12/31/2009	Everest Re	36.0%	Bermuda Re	property / casualty business	150,000 (1)	325,000 (2)
	Everest Re	8.0%	Everest International	property / casualty business	-	-
01/01/2010-12/31/2010	Everest Re	44.0%	Bermuda Re	property / casualty business	150,000	325,000
01/01/2011	Everest Re	50.0%	Bermuda Re	property / casualty business	150,000	300,000
01/01/2003-12/31/2006	Everest Re- Canadian Branch	50.0%	Bermuda Re	property business	-	-
01/01/2007-12/31/2009	Everest Re- Canadian Branch	60.0%	Bermuda Re	property business	-	-
01/01/2010-12/31/2010	Everest Re- Canadian Branch	60.0%	Bermuda Re	property business	350,000	-
01/01/2011	Everest Re- Canadian Branch	60.0%	Bermuda Re	property business	350,000	-

(1) The single occurance limit is applied before the loss cessions to either Bermuda Re or Everest International.

(2) The aggregate limit is applied before the loss cessions to either Bermuda Re or Everest International.

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 respect to new, renewal and in force policies effective on that date through December 31, 2002. The table below represents Bermuda Re's liability limits for any losses per one occurrence.

	Liability Limits	
(Dollars in thousands)	Exceeding	Not to Exceed
Losses per one occurrence	$ 100,000	$ 150,000

The table below represents loss portfolio transfer reinsurance agreements whereby net insurance exposures and reserves were transferred to an affiliate.

(Dollars in thousands)

Effective Date	Transferring Company	Assuming Company	% of Business or Amount of Transfer	Covered Period of Transfer
09/19/2000	Mt. McKinley	Bermuda Re	100%	All years
10/01/2001	Everest Re (Belgium Branch)	Bermuda Re	100%	All years
10/01/2008	Everest Re	Bermuda Re	$ 747,022	01/01/2002-12/31/2007

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

Bermuda Re	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2011	2010	2011	2010
Ceded written premiums	$ 368,614	$ 325,719	$ 749,422	$ 645,750
Ceded earned premiums	380,353	326,072	760,400	614,230
Ceded losses and LAE (a)	294,364	194,630	785,077	483,076

Everest International	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2011	2010	2011	2010
Ceded written premiums	$ 175	$ 20,629	$ 639	$ 48,941
Ceded earned premiums	4,436	34,172	14,041	74,504
Ceded losses and LAE	3,995	39,770	6,913	63,786

(a) Ceded losses and LAE include the Mt. McKinley loss portfolio transfer that constitutes losses ceded under retroactive reinsurance and therefore, in accordance with FASB guidance, a deferred gain on retroactive reinsurance is reflected in other expenses on the consolidated statements of operations and comprehensive income (loss).

Everest Re sold 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 of the excess of 2002 and prior reserves, provided that any recognition of profit from the reserves for 2002 and prior underwriting years is taken into account. The limit available under this agreement was fully exhausted at December 31, 2004.

15. INCOME TAXES

The Company is domiciled in the United States and has subsidiaries domiciled within the United States with significant branches in Canada and Singapore. The Company's non-U.S. branches are subject to income taxation at varying rates in their respective domiciles.

The Company generally will use the estimated annual effective tax rate approach for calculating its tax provision for interim periods as prescribed by ASC 740-270, Interim Reporting. Under the estimated annual effective tax rate approach, the estimated annual effective tax rate is applied to the interim year-to-date pre-tax income to determine the income tax expense or benefit for the year-to-date period. The tax expense or benefit for a quarter represents the difference between the year-to-date tax expense or benefit for the current year-to-date period less such amount for the immediately preceding year-to-date period. Management considers the estimated impact of all known events in its estimation of the Company's annual pre-tax income and effective tax rate.

16. ACQUISITIONS

During the first six months of 2011, the Company made several acquisitions to expand its domestic and Canadian insurance operations. Below are descriptions of the transactions.

On January 2, 2011, the Company acquired the entire business and operations of Heartland Crop Insurance, Inc. ("Heartland") of Topeka, Kansas for $55,000 thousand in cash, plus contingent payments in future periods based upon achievement of performance targets. Heartland is a managing general agent specializing in crop insurance.

On January 28, 2011, the Company acquired the entire business and operations of Premiere Underwriting Services ("Premiere") of Toronto, Canada. Premiere is a managing general agent specializing in entertainment and sports and leisure risks. On January 31, 2011, the Company acquired the renewal rights and operations of the financial lines business of Executive Risk Insurance Services, Ltd. ("Executive Risk") of Toronto, Canada. The financial lines business of Executive Risk mainly underwrites Directors and Officers Liability, Fidelity, and Errors and Omissions Liability.

Overall, the Company recorded $35,068 thousand of goodwill and $26,903 thousand of intangible assets related to these acquisitions. All intangible assets recorded as part of these acquisitions will be amortized on a straight line basis over seven years.

17. SUBSEQUENT EVENTS

The Company has evaluated known recognized and non-recognized subsequent events. The Company does not have any subsequent events to report.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Industry Conditions.

The worldwide reinsurance and insurance businesses are highly competitive, as well as cyclical by product and market. As such, 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 we underwrite 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 and/or 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.

We compete in the U.S. and international reinsurance and insurance markets with numerous global competitors. Our 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 we do 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.

Worldwide insurance and reinsurance market conditions continued to be very competitive, particularly in the casualty lines of business. Generally, there was ample insurance and reinsurance capacity relative to demand. Competition and its effect on rates, terms and conditions vary widely by market and coverage yet continued to be most prevalent in the U.S. casualty insurance and reinsurance markets.

However, during the first half of 2011, the industry experienced significant losses from Australian floods, the New Zealand earthquake, the earthquake and tsunami in Japan and spring storms in the U.S. It is too early to determine the impact on market conditions as a result of these events. While there have been meaningful rate increases for catastrophe coverages in some global catastrophe prone regions, particularly areas impacted by these losses, whether the magnitude of these losses is sufficient to increase rates and improve market conditions for other lines of business remains to be seen.

Overall, we believe that current marketplace conditions, particularly for catastrophe coverages, provide profit opportunities for us given our strong ratings, distribution system, reputation and expertise. We continue to employ our strategy of targeting business that offers the greatest profit potential, while maintaining balance and diversification in our overall portfolio.

Financial Summary.
We monitor and evaluate our overall performance based upon financial results. The following table displays a summary of the consolidated net income (loss), ratios and stockholder's equity for the periods indicated:

(Dollars in millions)	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Percentage Increase/ (Decrease)	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010	Percentage Increase/ (Decrease)
Gross written premiums	$ 811.5	$ 846.0	-4.1%	$ 1,697.9	$ 1,659.5	2.3%
Net written premiums	410.0	435.1	-5.8%	870.1	848.5	2.5%
REVENUES:						
Premiums earned	$ 452.1	$ 442.7	2.1%	$ 911.4	$ 856.9	6.4%
Net investment income	84.5	89.3	-5.5%	171.6	174.5	-1.6%
Net realized capital gains (losses)	(68.2)	(95.5)	-28.6%	(27.7)	(100.8)	-72.5%
Other income (expense)	(11.6)	8.7	-232.8%	(11.5)	13.8	-183.5%
Total revenues	456.8	445.3	2.6%	1,043.8	944.4	10.5%
CLAIMS AND EXPENSES:						
Incurred losses and loss adjustment expenses	312.8	314.7	-0.6%	865.8	741.8	16.7%
Commission, brokerage, taxes and fees	80.3	88.2	-8.9%	168.8	156.0	8.2%
Other underwriting expenses	39.2	35.4	10.9%	77.4	68.1	13.7%
Corporate expense	1.2	1.5	-20.3%	2.4	3.7	-36.2%
Interest, fee and bond issue cost amortization expense	12.7	12.7	-0.2%	25.4	29.1	-12.7%
Total claims and expenses	446.2	452.5	-1.4%	1,139.8	998.6	14.1%
INCOME (LOSS) BEFORE TAXES	10.6	(7.2)	-246.8%	(96.0)	(54.3)	76.9%
Income tax expense (benefit)	1.8	(24.1)	-107.3%	(7.3)	(26.2)	-72.1%
NET INCOME (LOSS)	$ 8.8	$ 16.9	-47.8%	$ (88.7)	$ (28.0)	216.4%
RATIOS:			Point Change			Point Change
Loss ratio	69.2%	71.1%	(1.9)	95.0%	86.6%	8.4
Commission and brokerage ratio	17.8%	19.9%	(2.1)	18.5%	18.2%	0.3
Other underwriting expense ratio	8.6%	8.0%	0.6	8.5%	7.9%	0.6
Combined ratio	95.6%	99.0%	(3.4)	122.0%	112.7%	9.3

(Dollars in millions)	At June 30, 2011	At December 31, 2010	Percentage Increase/ (Decrease)
Balance sheet data:			
Total investments and cash	$ 8,443.0	$ 8,293.9	1.8%
Total assets	14,472.4	13,869.4	4.3%
Loss and loss adjustment expense reserves	8,275.6	7,652.3	8.1%
Total debt	858.1	868.1	-1.2%
Total liabilities	11,394.9	10,741.7	6.1%
Stockholder's equity	3,077.5	3,127.7	-1.6%

(Some amounts may not reconcile due to rounding.)

Revenues.
Premiums. Gross written premiums decreased by $34.5 million, or 4.1%, for the three months ended June 30, 2011 compared to the three months ended June 30, 2010, reflecting a decrease of $55.7 million in our reinsurance business, partially offset by a $21.2 million increase in our insurance business. Gross written premiums increased by $38.4 million, or 2.3%, for the six months ended June 30, 2011 compared to the six months ended June 30, 2010, reflecting a $47.4 million increase in our insurance business, partially offset by a decrease of $9.0 million in our reinsurance business. The increase in insurance premiums was primarily due to the acquisition of Heartland, which provided $77.4 million of new crop insurance business,

as well as improved premium rates on our California workers' compensation business, partially offset by our reduced participation on a large casualty program. The decrease in reinsurance premiums was due to the continued reduction in U.S. casualty business as well as the planned reduction of catastrophe exposed business in certain territories, partially offset by higher reinstatement premiums resulting from catastrophe losses, year over year.

Net written premiums decreased by $25.1 million, or 5.8%, for the three months ended June 30, 2011 compared to the three months ended June 30, 2010, and increased by $21.6 million, or 2.5%, for the six months ended June 30, 2011 compared to the six months ended June 30, 2010. The fluctuations in net written premiums relative to the change in gross written premiums were due to a combination of a higher percentage of premiums ceded under the affiliated quota share agreement and a lower level of ceded reinsurance in the Insurance segment due to the planned reduction in one casualty program. Premiums earned increased $9.3 million, or 2.1%, for the three months ended June 30, 2011 compared to the three months ended June 30, 2010 and increased $54.6 million, or 6.4%, for the six months ended June 30, 2011 compared to the six months ended June 30, 2010. The change in premiums earned relative to net written premiums is the result of timing; premiums are earned ratably over the coverage period whereas written premiums are recorded at the initiation of the coverage period.

Net Investment Income. Net investment income decreased $4.9 million, or 5.5%, to $84.5 million for the three months ended June 30, 2011 compared with net investment income of $89.3 million for the three months ended June 30, 2010. Net investment income decreased $2.9 million, or 1.6%, to $171.6 million for the six months ended June 30, 2011 compared with net investment income of $174.5 million for the six months ended June 30, 2010. Net pre-tax investment income, as a percentage of average invested assets, was 4.2% for the three months ended June 30, 2011 compared to 4.5% for the three months ended June 30, 2010 and was 4.3% for the six months ended June 30, 2011 compared to 4.4% for the six months ended June 30, 2010. The investment yields are lower primarily due to lower reinvestment rates.

Net Realized Capital Gains (Losses). Net realized capital losses were $68.2 million and $95.5 million for the three months ended June 30, 2011 and 2010, respectively. Of the $68.2 million, there were $62.5 million of losses from fair value re-measurements and $5.6 million of net realized capital losses from sales on our fixed maturity and equity securities. The net realized capital losses of $95.5 million for the three months ended June 30, 2010 were the result of $94.4 million of losses from fair value re-measurements and $1.1 million of net realized capital losses from sales on our fixed maturity and equity securities.

Net realized capital losses were $27.7 million and $100.8 million for the six months ended June 30, 2011 and 2010, respectively. Of the $27.7 million, there were $17.5 million of net realized capital losses from sales on our fixed maturity and equity securities and $13.6 million of other-than-temporary impairments on our available for sale fixed maturity securities, which were partially offset by $3.5 million of gains from fair value re-measurements. The net realized capital losses of $100.8 million for the six months ended June 30, 2010 were the result of $100.9 million of losses from fair value re-measurements, partially offset by $0.1 million of net realized capital gains from sales on our fixed maturity and equity securities.

Other Income (Expense). We recorded other expense of $11.6 million and $11.5 million for the three and six months ended June 30, 2011, respectively. We recorded other income of $8.7 million and $13.8 million for the three and six months ended June 30, 2010, respectively. The changes were primarily the result of fluctuations in foreign currency exchange rates for the corresponding periods.

Claims and Expenses.

Incurred Losses and Loss Adjustment Expenses. The following tables present our incurred losses and loss adjustment expenses ("LAE") for the periods indicated.

	Three Months Ended June 30,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2011						
Attritional (a)	$ 251.7	55.8%	$ (7.5)	-1.7%	$ 244.2	54.1%
Catastrophes	60.8	13.4%	7.9	1.7%	68.7	15.2%
A&E	-	0.0%	-	0.0%	-	0.0%
Total	$ 312.5	69.2%	$ 0.4	0.0%	$ 312.8	69.2%
2010						
Attritional (a)	$ 265.5	60.0%	$ 9.7	2.2%	$ 275.2	62.2%
Catastrophes	45.9	10.4%	(6.4)	-1.4%	39.5	8.9%
A&E	-	0.0%	-	0.0%	-	0.0%
Total	$ 311.4	70.3%	$ 3.3	0.8%	$ 314.7	71.1%
Variance 2011/2010						
Attritional (a)	$ (13.8)	(4.2) pts	$ (17.2)	(3.9) pts	$ (31.0)	(8.1) pts
Catastrophes	14.9	3.0 pts	14.3	3.1 pts	29.2	6.3 pts
A&E	-	- pts	-	- pts	-	- pts
Total	$ 1.1	(1.1) pts	$ (2.9)	(0.8) pts	$ (1.9)	(1.9) pts

	Six Months Ended June 30,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2011						
Attritional (a)	$ 508.1	55.7%	$ (18.0)	-2.0%	$ 490.2	53.8%
Catastrophes	365.1	40.1%	10.6	1.2%	375.7	41.2%
A&E	-	0.0%	-	0.0%	-	0.0%
Total	$ 873.2	95.8%	$ (7.3)	-0.8%	$ 865.8	95.0%
2010						
Attritional (a)	$ 533.8	62.3%	$ 0.4	0.1%	$ 534.2	62.3%
Catastrophes	211.1	24.6%	(3.5)	-0.4%	207.5	24.2%
A&E	-	0.0%	-	0.0%	-	0.0%
Total	$ 744.9	86.9%	$ (3.1)	-0.4%	$ 741.8	86.6%
Variance 2011/2010						
Attritional (a)	$ (25.7)	(6.6) pts	$ (18.4)	(2.1) pts	$ (44.0)	(8.5) pts
Catastrophes	154.0	15.5 pts	14.1	1.6 pts	168.2	17.0 pts
A&E	-	- pts	-	- pts	-	- pts
Total	$ 128.3	8.9 pts	$ (4.2)	(0.4) pts	$ 124.0	8.4 pts

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

Incurred losses and LAE decreased by $1.9 million, or 0.6%, for the three months ended June 30, 2011 compared to the three months ended June 30, 2010. Of the $1.9 million decrease, attritional losses decreased $31.0 million, or 8.1 points, primarily due to lower attritional loss ratios across most segments due, in part, to changes in the mix of business, but also due to the impact of the change in cessions under the affiliated quota share agreement. Partially offsetting the decrease in attritional losses was an increase in catastrophe losses of $29.2 million, primarily due to current year losses from the U.S. Midwest tornadoes and the first quarter earthquakes in New Zealand and Japan as well as unfavorable prior year development mainly due to the Chile earthquake.

Incurred losses and LAE increased by $124.0 million, or 16.7%, for the six months ended June 30, 2011 compared to the six months ended June 30, 2010. Current year catastrophe losses increased $154.0 million (15.5 points), period over period, primarily due to losses from the Japan and New Zealand earthquakes, Australia floods and the U.S. Midwest tornadoes. Partially offsetting the catastrophe increase, the current year attritional losses decreased by $25.7 million compared to the prior year, primarily due to lower attritional loss ratios across most segments due, in part, to changes in the mix of business, but also due to the impact of the change in cessions under the affiliated quota share agreement.

Commission, Brokerage, Taxes and Fees. Commission, brokerage, taxes and fees decreased by $7.9 million, or 8.9%, for the three months ended June 30, 2011 compared to the same period in 2010. Commission, brokerage, taxes and fees increased by $12.8 million, or 8.2%, for the six months ended June 30, 2011 compared to the same period in 2010. The variances were primarily the result of fluctuations in premiums earned, changes in mix of business and a change in the affiliated quota share agreement.

Other Underwriting Expenses. Other underwriting expenses were $39.2 million and $35.4 million for the three months ended June 30, 2011 and 2010, respectively and $77.4 million and $68.1 million for the six months ended June 30, 2011 and 2010, respectively. The increases were primarily attributable to expenses of Heartland, which was acquired in January 2011.

Corporate Expenses. Corporate expenses, which are expenses that are not allocated to segments, were $1.2 million and $1.5 million for the three months ended June 30, 2011 and 2010, respectively, and $2.4 million and $3.7 million for the six months ended June 30, 2011 and 2010, respectively.

Interest, Fees and Bond Issue Cost Amortization Expense. Interest, fees and other bond amortization expense was $12.7 million for the three months ended June 30, 2011 and 2010 and $25.4 million and $29.1 million for the six months ended June 30, 2011 and 2010, respectively. The decrease for the six month period was primarily due to the maturing of debt in March, 2010.

Income Tax Expense (Benefit). We had an income tax expense of $1.8 million and an income tax benefit of $7.3 million for the three and six months ended June 30, 2011, respectively. We had an income tax benefit of $24.1 million and $26.2 million for the three and six months ended June 30, 2010, respectively. Our income tax is primarily a function of the statutory tax rates coupled with the impact from tax-preferenced investment income. Variations in our effective tax rate generally result from changes in the relative levels of pre-tax income.

Net Income (Loss).
Our net income was $8.8 million and $16.9 million for the three months ended June 30, 2011 and 2010, respectively. Our net loss was $88.7 million and $28.0 million for the six months ended June 30, 2011 and 2010, respectively. The decreases were primarily driven by higher catastrophe losses in 2011 in addition to the other components discussed above.

Ratios.
Our combined ratio decreased by 3.4 points to 95.6% for the three months ended June 30, 2011 compared to 99.0% for the same period in 2010, and increased by 9.3 points to 122.0% for the six months ended June 30, 2011 compared to 112.7% for the same period in 2010. The loss ratio component decreased by 1.9 points and increased by 8.4 points for the three and six months ended June 30, 2011, respectively, over the same periods last year. The commission and brokerage expense ratio decreased by 2.1 points to 17.8% for the three months ended June 30, 2011 compared to 19.9% for the three months ended June 30, 2010, and increased slightly to 18.5% for the six months ended June 30, 2011 compared to 18.2% for the six months ended June 30, 2010. The other underwriting expense ratio component increased slightly for both the three and six months ended June 30, 2011 compared to the same periods last year.

Stockholder's Equity.
Stockholder's equity decreased by $50.2 million to $3,077.5 million at June 30, 2011 from $3,127.7 million at December 31, 2010, principally as a result of $88.7 million of net loss, partially offset by $24.5 million of unrealized appreciation on investments, net of tax, $9.3 million of foreign currency translation adjustments and $3.2 million of share-based compensation transactions.

Consolidated Investment Results

Net Investment Income.
Net investment income decreased 5.5% to $84.5 million for the three months ended June 30, 2011 compared to $89.3 million for the three months ended June 30, 2010, and decreased 1.6% to $171.6 million for the six months ended June 30, 2011 compared to $174.5 million for the six months ended June 30, 2010. The decreases, period over period, were primarily due to a decline in income from our fixed maturities, reflective of reducing our municipal bond exposure and declining reinvestment rates. The declines were partially offset by income from our expanded public equity portfolios and higher income from our limited partnership investments.

The following table shows the components of net investment income for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in millions)	2011	2010	2011	2010
Fixed maturities	$ 59.1	$ 75.8	$ 119.8	$ 149.4
Equity securities	6.5	2.6	11.6	5.0
Short-term investments and cash	0.4	0.1	0.6	0.2
Other invested assets				
Limited partnerships	13.9	8.9	32.4	18.3
Dividends from Parent's shares	4.7	4.1	9.3	5.6
Other	4.1	0.4	4.7	0.7
Total gross investment income	88.7	91.9	178.4	179.2
Interest debited (credited) and other expense	(4.3)	(2.6)	(6.8)	(4.7)
Total net investment income	$ 84.5	$ 89.3	$ 171.6	$ 174.5

(Some amounts may not reconcile due to rounding.)

The following tables show a comparison of various investment yields for the periods indicated:

	At June 30, 2011	At December 31, 2010
Imbedded pre-tax yield of cash and invested assets	3.6%	3.6%
Imbedded after-tax yield of cash and invested assets	2.8%	2.8%

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Annualized pre-tax yield on average cash and invested assets	4.2%	4.5%	4.3%	4.4%
Annualized after-tax yield on average cash and invested assets	3.2%	3.6%	3.3%	3.6%

Net Realized Capital Gains (Losses).

The following table presents the composition of our net realized capital gains (losses) for the periods indicated:

(Dollars in millions)	Three Months Ended June 30, 2011	2010	Variance	Six Months Ended June 30, 2011	2010	Variance
Gains (losses) from sales:						
Fixed maturity securities, market value						
Gains	$ 2.7	$ 5.4	$ (2.7)	$ 16.8	$ 7.0	$ 9.8
Losses	(8.7)	(3.7)	(5.0)	(35.1)	(6.2)	(28.9)
Total	(6.0)	1.6	(7.6)	(18.3)	0.8	(19.1)
Fixed maturity securities, fair value						
Gains	0.6	0.2	0.4	0.8	0.3	0.5
Losses	-	-	-	(1.7)	-	(1.7)
Total	0.6	0.2	0.4	(0.9)	0.3	(1.2)
Equity securities, market value						
Gains	-	-	-	0.2	-	0.2
Losses	-	-	-	(0.2)	-	(0.2)
Total	-	-	-	-	-	-
Equity securities, fair value						
Gains	0.7	1.2	(0.5)	2.9	3.6	(0.7)
Losses	(0.9)	(4.1)	3.2	(1.2)	(4.6)	3.4
Total	(0.2)	(2.9)	2.7	1.7	(1.0)	2.7
Total net realized gains (losses) from sales						
Gains	4.0	6.8	(2.8)	20.7	10.9	9.8
Losses	(9.6)	(7.8)	(1.8)	(38.2)	(10.8)	(27.4)
Total	(5.6)	(1.1)	(4.5)	(17.5)	0.1	(17.6)
Other-than-temporary impairments:	-	-	-	(13.6)	-	(13.6)
Gains (losses) from fair value adjustments:						
Fixed maturities, fair value	-	(2.5)	2.5	(3.5)	0.5	(4.0)
Equity securities, fair value	-	(30.0)	30.0	38.1	(16.8)	54.9
Other invested assets, fair value	(62.5)	(61.9)	(0.6)	(31.1)	(84.6)	53.5
Total	(62.5)	(94.4)	31.9	3.5	(100.9)	104.4
Total net realized capital gains (losses)	$ (68.2)	$ (95.5)	$ 27.4	$ (27.7)	$ (100.8)	$ 73.1

(Some amounts may not reconcile due to rounding.)

Net realized capital losses were $68.2 million for the three months ended June 30, 2011 compared to $95.5 million for the three months ended June 30, 2010. For the three months ended June 30, 2011, we recorded $62.5 million of losses due to fair value re-measurements on other invested assets and $5.6 million of net realized capital losses from sales of fixed maturity and equity securities. The net realized losses included the impact of selling part of our municipal bond portfolio as credit concerns arose in this market sector. For the three months ended June 30, 2010, we recorded $94.4 million in losses due to fair value re-measurements on fixed maturity and equity securities and other invested assets and $1.1 million of net realized capital losses from sales of fixed maturity and equity securities.

Net realized capital losses were $27.7 million for the six months ended June 30, 2011 compared to net realized capital losses of $100.8 million for the six months ended June 30, 2010. For the six months ended June 30, 2011, we recorded $17.5 million of net realized capital losses from sales of fixed maturity and equity securities and $13.6 million of other-than-temporary impairments on fixed maturity securities, partially offset by $3.5 million of gains due to fair value re-measurements on fixed maturity and equity securities and other invested assets. The net realized losses included the impact of selling part of our municipal bond portfolio as credit concerns arose in this market sector. For the six months ended June 30, 2010, we recorded $100.9 million in losses due to fair value re-measurements on fixed maturity and equity securities and other invested assets and $0.1 million of net realized capital gains from sales of fixed maturity and equity securities.

Segment Results.

Through our subsidiaries, we operate in four segments: U.S. Reinsurance, 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 Insurance operation writes property and casualty insurance directly and through general agents, brokers and surplus lines brokers within the U.S and Canada. The Specialty Underwriting operation writes A&H, marine, aviation and surety business within the U.S. and worldwide through brokers and directly with ceding companies. The International operation writes non-U.S. property and casualty reinsurance through Everest Re's branches in Canada and Singapore and offices in Brazil, Miami and New Jersey.

These segments are managed independently, but conform with corporate guidelines with respect to pricing, risk management, control of aggregate catastrophe exposures, 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. We measure our underwriting results using ratios, in particular loss, commission and brokerage and other underwriting expense ratios, which respectively, divide incurred losses, commissions and brokerage and other underwriting expenses by premiums earned.

Our loss and LAE reserves are our best estimate of our ultimate liability for unpaid claims. We re-evaluate our estimates on an ongoing basis, including all prior period reserves, taking into consideration all available information and, in particular, recently reported loss claim experience and trends related to prior periods. Such re-evaluations are recorded in incurred losses in the period in which the re-evaluation is made.

The following discusses the underwriting results for each of our segments for the periods indicated:

U.S. Reinsurance.

The following table presents the underwriting results and ratios for the U.S. Reinsurance segment for the periods indicated.

	Three Months Ended June 30,				Six Months Ended June 30,			
(Dollars in millions)	2011	2010	Variance	% Change	2011	2010	Variance	% Change
Gross written premiums	$ 230.3	$ 268.2	$ (38.0)	-14.2%	$ 484.2	$ 512.2	$ (28.1)	-5.5%
Net written premiums	123.8	150.5	(26.7)	-17.7%	260.3	278.9	(18.6)	-6.7%
Premiums earned	$ 141.6	$ 162.5	$ (20.9)	-12.8%	$ 286.8	$ 289.5	$ (2.7)	-0.9%
Incurred losses and LAE	112.7	84.3	28.3	33.6%	236.1	174.5	61.6	35.3%
Commission and brokerage	32.5	35.9	(3.3)	-9.2%	69.6	63.1	6.6	10.4%
Other underwriting expenses	7.9	9.4	(1.5)	-16.1%	15.8	17.2	(1.4)	-8.2%
Underwriting gain (loss)	$ (11.4)	$ 32.9	$ (44.3)	-134.7%	$ (34.7)	$ 34.8	$ (69.5)	-199.8%
				Point Chg				Point Chg
Loss ratio	79.5%	51.9%		27.6	82.3%	60.3%		22.0
Commission and brokerage ratio	23.0%	22.1%		0.9	24.3%	21.8%		2.5
Other underwriting expense ratio	5.6%	5.7%		(0.1)	5.5%	5.9%		(0.4)
Combined ratio	108.1%	79.7%		28.4	112.1%	88.0%		24.1

(Some amounts may not reconcile due to rounding.)

Premiums. Gross written premiums decreased by 14.2% to $230.3 million for the three months ended June 30, 2011 from $268.2 million for the three months ended June 30, 2010, primarily due to reduced premium volume for treaty casualty and crop reinsurance business due to the non-renewal of several contracts, partially offset by a $2.5 million increase in reinstatement premiums due to current quarter catastrophe loss activity. Net written premiums decreased 17.7% to $123.8 million for the three months ended June 30, 2011 compared to $150.5 million for the three months ended June 30, 2010, primarily due to the decrease in gross written premiums for the quarter. Premiums earned decreased 12.8% to $141.6 million for the three months ended June 30, 2011 compared to $162.5 million for the three months ended June 30, 2010. The change in premiums earned is relatively consistent with the decrease in net written premiums.

Gross written premiums decreased by 5.5% to $484.2 million for the six months ended June 30, 2011 from $512.2 million for the six months ended June 30, 2010, primarily due to reduced premium volume for treaty casualty and crop reinsurance business due to the non-renewal of several contracts, partially offset by a $9.2 million increase in reinstatement premiums due to catastrophe loss activity. Net written premiums decreased 6.7% to $260.3 million for the six months ended June 30, 2011 compared to $278.9 million for the six months ended June 30, 2010, primarily due to the decrease in gross written premiums for the year. Premiums earned decreased 0.9% to $286.8 million for the six months ended June 30, 2011 compared to $289.5 million for the six months ended June 30, 2010. The change in premiums earned relative to net written premiums is the result of timing; premiums are earned ratably over the coverage period whereas written premiums are recorded at the initiation of the coverage period.

Incurred Losses and LAE. The following tables present the incurred losses and LAE for the U.S. Reinsurance segment for the periods indicated.

	Three Months Ended June 30,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2011						
Attritional	$ 74.9	52.8%	$ 1.8	1.3%	$ 76.7	54.1%
Catastrophes	26.7	18.8%	9.3	6.6%	36.0	25.4%
A&E	-	0.0%	-	0.0%	-	0.0%
Total segment	$ 101.6	71.6%	$ 11.1	7.9%	$ 112.7	79.5%
2010						
Attritional	$ 79.0	48.6%	$ 9.7	6.0%	$ 88.7	54.6%
Catastrophes	(2.8)	-1.7%	(1.6)	-1.0%	(4.4)	-2.7%
A&E	-	0.0%	-	0.0%	-	0.0%
Total segment	$ 76.2	46.9%	$ 8.1	5.0%	$ 84.3	51.9%
Variance 2011/2010						
Attritional	$ (4.1)	4.2 pts	$ (7.9)	(4.7) pts	$ (12.0)	(0.5) pts
Catastrophes	29.5	20.5 pts	10.9	7.6 pts	40.4	28.1 pts
A&E	-	- pts	-	- pts	-	- pts
Total segment	$ 25.4	24.7 pts	$ 3.0	2.9 pts	$ 28.4	27.6 pts

	Six Months Ended June 30,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2011						
Attritional	$ 141.4	49.2%	$ 0.2	0.1%	$ 141.6	49.3%
Catastrophes	84.5	29.5%	10.1	3.5%	94.5	33.0%
A&E	-	0.0%	-	0.0%	-	0.0%
Total segment	$ 225.9	78.7%	$ 10.3	3.6%	$ 236.1	82.3%
2010						
Attritional	$ 155.2	53.6%	$ 5.5	1.9%	$ 160.7	55.5%
Catastrophes	12.9	4.4%	0.9	0.3%	13.8	4.8%
A&E	-	0.0%	-	0.0%	-	0.0%
Total segment	$ 168.1	58.1%	$ 6.4	2.2%	$ 174.5	60.3%
Variance 2011/2010						
Attritional	$ (13.8)	(4.4) pts	$ (5.3)	(1.8) pts	$ (19.1)	(6.2) pts
Catastrophes	71.6	25.1 pts	9.2	3.2 pts	80.7	28.2 pts
A&E	-	- pts	-	- pts	-	- pts
Total segment	$ 57.8	20.7 pts	$ 3.9	1.4 pts	$ 61.6	22.0 pts

(Some amounts may not reconcile due to rounding.)

Incurred losses were $28.4 million (27.6 points) higher at $112.7 million for the three months ended June 30, 2011 compared to $84.3 million for the three months ended June 30, 2010, primarily as a result of the $29.5 million (20.5 points) increase in current year catastrophe losses, largely due to the U.S. Midwest tornadoes and Australian floods, and the $10.9 million (7.6 points) increase to prior year catastrophe losses, primarily due to development on the Chile earthquake, partially offset by the $4.1 million (4.2 points) decrease in current year attritional losses, reflective of lower earned premium.

Incurred losses were $61.6 million (22.0 points) higher at $236.1 million for the six months ended June 30, 2011 compared to $174.5 million for the six months ended June 30, 2010, primarily as a result of the $71.6 million (25.1 points) increase in current year catastrophe losses, largely due to the Japan and New Zealand earthquakes, U.S. Midwest tornadoes and Australian floods, and the $9.2 million (3.2 points) increase in prior year catastrophe losses, largely due to the Chile earthquake. Partially offsetting these increases, the current year attritional losses decreased $13.8 million (4.4 points), due, in part, to higher reinstatement premiums in the current year, which are booked without an additional loss provision.

Segment Expenses. Commission and brokerage expenses decreased 9.2% to $32.5 million for the three months ended June 30, 2011 compared to $35.9 million for the three months ended June 30, 2010. Commission and brokerage expenses increased 10.4% to $69.6 million for the six months ended June 30, 2011 compared to $63.1 million for the six months ended June 30, 2010. These variances were primarily due to the changes in premiums earned and the mix of business with varying commission rates.

Segment other underwriting expenses decreased to $7.9 million for the three months ended June 30, 2011 compared to $9.4 million for the same period in 2010. Segment other underwriting expenses decreased to $15.8 million for the six months ended June 30, 2011 compared to $17.2 million for the same period in 2010. These variances were due to reduced operating costs for the segment.

Insurance.

The following table presents the underwriting results and ratios for the Insurance segment for the periods indicated.

	Three Months Ended June 30,				Six Months Ended June 30,			
(Dollars in millions)	2011	2010	Variance	% Change	2011	2010	Variance	% Change
Gross written premiums	$ 226.1	$ 204.9	$ 21.2	10.3%	$ 480.6	$ 433.2	$ 47.4	10.9%
Net written premiums	109.2	80.8	28.4	35.1%	234.2	183.3	51.0	27.8%
Premiums earned	$ 114.9	$ 86.2	$ 28.8	33.4%	$ 220.3	$ 187.4	$ 32.9	17.6%
Incurred losses and LAE	84.4	71.8	12.6	17.6%	169.9	144.8	25.2	17.4%
Commission and brokerage	7.4	6.1	1.3	21.0%	13.7	7.7	6.0	77.0%
Other underwriting expenses	22.4	16.3	6.1	37.6%	44.3	32.9	11.4	34.7%
Underwriting gain (loss)	$ 0.8	$ (8.0)	$ 8.7	-109.4%	$ (7.6)	$ 2.0	$ (9.6)	NM
				Point Chg				Point Chg
Loss ratio	73.4%	83.3%		(9.9)	77.1%	77.3%		(0.2)
Commission and brokerage ratio	6.4%	7.1%		(0.7)	6.2%	4.1%		2.1
Other underwriting expense ratio	19.5%	18.9%		0.6	20.2%	17.5%		2.7
Combined ratio	99.3%	109.3%		(10.0)	103.5%	98.9%		4.6

(NM, not meaningful)

(Some amounts may not reconcile due to rounding.)

Premiums. Gross written premiums increased by 10.3% to $226.1 million for the three months ended June 30, 2011 compared to $204.9 million for the three months ended June 30, 2010. This was due to strategic portfolio changes with growth in short-tail business, primarily driven by the acquisition of Heartland, which provided $38.7 million of new crop insurance premium in the current quarter, partially offset by the planned reduction of a large casualty program. Net written premiums increased 35.1% to $109.2 million for the three months ended June 30, 2011 compared to $80.8 million for the same period in 2010 due to higher gross premiums and reduced levels of ceded reinsurance primarily related to the reduced casualty program. Premiums earned increased 33.4% to $114.9 million for the three months ended June 30, 2011 compared to $86.2 million for the three months ended June 30, 2010. The change in premiums earned is relatively consistent with the increase in net written premium.

Gross written premiums increased by 10.9% to $480.6 million for the six months ended June 30, 2011 compared to $433.2 million for the six months ended June 30, 2010. This was due to strategic portfolio changes with growth in short-tail business, primarily driven by the acquisition of Heartland, which provided $77.4 million of new crop insurance premium in 2011, partially offset by the reduction of a large casualty program. Net written premiums increased 27.8% to $234.2 million for the six months ended June 30, 2011 compared to $183.3 million for the same period in 2010 due to higher gross premiums and reduced levels of ceded reinsurance. Premiums earned increased 17.6% to $220.3 million for the six months ended June 30, 2011 compared to $187.4 million for the six months ended June 30, 2010. The change in premiums earned is relatively consistent with the increase in net written premium.

Incurred Losses and LAE. The following tables present the incurred losses and LAE for the Insurance segment for the periods indicated.

	Three Months Ended June 30,									
(Dollars in millions)		Current Year	Ratio %/ Pt Change		Prior Years	Ratio %/ Pt Change		Total Incurred	Ratio %/ Pt Change
2011									
Attritional	$	85.4	74.3%	$	(1.2)	-1.1%	$	84.2	73.2%
Catastrophes		-	0.0%		0.2	0.2%		0.2	0.2%
Total segment	$	85.4	74.3%	$	(1.0)	-0.9%	$	84.4	73.4%
2010									
Attritional	$	70.6	81.9%	$	1.2	1.4%	$	71.8	83.3%
Catastrophes		-	0.0%		-	0.0%		-	0.0%
Total segment	$	70.6	81.9%	$	1.2	1.4%	$	71.8	83.3%
Variance 2011/2010									
Attritional	$	14.8	(7.6) pts	$	(2.4)	(2.5) pts	$	12.4	(10.1) pts
Catastrophes		-	- pts		0.2	0.2 pts		0.2	0.2 pts
Total segment	$	14.8	(7.6) pts	$	(2.2)	(2.3) pts	$	12.6	(9.9) pts

	Six Months Ended June 30,								
(Dollars in millions)		Current Year	Ratio %/ Pt Change		Prior Years	Ratio %/ Pt Change		Total Incurred	Ratio %/ Pt Change
2011									
Attritional	$	175.1	79.5%	$	(5.4)	-2.5%	$	169.7	77.0%
Catastrophes		-	0.0%		0.2	0.1%		0.2	0.1%
Total segment	$	175.1	79.5%	$	(5.2)	-2.4%	$	169.9	77.1%
2010									
Attritional	$	144.8	77.3%	$	-	0.0%	$	144.8	77.3%
Catastrophes		-	0.0%		-	0.0%		-	0.0%
Total segment	$	144.8	77.3%	$	-	0.0%	$	144.8	77.3%
Variance 2011/2010									
Attritional	$	30.3	2.2 pts	$	(5.4)	(2.5) pts	$	24.9	(0.3) pts
Catastrophes		-	- pts		0.2	0.1 pts		0.2	0.1 pts
Total segment	$	30.3	2.2 pts	$	(5.2)	(2.4) pts	$	25.1	(0.2) pts

(Some amounts may not reconcile due to rounding.)

Incurred losses and LAE increased by 17.6% to $84.4 million for the three months ended June 30, 2011 compared to $71.8 million for the three months ended June 30, 2010. The increase was primarily due to higher net premiums earned, partially offset by a decline of 7.6 points in the current year attritional loss ratio, year over year. The lower current year attritional loss ratio was due to a change in the mix of business with growth in short-tail/package business that has a lower loss ratio.

Incurred losses and LAE increased by 17.4% to $169.9 million for the six months ended June 30, 2011 compared to $144.8 million for the six months ended June 30, 2010. The increase was due to higher net premiums earned and an increase of 2.2 points in the current year attritional loss ratio, due to higher expected loss ratios on several casualty programs, reflective of current market conditions, partially offset by favorable prior year development.

Segment Expenses. Commission and brokerage expenses increased to $7.4 million for the three months ended June 30, 2011 compared to $6.1 million for the three months ended June 30, 2010. Commission and brokerage expenses increased to $13.7 million for the six months ended June 30, 2011 compared to $7.7 million for the six months ended June 30, 2010. These increases were primarily the result of an increase in net premiums earned and changes in the mix of business.

Segment other underwriting expenses for the three months ended June 30, 2011 increased to $22.4 million from $16.3 million for the three months ended June 30, 2010. Segment other underwriting expenses for the six months ended June 30, 2011 increased to $44.3 million from $32.9 million for the six months ended June 30, 2010. These increases were primarily due to the expenses of the newly acquired Heartland.

Specialty Underwriting.

The following table presents the underwriting results and ratios for the Specialty Underwriting segment for the periods indicated.

	Three Months Ended June 30,				Six Months Ended June 30,			
(Dollars in millions)	2011	2010	Variance	% Change	2011	2010	Variance	% Change
Gross written premiums	$ 66.4	$ 65.9	$ 0.5	0.8%	$ 135.5	$ 131.7	$ 3.8	2.9%
Net written premiums	35.5	37.8	(2.3)	-6.1%	75.9	75.1	0.8	1.1%
Premiums earned	$ 33.1	$ 39.3	$ (6.3)	-16.0%	$ 75.5	$ 78.2	$ (2.8)	-3.6%
Incurred losses and LAE	24.9	34.5	(9.6)	-27.9%	50.1	62.0	(11.8)	-19.1%
Commission and brokerage	7.4	9.0	(1.5)	-17.1%	15.4	17.5	(2.1)	-12.0%
Other underwriting expenses	2.0	2.4	(0.4)	-16.9%	4.0	4.4	(0.4)	-8.1%
Underwriting gain (loss)	$ (1.3)	$ (6.5)	$ 5.3	-80.5%	$ 5.9	$ (5.6)	$ 11.5	-205.3%
				Point Chg				Point Chg
Loss ratio	75.3%	87.7%		(12.4)	66.5%	79.2%		(12.7)
Commission and brokerage ratio	22.5%	22.8%		(0.3)	20.4%	22.4%		(2.0)
Other underwriting expense ratio	6.0%	6.1%		(0.1)	5.3%	5.6%		(0.3)
Combined ratio	103.8%	116.6%		(12.8)	92.2%	107.2%		(15.0)

(Some amounts may not reconcile due to rounding.)

Premiums. Gross written premiums increased by 0.8% to $66.4 million for the three months ended June 30, 2011 compared to $65.9 million for the three months ended June 30, 2010, primarily due to an increase in A&H primary business for medical stop loss insurance offset by reductions in A&H reinsurance, Marine and Surety writings. Net written premiums decreased 6.1% to $35.5 million for the three months ended June 30, 2011 compared to $37.8 million for the three months ended June 30, 2010, primarily due to a change in the affiliated quota share agreement. Premiums earned decreased 16.0% to $33.1 million for the three months ended June 30, 2011 compared to $39.3 million for the three months ended June 30, 2010, relatively consistent with the decrease in net written premiums.

Gross written premiums increased by 2.9% to $135.5 million for the six months ended June 30, 2011 compared to $131.7 million for the six months ended June 30, 2010, primarily due to an increase in A&H primary business for medical stop loss insurance offset by a reduction in A&H reinsurance and Marine business. Net written premiums increased 1.1% to $75.9 million for the six months ended June 30, 2011 compared to $75.1 million for the six months ended June 30, 2010. The lower increase in net written premiums is primarily due to the change in the affiliated quota share agreement. Premiums earned decreased 3.6% to $75.5 million for the six months ended June 30, 2011 compared to $78.2 million for the six months ended June 30, 2010. The change in premiums earned relative to net written premiums is the result of timing; premiums are earned ratably over the coverage period whereas written premiums are recorded at the initiation of the coverage period.

Incurred Losses and LAE. The following tables present the incurred losses and LAE for the Specialty Underwriting segment for the periods indicated.

(Dollars in millions)	Three Months Ended June 30, Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2011						
Attritional	$ 24.1	72.8%	$ -	0.0%	$ 24.1	72.9%
Catastrophes	1.3	3.9%	(0.5)	-1.5%	0.8	2.4%
Total segment	$ 25.4	76.7%	$ (0.5)	-1.4%	$ 24.9	75.3%
2010						
Attritional	$ 32.2	81.9%	$ 0.7	1.9%	$ 33.0	83.8%
Catastrophes	-	0.0%	1.6	4.0%	1.6	4.0%
Total segment	$ 32.2	81.9%	$ 2.3	5.8%	$ 34.5	87.7%
Variance 2011/2010						
Attritional	$ (8.1)	(9.1) pts	$ (0.7)	(1.8) pts	$ (8.9)	(10.9) pts
Catastrophes	1.3	3.9 pts	(2.1)	(5.5) pts	(0.8)	(1.6) pts
Total segment	$ (6.8)	(5.2) pts	$ (2.8)	(7.2) pts	$ (9.6)	(12.4) pts

(Dollars in millions)	Six Months Ended June 30, Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2011						
Attritional	$ 50.1	66.4%	$ (0.7)	-0.9%	$ 49.4	65.5%
Catastrophes	1.3	1.7%	(0.5)	-0.7%	0.7	1.0%
Total segment	$ 51.4	68.1%	$ (1.2)	-1.6%	$ 50.1	66.5%
2010						
Attritional	$ 58.8	75.1%	$ 0.5	0.6%	$ 59.2	75.7%
Catastrophes	-	0.0%	2.7	3.5%	2.7	3.5%
Total segment	$ 58.8	75.1%	$ 3.2	4.1%	$ 62.0	79.2%
Variance 2011/2010						
Attritional	$ (8.7)	(8.7) pts	$ (1.2)	(1.5) pts	$ (9.8)	(10.2) pts
Catastrophes	1.3	1.7 pts	(3.2)	(4.2) pts	(2.0)	(2.5) pts
Total segment	$ (7.4)	(7.0) pts	$ (4.4)	(5.7) pts	$ (11.9)	(12.7) pts

(Some amounts may not reconcile due to rounding.)

Incurred losses and LAE decreased by 27.9% to $24.9 million for the three months ended June 30, 2011 compared to $34.5 million for the three months ended June 30, 2010, due primarily to the Deep Water Horizon rig loss included in the 2010 attritional losses, as well as changes in the mix of business.

Incurred losses and LAE decreased by 19.1% to $50.1 million for the six months ended June 30, 2011 compared to $62.0 million for the six months ended June 30, 2010, due primarily to the Deep Water Horizon rig losses included in the 2010 attritional losses and changes in the mix of business.

Segment Expenses. Commission and brokerage expenses decreased 17.1% to $7.4 million for the three months ended June 30, 2011 compared to $9.0 million for the three months ended June 30, 2010. Commission and brokerage expenses decreased 12.0% to $15.4 million for the six months ended June 30, 2011 compared to $17.5 million for the six months ended June 30, 2010. The decreases were primarily due to lower premiums earned and the changes in the mix of business, with a higher level of primary A&H business, which carries a lower commission ratio.

Segment other underwriting expenses decreased to $2.0 million for the three months ended June 30, 2011 compared to $2.4 million for the three months ended June 30, 2010. Segment other underwriting expenses decreased to $4.0 million for the six months ended June 30, 2011 compared to $4.4 million for the six months ended June 30, 2010.

International.

The following table presents the underwriting results and ratios for the International segment for the periods indicated.

(Dollars in millions)	Three Months Ended June 30, 2011	2010	Variance	% Change	Six Months Ended June 30, 2011	2010	Variance	% Change
Gross written premiums	$ 288.7	$ 307.0	$ (18.2)	-5.9%	$ 597.6	$ 582.3	$ 15.2	2.6%
Net written premiums	141.5	166.0	(24.5)	-14.8%	299.6	311.3	(11.6)	-3.7%
Premiums earned	$ 162.4	$ 154.7	$ 7.7	5.0%	$ 328.9	$ 301.8	$ 27.2	9.0%
Incurred losses and LAE	90.9	124.1	(33.2)	-26.8%	409.7	360.6	49.1	13.6%
Commission and brokerage	32.9	37.3	(4.3)	-11.6%	70.1	67.7	2.3	3.5%
Other underwriting expenses	7.0	7.3	(0.4)	-4.9%	13.4	13.7	(0.3)	-2.2%
Underwriting gain (loss)	$ 31.7	$ (14.0)	$ 45.6	NM	$ (164.2)	$ (140.2)	$ (24.0)	17.1%
				Point Chg				Point Chg
Loss ratio	55.9%	80.2%		(24.3)	124.5%	119.5%		5.0
Commission and brokerage ratio	20.3%	24.1%		(3.8)	21.3%	22.4%		(1.1)
Other underwriting expense ratio	4.3%	4.7%		(0.4)	4.1%	4.6%		(0.5)
Combined ratio	80.5%	109.0%		(28.5)	149.9%	146.5%		3.4

(NM, not meaningful)

(Some amounts may not reconcile due to rounding.)

Premiums. Gross written premiums decreased by 5.9% to $288.7 million for the three months ended June 30, 2011 compared to $307.0 million for the three months ended June 30, 2010 due to a decrease in premiums written through Asia and Canada, partially offset by a net increase in business written in the Latin America, South America, Middle East, and Africa regions. Non-renewed business in certain catastrophe exposed territories that have not responded to the recent elevation in catastrophe loss activity resulted in the overall decline in writings, partially offset by generally higher rate levels on retained business and favorable foreign exchange impact of $14.2 million. Net written premiums decreased by 14.8% to $141.5 million for the three months ended June 30, 2011 compared to $166.0 million for the three months ended June 30, 2010, principally as a result of the decrease in gross written premiums and change in the affiliated quota share agreement. Premiums earned increased by 5.0% to $162.4 million for the three months ended June 30, 2011 compared to $154.7 million for the three months ended June 30, 2010. The change in premiums earned relative to net written premiums is the result of timing; premiums are earned ratably over the coverage period whereas written premiums are recorded at the initiation of the coverage period.

Gross written premiums increased by 2.6% to $597.6 million for the six months ended June 30, 2011 compared to $582.3 million for the six months ended June 30, 2010 due to a net increase in premiums written in the Latin America, Middle East, and Africa regions and favorable foreign exchange impact of $22.1 million, partially offset by lower premium in Asia and Canada. Growth from increased rate levels, particularly in regions recently affected by catastrophe losses was partially offset by non-renewed business which did not meet our current pricing targets. Net written premiums decreased by 3.7% to $299.6 million for the six months ended June 30, 2011 compared to $311.3 million for the six months ended June 30, 2010, primarily due to the change in our affiliated quota share agreement. Premiums earned increased by 9.0% to $328.9 million for the six months ended June 30, 2011 compared to $301.8 million for the six months ended June 30, 2010. The change in premiums earned relative to net written premiums is the result of timing; premiums are earned ratably over the coverage period whereas written premiums are recorded at the initiation of the coverage period.

Incurred Losses and LAE. The following tables present the incurred losses and LAE for the International segment for the periods indicated.

	Three Months Ended June 30,								
(Dollars in millions)		Current Year	Ratio %/ Pt Change		Prior Years	Ratio %/ Pt Change		Total Incurred	Ratio %/ Pt Change
2011									
Attritional	$	67.3	41.4%	$	(8.1)	-5.0%	$	59.2	36.4%
Catastrophes		32.8	20.2%		(1.1)	-0.7%		31.7	19.5%
Total segment	$	100.1	61.6%	$	(9.2)	-5.7%	$	90.9	55.9%
2010									
Attritional	$	83.8	54.1%	$	(2.0)	-1.3%	$	81.7	52.8%
Catastrophes		48.7	31.5%		(6.3)	-4.1%		42.3	27.4%
Total segment	$	132.4	85.6%	$	(8.3)	-5.4%	$	124.1	80.2%
Variance 2011/2010									
Attritional	$	(16.5)	(12.7) pts	$	(6.1)	(3.7) pts	$	(22.5)	(16.4) pts
Catastrophes		(15.9)	(11.3) pts		5.2	3.4 pts		(10.6)	(7.9) pts
Total segment	$	(32.3)	(24.0) pts	$	(0.9)	(0.3) pts	$	(33.2)	(24.3) pts

	Six Months Ended June 30,								
(Dollars in millions)		Current Year	Ratio %/ Pt Change		Prior Years	Ratio %/ Pt Change		Total Incurred	Ratio %/ Pt Change
2011									
Attritional	$	141.5	42.9%	$	(12.0)	-3.6%	$	129.5	39.3%
Catastrophes		279.3	84.9%		0.9	0.3%		280.2	85.2%
Total segment	$	420.8	127.8%	$	(11.1)	-3.3%	$	409.7	124.5%
2010									
Attritional	$	175.1	58.0%	$	(5.5)	-1.8%	$	169.6	56.2%
Catastrophes		198.2	65.7%		(7.2)	-2.4%		191.0	63.3%
Total segment	$	373.2	123.7%	$	(12.7)	-4.2%	$	360.6	119.5%
Variance 2011/2010									
Attritional	$	(33.6)	(15.1) pts	$	(6.5)	(1.8) pts	$	(40.1)	(16.9) pts
Catastrophes		81.1	19.2 pts		8.1	2.7 pts		89.2	21.9 pts
Total segment	$	47.6	4.1 pts	$	1.6	0.9 pts	$	49.1	5.0 pts

(Some amounts may not reconcile due to rounding.)

Incurred losses and LAE decreased 26.8% to $90.9 million for the three months ended June 30, 2011 compared to $124.1 million for the three months ended June 30, 2010. The decrease was principally due to a $22.5 million (16.4 points) decrease in attritional losses and lower current year catastrophe losses. Current year catastrophes decreased $15.9 million (11.3 points) due to Japan and New Zealand earthquakes, and the wildfire loss in Alberta, Canada in 2011, compared to the higher catastrophe losses reported in the second quarter of 2010 (Chile earthquake).

Incurred losses and LAE increased 13.6% to $409.7 million for the six months ended June 30, 2011 compared to $360.6 million for the six months ended June 30, 2010. The increase was principally due to a $81.1 million (19.2 points) increase in current year catastrophes related to the Japan and New Zealand earthquakes, the Australia floods, and the wildfire loss in Alberta, Canada, compared to the 2010 reported catastrophe losses (Chile earthquake and Australia hailstorms). The current year attritional loss ratio decreased to 42.9% for the six months ended June 30, 2011 from 58.0% for the six months ended June 30, 2010, primarily due to a shift in the mix of business with a lower level of quota share business, which generally carries a higher loss ratio, in addition to the impact of changes in the affiliated quota share agreement.

Segment Expenses. Commission and brokerage expenses decreased 11.6% to $32.9 million for the three months ended June 30, 2011 compared to $37.3 million for the three months ended June 30, 2010. Commission and brokerage expenses increased 3.5% to $70.1 million for the six months ended June 30, 2011 compared to $67.7 million for the six months ended June 30, 2010. These variances were due to the changes in premiums and the mix of business.

Segment other underwriting expenses decreased to $7.0 million for the three months ended June 30, 2011 compared to $7.3 million for the three months ended June 30, 2010. Segment other underwriting expenses decreased to $13.4 million for the six months ended June 30, 2011 compared to $13.7 million for the six months ended June 30, 2010.

Market Sensitive Instruments.
The SEC'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"). We do not generally enter into market sensitive instruments for trading purposes.

Our current 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. Our mix of taxable and tax-preferenced investments is adjusted periodically, consistent with our current and projected operating results, market conditions and our tax position. The fixed maturity securities in the investment portfolio are comprised of non-trading available for sale securities. Additionally, we have invested in equity securities.

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 our capital structure and other factors, are used to develop a net liability analysis. This analysis includes estimated payout characteristics for which our investments 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. Our $8.4 billion investment portfolio, at June 30, 2011, is principally comprised of fixed maturity securities, which are generally subject to interest rate risk and some foreign currency exchange rate risk, and some equity securities, which are subject to price fluctuations and some foreign exchange rate risk. The impact of the foreign exchange risks on the investment portfolio is partially 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 securities portfolio, including short-term investments, from a change in market interest rates. In a declining interest rate environment, it includes prepayment risk on the $415.5 million of mortgage-backed securities in the $5,428.2 million fixed maturity portfolio. 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 our fixed maturity portfolio (including $566.1 million of short-term investments) for the periods indicated 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 for mortgage-backed securities, changes in prepayment expectations under different interest rate environments were taken into account. For legal entities with 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.

	Impact of Interest Rate Shift in Basis Points At June 30, 2011				
(Dollars in millions)	-200	-100	0	100	200
Total Market/Fair Value	$ 6,353.4	$ 6,183.6	$ 5,994.4	$ 5,780.4	$ 5,570.7
Market/Fair Value Change from Base (%)	6.0%	3.2%	0.0%	-3.6%	-7.1%
Change in Unrealized Appreciation					
After-tax from Base ($)	$ 233.4	$ 123.0	$ -	$ (139.1)	$ (275.4)

We had $8,275.6 million and $7,652.3 million of gross reserves for losses and LAE as of June 30, 2011 and December 31, 2010, respectively. These amounts are recorded at their nominal value, as opposed to present 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 present value of the reserves is less than the nominal value. As interest rates rise, the present value of the reserves decreases and, conversely, as interest rates decline, the present value increases. These movements are the opposite of the interest rate impacts on the fair value of investments. While the difference between present value and nominal value is not reflected in our financial statements, our financial results will include investment income over time from the investment portfolio until the claims are paid. Our loss and loss reserve obligations have an expected duration that is reasonably consistent with our fixed income portfolio.

Equity Risk. Equity risk is the potential change in fair and/or market value of the common stock and preferred stock portfolios arising from changing prices. Our equity investments consist of a diversified portfolio of individual securities and mutual funds, which invest principally in high quality common and preferred stocks that are traded on major exchanges. The primary 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 fair/market value and after-tax change in fair/market value of a 10% and 20% change in equity prices up and down for the periods indicated.

	Impact of Percentage Change in Equity Fair/Market Values At June 30, 2011				
(Dollars in millions)	-20%	-10%	0%	10%	20%
Fair/Market Value of the Equity Portfolio	$ 778.3	$ 875.5	$ 972.8	$ 1,070.1	$ 1,167.4
After-tax Change in Fair/Market Value	(126.5)	(63.2)	-	63.2	126.5

Foreign Exchange Risk. Foreign currency risk is the potential change in value, income and cash flow arising from adverse changes in foreign currency exchange rates. Each of our non-U.S. ("foreign") operations maintains capital in the currency of the country of its geographic location consistent with local regulatory guidelines. 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 Singapore and Canadian Dollars, the British Pound Sterling and the Euro. We mitigate foreign exchange exposure by generally matching the currency and duration of our assets to our corresponding operating liabilities. In accordance with FASB guidance, we translate 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. As of June 30, 2011, there has been no material change in exposure to foreign exchange rates as compared to December 31, 2010.

SAFE HARBOR DISCLOSURE

This report contains forward-looking statements within the meaning of the U.S. federal securities laws. We intend 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 our reserves for losses and LAE, the adequacy of our provision for uncollectible balances, estimates of our catastrophe exposure, the effects of catastrophic events on our financial statements and the ability of our subsidiaries to pay dividends. Forward-looking statements only reflect our expectations and are not guarantees of performance. These statements involve risks, uncertainties and assumptions. Actual events or results may differ materially from our expectations. Important factors that could cause our actual events or results to be materially different from our expectations include the uncertainties that surround the impact on our financial statements and liquidity resulting from changes in the global economy and credit markets, the estimating of reserves for losses and LAE, those discussed in Note 6 of Notes to Consolidated Financial Statements (unaudited) included in this report and risks described under the caption “Risk Factors” in our most recently filed Annual Report on Form 10-K, Part 1, ITEM 1A. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk Instruments. See “Market Sensitive Instruments” in PART I – ITEM 2.

ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, our management carried out an evaluation, with the participation of the Chief Executive Officer and Chief Financial Officer, of the effectiveness of our 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 our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. Our management, with the participation of the Chief Executive Officer and Chief Financial Officer, also conducted an evaluation of our 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, our internal control over financial reporting. Based on that evaluation, there has been no such change during the quarter covered by this report.

PART II

ITEM 1. LEGAL PROCEEDINGS

In the ordinary course of business, we are involved in lawsuits, arbitrations and other formal and informal dispute resolution procedures, the outcomes of which will determine our rights and obligations under insurance, reinsurance and other contractual agreements. 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, we believe that our positions are legally and commercially reasonable, and we vigorously seek to preserve, enforce and defend our legal rights under various agreements. The statuses of these proceedings are considered when we determine our reserves for losses and loss adjustment expenses. While the final outcome of these matters cannot be predicted with certainty, we do not believe that any of these matters, when finally resolved, will have a material adverse effect on our 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 our results of operations in that period.

There are no known significant pending legal issues not involving insurance or reinsurance business activity.

ITEM 1A. RISK FACTORS

No material changes.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. RESERVED

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Index:

Exhibit No.	Description
31.1	Section 302 Certification of Joseph V. Taranto
31.2	Section 302 Certification of Dominic J. Addesso
32.1	Section 906 Certification of Joseph V. Taranto and Dominic J. Addesso
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Labels Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

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/ DOMINIC J. ADDESSO
Dominic J. Addesso
President and
Chief Financial Officer

(Duly Authorized Officer and Principal Financial Officer)

Dated: August 15, 2011