UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED:	Commission file number:
March 31, 2007	**1-15731**

EVEREST RE GROUP, LTD.

(Exact name of registrant as specified in its charter)

Bermuda	**98-0365432**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Wessex House – 2nd Floor
45 Reid Street
PO Box HM 845
Hamilton HM DX, Bermuda
441-295-0006

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

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

YES ___X___ NO ______

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

Large accelerated filer _X_ Accelerated filer ___ Non-accelerated filer ___

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

YES ______ NO ___X___

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

Class	Number of Shares Outstanding at May 1, 2007
Common Shares, $0.1 par value	**63,179,326**

EVERREST RE GROUP, LTD.

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PART I

FINANCIAL INFORMATION

PART II

OTHER INFORMATION

EVEREST RE GROUP, LTD.
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except par value per share)	March 31, 2007 (unaudited)	December 31, 2006
ASSETS:		
Fixed maturities - available for sale, at market value		
(amortized cost: 2007, $9,954,768; 2006, $10,210,165)	$ 10,063,386	$ 10,319,850
Equity securities - available for sale, at market value (cost: 2007, $16,393; 2006, $1,252,595)	16,393	1,613,678
Equity securities - available for sale, at fair value	1,668,351	-
Short-term investments	1,540,848	1,306,498
Other invested assets (cost: 2007, $494,291; 2006, $466,232)	494,678	467,193
Cash	160,209	249,868
Total investments and cash	13,943,865	13,957,087
Accrued investment income	129,858	141,951
Premiums receivable	1,132,820	1,136,787
Reinsurance receivables	785,317	772,813
Funds held by reinsureds	284,412	284,809
Deferred acquisition costs	376,804	388,117
Prepaid reinsurance premiums	62,647	67,757
Deferred tax asset	204,476	220,047
Other assets	154,117	138,202
TOTAL ASSETS	$ 17,074,316	$ 17,107,570
LIABILITIES:		
Reserve for losses and loss adjustment expenses	$ 8,731,418	$ 8,840,140
Future policy benefit reserve	97,602	100,962
Unearned premium reserve	1,591,317	1,612,250
Funds held under reinsurance treaties	72,271	70,982
Losses in the course of payment	55,700	55,290
Commission reserves	28,657	23,665
Other net payable to reinsurers	53,524	47,483
Current federal income taxes payable	59,158	43,002
8.75% Senior notes due 3/15/2010	199,590	199,560
5.4% Senior notes due 10/15/2014	249,661	249,652
Junior subordinated debt securities payable	546,393	546,393
Accrued interest on debt and borrowings	9,041	10,041
Other liabilities	183,101	200,463
Total liabilities	11,877,433	11,999,883
Commitments and Contingencies (Note 6)		
SHAREHOLDERS' EQUITY:		
Preferred shares, par value: $0.01; 50 million shares authorized;		
no shares issued and outstanding	-	-
Common shares, par value: $0.01; 200 million shares authorized;		
(2007) 63.2 million and (2006) 65.0 million issued and outstanding	651	650
Additional paid-in capital	1,777,070	1,770,496
Accumulated other comprehensive income, net of deferred income taxes of		
$61.2 million at 2007 and $175.0 million at 2006	94,546	348,543
Treasury shares, at cost; (2007) 1.9 million shares and (2006) 0.0 million shares	(181,041)	-
Retained earnings	3,505,657	2,987,998
Total shareholders' equity	5,196,883	5,107,687
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 17,074,316	$ 17,107,570

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

EVEREST RE GROUP, LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME

(Dollars in thousands, except per share amounts)	Three Months Ended March 31, 2007	2006
	(unaudited)	
REVENUES:		
Premiums earned	$ 1,004,729	$ 1,021,790
Net investment income	155,796	145,026
Net realized capital gains	40,892	13,601
Net derivative (expense) income	(2,768)	3,879
Other income (expense)	3,665	(6,607)
Total revenues	1,202,314	1,177,689
CLAIMS AND EXPENSES:		
Incurred losses and loss adjustment expenses	565,768	698,943
Commission, brokerage, taxes and fees	225,655	237,502
Other underwriting expenses	36,060	29,014
Interest expense on senior notes	7,789	7,786
Interest expense on junior subordinated debt	9,362	9,362
Amortization of bond issue costs	235	235
Interest and fee expense on credit facilities	77	97
Total claims and expenses	844,946	982,939
INCOME BEFORE TAXES	357,368	194,750
Income tax expense	59,786	26,354
NET INCOME	$ 297,582	$ 168,396
Other comprehensive loss, net of tax	(3,182)	(53,293)
COMPREHENSIVE INCOME	$ 294,400	$ 115,103
PER SHARE DATA:		
Average shares outstanding (000's)	64,172	64,622
Net income per common share - basic	$ 4.64	$ 2.61
Average diluted shares outstanding (000's)	64,763	65,437
Net income per common share - diluted	$ 4.59	$ 2.57

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

EVEREST RE GROUP, LTD.
CONSOLIDATED STATEMENTS OF
CHANGES IN SHAREHOLDERS' EQUITY

(Dollars in thousands, except share amounts)	Three Months Ended March 31, 2007	2006
	(unaudited)	
COMMON SHARES (shares outstanding):		
Balance, beginning of period	65,043,976	64,643,338
Issued during the period, net	96,729	266,564
Treasury shares aquired	(1,900,000)	-
Balance, end of period	63,240,705	64,909,902
COMMON SHARES (par value):		
Balance, beginning of period	$ 650	$ 646
Issued during the period, net	1	3
Balance, end of period	651	649
ADDITIONAL PAID-IN CAPITAL:		
Balance, beginning of period	1,770,496	1,731,746
Share-based compensation plans	6,537	19,054
Other	37	45
Balance, end of period	1,777,070	1,750,845
ACCUMULATED OTHER COMPREHENSIVE INCOME, NET OF DEFERRED INCOME TAXES:		
Balance, beginning of period	348,543	221,146
Cumulative effect to adopt FAS 159, net of tax	(250,815)	-
Net decrease during the period	(3,182)	(53,293)
Balance, end of period	94,546	167,853
RETAINED EARNINGS:		
Balance, beginning of period	2,987,998	2,186,156
Cumulative effect to adopt FAS 159, net of tax	250,815	-
Net income	297,582	168,396
Dividends declared ($0.48 per share in 2007 and $0.12 per share in 2006)	(30,738)	(7,787)
Balance, end of period	3,505,657	2,346,765
TREASURY SHARES AT COST:		
Balance, beginning of period	-	-
Purchase of treasury shares	(181,041)	-
Balance, end of period	(181,041)	-
TOTAL SHAREHOLDERS' EQUITY, END OF PERIOD	$ 5,196,883	$ 4,266,112

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

EVEREST RE GROUP, LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Three Months Ended March 31, 2007	2006
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 297,582	$ 168,396
Adjustments to reconcile net income to net cash provided by operating activities:		
Decrease (increase) in premiums receivable	2,566	(14,626)
Decrease (increase) in funds held by reinsureds, net	1,075	(38,284)
(Increase) decrease in reinsurance receivables	(13,372)	47,540
Decrease (increase) in deferred tax asset	19,068	(4,693)
Decrease in reserve for losses and loss adjustment expenses	(100,511)	(10,126)
Decrease in future policy benefit reserve	(3,360)	(5,098)
Decrease in unearned premiums	(20,032)	(1,584)
Increase in other assets and liabilities, net	13,990	23,035
Non-cash compensation expense	4,850	3,343
Amortization of bond premium	1,298	7,304
Amortization of underwriting discount on senior notes	39	36
Realized capital gains	(40,892)	(13,601)
Net cash provided by operating activities	162,301	161,642
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from fixed maturities matured/called - available for sale	311,917	166,441
Proceeds from fixed maturities sold - available for sale	34,486	104,077
Proceeds from equity securities - available for sale	290,606	27,649
Proceeds from other invested assets sold	21,811	5,562
Cost of fixed maturities acquired - available for sale	(99,869)	(763,683)
Cost of equity securities acquired	(321,517)	(116,111)
Cost of other invested assets acquired	(41,761)	(28,698)
Net (purchases) sales of short-term securities	(229,990)	462,807
Net (increase) decrease in unsettled securities transactions	(420)	23,178
Net cash used in investing activities	(34,737)	(118,778)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Common shares issued during the period	1,725	15,759
Purchase of treasury shares	(181,041)	-
Dividends paid to shareholders	(30,738)	(7,787)
Net cash (used in) provided by financing activities	(210,054)	7,972
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(7,169)	8,253
Net (decrease) increase in cash	(89,659)	59,089
Cash, beginning of period	249,868	107,275
Cash, end of period	$ 160,209	$ 166,364
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash transactions:		
Income taxes paid (recovered)	$ 25,284	$ (51,318)
Interest paid	$ 18,189	$ 18,308

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

For the Three Months Ended March 31, 2007 and 2006

1. General

As used in this document, “Group” means Everest Re Group, Ltd.; “Holdings” means Everest Reinsurance Holdings, Inc.; “Everest Re” means Everest Reinsurance Company and its subsidiaries (unless the context otherwise requires); and the “Company” means Everest Re Group, Ltd. and its subsidiaries.

The unaudited consolidated financial statements of the Company for the three months ended March 31, 2007 and 2006 include all adjustments, consisting of normal recurring accruals, which, in the opinion of management, are necessary for a fair statement of the results on an interim basis. Certain financial information, which is normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), has been omitted since it is not required for interim reporting purposes. The year end consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. The results for the three months ended March 31, 2007 and 2006 are not necessarily indicative of the results for a full year. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ended December 31, 2006, 2005 and 2004 included in the Company’s most recent Form 10-K filing.

2. New Accounting Pronouncements

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

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

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

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

3. Investments, Fair Value

Effective January 1, 2007, the Company adopted and implemented FAS 159 and FAS 157 for its available for sale publicly traded equity securities. In conjunction with the Company implementing more active management strategy for these specific investments, FAS 159 and FAS 157 provided an appropriate accounting and presentation of these investments in the Company's consolidated financial statements. The Company did not elect FAS 159 for those equity investments in affiliated non-consolidated special purpose vehicles. The Company recognized a $250.8 million cumulative-effect adjustment to retained earnings, net of $110.3 million of tax. The Company recorded a $5.3 million realized loss in the consolidated statements of operations and comprehensive income due to fair value measurement.

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

		Fair Value Measurement Using:		
(Dollars in thousands)	March 31, 2007	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities	$ 1,668,351	$ 1,668,351	$ -	$ -

4. Capital Transactions

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

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

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

5. Earnings Per Common Share

Net income per common share has been computed below, based upon weighted average common and diluted shares outstanding.

(Dollars in thousands, except per share amounts)	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Net income (numerator)	$ 297,582	$ 168,396
Weighted average common and effect of dilutive shares used in the computation of net income per share:		
Weighted average shares outstanding - basic (denominator)	64,172	64,622
Effect of dilutive shares	591	815
Weighted average shares outstanding - diluted (denominator)	64,763	65,437
Net income per common share:		
Basic	$ 4.64	$ 2.61
Diluted	$ 4.59	$ 2.57

Options to purchase 383,550 common shares at prices ranging from $98.52 to $99.98 were outstanding for the three months ended March 31, 2007, but were not included in the computation of earnings per diluted share as the options' exercise price was greater than the average market price of the common shares for the period. Options to purchase 16,000 common shares at a price of $99.98 were outstanding for the three months ended March 31, 2006, but were not included in the computation of earning per diluted share as the options' exercise price was greater than the average market price of the common shares for the period. All outstanding options expire on or between September 26, 2007 and February 21, 2017.

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. While the final outcome of these matters cannot be predicted with certainty, the Company does not believe that any of these matters, when finally resolved, will have a material adverse effect on the Company's financial position or liquidity. However, an adverse resolution of one or more of these items in any one quarter or fiscal year could have a material adverse effect on the Company's results of operations in that period.

In 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"), were unable to make the annuity payments. The estimated cost to replace all such annuities for which the Company was contingently liable at March 31, 2007 was $83.2 million.

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

7. Other Comprehensive Loss

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

(Dollars in thousands)	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Net unrealized appreciation (depreciation) of investments, net of deferred income taxes	$ 1,744	$ (63,154)
Currency translation adjustments, net of deferred income taxes	(4,926)	9,861
Other comprehensive loss, net of deferred income taxes	$ (3,182)	$ (53,293)

8. Letters of Credit

The Company has arrangements available for the issuance of letters of credit, which letters are generally collateralized by the Company's cash and investments. The Company's agreement with Citibank is a bilateral letter of credit agreement only, while the Company's other facility, the Wachovia Syndicated Facility, involves a syndicate of lenders (see Note 12, tranche two of the Group Credit Facility), with Wachovia acting as administrative agent. At March 31, 2007 and December 31, 2006, letters of credit for $476.9 million and $460.0 million, respectively, were issued and outstanding, generally supporting reinsurance provided by the Company's non-U.S. operations. The following table summarizes the Company's letters of credit as of March 31, 2007.

(Dollars in thousands)

Bank		Commitment	In Use	Date of Expiry
Citibank		$ 350,000	$ 11,215	08/31/2007
			28,794	12/31/2007
			1,262	12/31/2008
			208,407	12/31/2009
			21,600	12/31/2011
Total Citibank Agreement		$ 350,000	$ 271,278	
Wachovia Syndicated Facility	Tranche One	$ 250,000	$ -	-
	Tranche Two	500,000	13,986	05/09/2007
			962	11/03/2007
			48,075	11/13/2007
			142,644	12/31/2007
Total Wachovia Syndicated Facility		$ 750,000	$ 205,667	
Total letters of credit		$ 1,100,000	$ 476,945	

9. Trust Agreements

Certain subsidiaries of Group, principally Everest Reinsurance (Bermuda), Ltd. ("Bermuda Re"), a Bermuda insurance company and direct subsidiary of Group, have established trust agreements as security for assumed losses payable to certain non-affiliated ceding companies, which effectively use Company investments as collateral. At March 31, 2007, the total amount on deposit in trust accounts was $132.7 million.

10. Senior Notes

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

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

11. Junior Subordinated Debt Securities Payable

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

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

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

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

Capital Trust and Capital Trust II are wholly owned finance subsidiaries of Holdings.

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

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

There are certain regulatory and contractual restrictions on the ability of 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 12) 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, 2006, $2,451.4 million of the $3,102.6 million in net assets of Holdings' consolidated subsidiaries were subject to the foregoing regulatory restrictions.

12. Credit Line

Effective December 8, 2004, Group, Bermuda Re and Everest International Reinsurance, Ltd. ("Everest International") entered into a three year, $750.0 million senior credit facility with a syndicate of lenders (the "Group Credit Facility"). Wachovia Bank is the administrative agent for the Group Credit Facility. The Group

Credit Facility consists of two tranches. Tranche one provides up to $250.0 million of revolving credit for liquidity and general corporate purposes, and for the issuance of standby letters of credit. The interest on the revolving loans shall, at the option of each of the borrowers, be either (1) the Base Rate (as defined below) or (2) an adjusted London Interbank Offered Rate ("LIBOR") plus a margin. The Base Rate is the higher of the rate of interest established by Wachovia Bank from time to time as its prime rate or the Federal Funds rate, in each case plus 0.5% per annum. The amount of margin and the fees payable for the Group Credit Facility depends on Group's senior unsecured debt rating. Tranche two exclusively provides up to $500.0 million for the issuance of standby letters of credit on a collateralized basis.

The Group Credit Facility requires Group to maintain a debt to capital ratio of not greater than 0.35 to 1 and to maintain a minimum net worth amount. Minimum net worth is an amount equal to the sum of (i) $3,575.4 million (base amount) plus (ii) (A) 25% of consolidated net income for each of Group's fiscal quarters and (B) 50% of any increase in consolidated net worth attributable to the issuance of ordinary and preferred shares. The base amount is reset at the end of each fiscal year to be the greater of 70% of Group's consolidated net worth as of the last day of the fiscal year or the calculated minimum amount of net worth prior to the last day of the fiscal year. As of March 31, 2007, the Company was in compliance with these covenants.

For the three months ended March 31, 2007 and 2006, there were no outstanding borrowings under tranche one of the Group Credit Facility. At March 31, 2007, there was $205.7 million used of the $500.0 million available for tranche two standby letters of credit.

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

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

For the three months ended March 31, 2007 and 2006, there were no outstanding borrowings under the Holdings Credit Facility.

Interest expense and fees incurred in connection with the Group Credit Facility and the Holdings Credit Facility were $0.1 million each for the three months ended March 31, 2007 and 2006.

13. Segment Reporting

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

These segments are managed in a coordinated fashion with respect to pricing, risk management, control of aggregate exposures to catastrophe events, capital, investments and support operations. Management generally monitors and evaluates the financial performance of these operating segments based upon their underwriting results. Underwriting results include earned premium less losses and loss adjustment expenses ("LAE") incurred, commission and brokerage expenses and other underwriting expenses and are analyzed using ratios, in particular loss, commission and brokerage and other underwriting expense ratios, which, respectively, divide incurred losses, commissions and brokerage and other underwriting expenses by earned premium. The Company utilizes inter-affiliate reinsurance, but such reinsurance generally does not impact segment results, as business is generally reported within the segment in which the business was first produced.

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 represent the relevant underwriting results for the operating segments for the periods indicated:

U.S. Reinsurance

	Three Months Ended March 31,	
(Dollars in thousands)	2007	2006
Gross written premiums	$ 354,352	$ 394,397
Net written premiums	348,909	391,635
Premiums earned	$ 353,241	$ 379,662
Incurred losses and loss adjustment expenses	122,375	268,011
Commission and brokerage	76,274	97,495
Other underwriting expenses	6,494	4,777
Underwriting gain	$ 148,098	$ 9,379

U.S. Insurance

(Dollars in thousands)	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Gross written premiums	$ 217,373	$ 218,006
Net written premiums	197,385	189,473
Premiums earned	$ 192,973	$ 185,608
Incurred losses and loss adjustment expenses	179,468	124,879
Commission and brokerage	33,216	29,734
Other underwriting expenses	12,365	10,705
Underwriting (loss) gain	$ (32,076)	$ 20,290

Specialty Underwriting

(Dollars in thousands)	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Gross written premiums	$ 54,681	$ 64,026
Net written premiums	53,276	63,632
Premiums earned	$ 55,731	$ 68,200
Incurred losses and loss adjustment expenses	41,129	70,577
Commission and brokerage	15,840	20,184
Other underwriting expenses	1,589	1,305
Underwriting loss	$ (2,827)	$ (23,866)

International

(Dollars in thousands)	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Gross written premiums	$ 173,344	$ 175,522
Net written premiums	173,877	175,618
Premiums earned	$ 179,758	$ 174,307
Incurred losses and loss adjustment expenses	95,711	118,257
Commission and brokerage	43,537	40,788
Other underwriting expenses	3,718	2,678
Underwriting gain	$ 36,792	$ 12,584

Bermuda

(Dollars in thousands)	Three Months Ended March 31, 2007	2006
Gross written premiums	$ 217,017	$ 203,068
Net written premiums	216,430	201,980
Premiums earned	$ 223,026	$ 214,013
Incurred losses and loss adjustment expenses	127,085	117,219
Commission and brokerage	56,788	49,301
Other underwriting expenses	4,888	3,713
Underwriting gain	$ 34,265	$ 43,780

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

(Dollars in thousands)	Three Months Ended March 31, 2007	2006
Underwriting gain	$ 184,252	$ 62,167
Net investment income	155,796	145,026
Net realized capital gains	40,892	13,601
Net derivative (expense) income	(2,768)	3,879
Corporate expenses	(7,006)	(5,836)
Interest, fee and bond issue cost amortization expense	(17,463)	(17,480)
Other income (expense)	3,665	(6,607)
Income before taxes	$ 357,368	$ 194,750

The Company produces business in the U.S., Bermuda 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 written premium, the largest country, other than the U.S., in which the Company writes business is the United Kingdom, with $128.0 million of written premium for the three months ended March 31, 2007. No other country represented more than 5% of the Company's revenues.

14. Derivatives

The Company has sold seven equity put options in its product portfolio, which are outstanding. These products meet the definition of a derivative under FAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133"). The Company's position in these contracts is unhedged and is accounted for as a derivative in accordance with FAS 133. Accordingly, these contracts are carried at fair value and are recorded in "Other liabilities" in the consolidated balance sheets and changes in fair value are recorded in the consolidated statements of operations and comprehensive income. The Company considered nonperformance risk on its fair value measurement and believes any adjustment to fair value would be immaterial. The Company recorded $2.8 million of realized losses for the three months ended March 31, 2007 and $3.9 million of realized gains for the three months ended March 31, 2006.

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

		Fair Value Measurement Using:		
(Dollars in thousands)	March 31, 2007	Quoted Prices in Active Markets for Identical Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Put Options	$ 40,239	$ -	$ 40,239	$ -

As there is no active market for these instruments, the determination of their fair value is calculated using an industry accepted option pricing model, Black-Scholes, which uses the following inputs:

	Contracts based on S & P 500 Index	Contract based on FTSE 100 Index
Equity index at March 31, 2007	1,420.9	6,308.0
Interest rate	5.29% to 5.42%	5.32%
Time to maturity	10.2 to 24.0 yrs	13.32 yrs
Volatility	24.1% to 26.6%	32.7%

15. Share-Based Compensation Plans

Share-based compensation awards granted were 79,500 restricted shares and 367,550 options for the three months ended March 31, 2007. The grant exercise price was $99.015 per share. The fair value of $29.11 per option award is estimated on the date of the grant using the Black-Scholes option valuation model. The following assumptions were used in calculating the fair value of the options granted for the three months ended March 31, 2007:

Weighted-average volatility	26.46%
Weighted-average dividend yield	1.87%
Weighted-average expected term	6.4 years
Weighted-average risk-free rate	4.68%
Weighted-average forfeiture	11.50%

16. Retirement Benefits

The Company maintains both qualified and non-qualified defined benefit pension plans for its U.S. employees. In addition, the Company has a retiree health plan for eligible retired employees.

Net periodic benefit cost for U.S. employees included the following components for the three months ended March 31 as indicated:

Pension Benefits

(Dollars in thousands)	Three Months Ended March 31, 2007		Three Months Ended March 31, 2006	
Service cost	$	1,225	$	1,041
Interest cost		1,352		1,015
Expected return on plan assets		(1,386)		(917)
Amortization of prior service cost		32		32
Amortization of net loss		467		554
Net periodic benefit cost	$	1,690	$	1,725

Other Benefits

(Dollars in thousands)	Three Months Ended March 31, 2007		Three Months Ended March 31, 2006	
Service cost	$	158	$	130
Interest cost		129		102
Amortization of net loss		-		13
Net periodic benefit cost	$	287	$	245

The Company did not make any contributions to the pension benefit plans for the three months ended March 31, 2007 and 2006.

17. Related-Party Transactions

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

18. Income Taxes

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

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

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

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

19. Subsequent Event

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

PART I - Item 2

EVEREST RE GROUP, LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATION

RESULTS OF OPERATIONS

Industry Conditions

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

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

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

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

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

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

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

Financial Summary

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

(Dollars in thousands)	Three Months Ended March 31, 2007		Three Months Ended March 31, 2006		Percentage Increase/ (Decrease)
Gross written premiums	$	1,016,767	$	1,055,019	-3.6%
Net written premiums		989,877		1,022,338	-3.2%
REVENUES:					
Premiums earned	$	1,004,729	$	1,021,790	-1.7%
Net investment income		155,796		145,026	7.4%
Net realized capital gains		40,892		13,601	200.7%
Net derivative (expense) income		(2,768)		3,879	-171.4%
Other income (expense)		3,665		(6,607)	155.5%
Total revenues		1,202,314		1,177,689	2.1%
CLAIMS AND EXPENSES:					
Incurred losses and loss adjustment expenses		565,768		698,943	-19.1%
Commission, brokerage, taxes and fees		225,655		237,502	-5.0%
Other underwriting expenses		36,060		29,014	24.3%
Interest, fee and bond issue cost amortization expense		17,463		17,480	-0.1%
Total claims and expenses		844,946		982,939	-14.0%
INCOME BEFORE TAXES		357,368		194,750	83.5%
Income tax expense		59,786		26,354	126.9%
NET INCOME	$	297,582	$	168,396	76.7%
RATIOS:					Point Change
Loss ratio		56.3%		68.4%	(12.1)
Commission and brokerage ratio		22.5%		23.2%	(0.7)
Other underwriting expense ratio		3.6%		2.9%	0.7
Combined ratio		82.4%		94.5%	(12.1)

(Dollars in millions)	As of March 31,2007		As of December 31, 2006		
Shareholders' equity	$	5,196.9	$	5,107.7	1.7%

Revenues. Gross and net written premiums declined 3.6% and 3.2%, respectively, for the three months ended March 31, 2007 as compared to the three months ended March 31, 2006 as the result of continued disciplined underwriting and risk management practices. Net earned premium also declined by 1.7% for the three months ended March 31, 2007, compared to the three months ended March 31, 2006, primarily due to lower gross written premiums, particularly in treaty casualty. Net premiums earned declined 2.9% in the worldwide reinsurance segments, primarily due to the decrease in treaty casualty gross written premiums, partially offset by the increase in treaty property gross written premiums. Net premiums earned during the three months ended March 31, 2007 increased 4.0% over the same period in 2006 for the U.S. insurance segment due to increases in the non-workers' compensation business written.

Net investment income increased 7.4% for the three months ended March 31, 2007 compared to the three months ended March 31, 2006, due to the growth in invested assets from positive cash flow from operations. The average investment portfolio yields for the three months ended March 31, 2007 were 4.6% pre-tax and 3.9% after-tax similar to the three months ended March 31, 2006.

Net realized capital gains were $40.9 million and $13.6 million for the three months ended March 31, 2007 and 2006, respectively, mainly reflecting normal portfolio management activities in response to changes in interest rates and credit spreads and movement in the equity markets. The 2007 net realized capital gains include $5.3 million of realized loss due to fair value remeasurement on the publicly traded equity portfolio.

Expenses. The Company's incurred losses and loss adjustment expenses ("LAE") decreased 19.1% for the three months ended March 31, 2007 compared to the three months ended March 31, 2006, principally due to a decrease in attritional losses from the change in business mix.

The Company's loss ratio improved by 12 points for the three months ended March 31, 2007 compared to the three months ended March 31, 2006, reflective of 8 points from attritional losses, 3 points from catastrophe losses and 1 point from asbestos and environmental ("A&E") losses.

Commission, brokerage, and tax expenses decreased by 5.0% in the three months ended March 31, 2007 compared to the three months ended March 31, 2006. The decline in net earned premiums and the change in the business mix were the principal drivers of the decrease in this directly variable expense. Other underwriting expenses for the three months ended March 31, 2007 increased compared to the three months ended March 31, 2006, primarily due to growth in salaries and benefits from an increase in the number of employees.

The Company's effective income tax rate for the three months ended March 31, 2007 was 16.7% compared with an effective tax rate for the three months ended March 31, 2006 of 13.5%. The increase is reflective of increased taxable capital gains and operating income in jurisdictions with higher relative tax rates.

Net Income. The Company's net income for the three months ended March 31, 2007 was $297.6 million, a Company record, which resulted in a 77% increase in net income from the three months ended March 31, 2006. This significant improvement in net earnings reflects higher realized gains, favorable net prior years reserve development, as well as favorable results from underlying underwriting fundamentals.

Shareholders' Equity. The Company's shareholders' equity increased by $0.1 billion to $5.2 billion for the three months ended March 31, 2007, as the $297.6 million of net income generated for the period, was mostly offset by the repurchase of 1.9 million of the Company's shares at a cost of $181.0 million by Holdings.

Segment Information

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

These segments are managed in a coordinated fashion with respect to pricing, risk management, control of aggregate exposures to catastrophe events, capital, investments and support operations. Management generally monitors and evaluates the financial performance of these operating segments based upon their underwriting results. Underwriting results include earned premium less losses and LAE incurred, commission and brokerage expenses and other underwriting expenses and are analyzed using ratios, in particular loss, commission and brokerage and other underwriting expense ratios, which, respectively, divide incurred losses, commissions and brokerage and other underwriting expenses by earned premium. The Company utilizes inter-affiliate reinsurance, but such reinsurance generally does not impact segment results, as business is generally reported within the segment in which the business was first produced.

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

U.S. Reinsurance

	Three Months Ended March 31,	
(Dollars in thousands)	2007	2006
Gross written premiums	$ 354,352	$ 394,397
Net written premiums	348,909	391,635
Premiums earned	$ 353,241	$ 379,662
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Commission and brokerage	76,274	97,495
Other underwriting expenses	6,494	4,777
Underwriting gain	$ 148,098	$ 9,379

U.S. Insurance

	Three Months Ended March 31,	
(Dollars in thousands)	2007	2006
Gross written premiums	$ 217,373	$ 218,006
Net written premiums	197,385	189,473
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Incurred losses and loss adjustment expenses	179,468	124,879
Commission and brokerage	33,216	29,734
Other underwriting expenses	12,365	10,705
Underwriting (loss) gain	$ (32,076)	$ 20,290

Specialty Underwriting

(Dollars in thousands)	Three Months Ended March 31, 2007	2006
Gross written premiums	$ 54,681	$ 64,026
Net written premiums	53,276	63,632
Premiums earned	$ 55,731	$ 68,200
Incurred losses and loss adjustment expenses	41,129	70,577
Commission and brokerage	15,840	20,184
Other underwriting expenses	1,589	1,305
Underwriting loss	$ (2,827)	$ (23,866)

International

(Dollars in thousands)	Three Months Ended March 31, 2007	2006
Gross written premiums	$ 173,344	$ 175,522
Net written premiums	173,877	175,618
Premiums earned	$ 179,758	$ 174,307
Incurred losses and loss adjustment expenses	95,711	118,257
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Other underwriting expenses	3,718	2,678
Underwriting gain	$ 36,792	$ 12,584

Bermuda

(Dollars in thousands)	Three Months Ended March 31, 2007	2006
Gross written premiums	$ 217,017	$ 203,068
Net written premiums	216,430	201,980
Premiums earned	$ 223,026	$ 214,013
Incurred losses and loss adjustment expenses	127,085	117,219
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Other underwriting expenses	4,888	3,713
Underwriting gain	$ 34,265	$ 43,780

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

	Three Months Ended March 31,	
(Dollars in thousands)	2007	2006
Underwriting gain	$ 184,252	$ 62,167
Net investment income	155,796	145,026
Net realized capital gains	40,892	13,601
Net derivative (expense) income	(2,768)	3,879
Corporate expenses	(7,006)	(5,836)
Interest, fee and bond issue cost amortization expense	(17,463)	(17,480)
Other income (expense)	3,665	(6,607)
Income before taxes	$ 357,368	$ 194,750

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

Written Premiums. Gross written premiums decreased 3.6% to $1,016.8 million for the three months ended March 31, 2007 from $1,055.0 million for the three months ended March 31, 2006. The Specialty Underwriting operation decreased 14.6% ($9.3 million) driven by a $9.9 million reduction in surety premiums and a $1.7 million decrease in marine and aviation premiums, partially offset by a $2.3 million increase in A&H premiums. The U.S. Reinsurance operation decreased 10.2% ($40.0 million), principally reflecting a $66.5 million decrease in treaty casualty business in addition to a $7.0 million decline in facultative writings, partially offset by a $33.4 million increase in treaty property business. The International operation decreased 1.2% ($2.2 million), primarily due to a $5.9 million decrease in Asian business, partially offset by a $4.8 million increase in Canadian business. Partially offsetting these declines was a 6.9% ($13.9 million) increase in the Bermuda operation, reflecting increases in treaty business in the UK, Europe and Bermuda, partially offset by decreased facultative business in Bermuda. The U.S. Insurance operation remained relatively flat year over year. The Company endeavors to write only business that meets its profit criteria; generally, increases and decreases in a line of business or region are the result of changing perceptions of the profit opportunities in the various markets.

Ceded premiums decreased to $26.9 million for the three months ended March 31, 2007 from $32.7 million for the three months ended March 31, 2006. Ceded premiums generally emanate from specific reinsurance purchased by the U.S. Insurance operation and fluctuate based upon the level of premiums written in the individual reinsured programs.

Net written premiums decreased by 3.2% to $989.9 million for the three months ended March 31, 2007 compared to $1,022.3 million for the three months ended March 31, 2006, reflecting the $38.3 million decrease in gross written premiums and the $5.8 million decrease in ceded premiums.

Premiums Earned. Net premiums earned decreased 1.7% to $1,004.7 million in the three months ended March 31, 2007 from $1,021.8 million for the three months ended March 31, 2006. Contributing to this decrease was an 18.3% ($12.5 million) decrease in the Specialty Underwriting operation and a 7.0% ($26.4 million) decrease in the U.S. Reinsurance operation, partially offset by a 4.2% ($9.0 million) increase in the Bermuda operation, a 4.0% ($7.4 million) increase in the U.S. Insurance operation and a 3.1% ($5.5 million) increase in the International operation. Additional premiums, related to catastrophe business, included in net earned premiums contributed $11.0 million for the three months ended March 31, 2007 compared to a reduction to net earned premiums of $2.3 million for the three months ended March 31, 2006. The changes reflect period to period changes in net written premiums and business mix, together with normal variability in earning patterns. Business mix changes occur as the Company shifts emphasis between products, lines of business, distribution channels and markets, and as individual contracts renew or non-renew, often with changes in coverage, structure, prices and/or terms and as new contracts are accepted. As premium reporting, earnings, loss and commission characteristics derive from the provisions of individual contracts, the continuous turnover of individual contracts, arising from both strategic shifts and daily underwriting decisions, can and does introduce appreciable variability in various underwriting line items. Changes in estimates of the reporting patterns of ceding companies also affect premiums earned.

Expenses

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

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

	March 31, 2007			March 31, 2006		
(Dollars in millions)	Current Year	Prior Years	Total Incurred	Current Year	Prior Years	Total Incurred
All Segments						
Attritional (a)	$ 539.8	$ (8.0)	$ 531.8	$ 618.5	$ 3.3	$ 621.8
Catastrophes	33.8	0.1	34.0	-	68.4	68.4
A&E	-	-	-	-	8.7	8.7
Total All segments	$ 573.6	$ (7.8)	$ 565.8	$ 618.5	$ 80.4	$ 698.9
Loss Ratio	57.1%	-0.8%	56.3%	60.5%	7.9%	68.4%

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

The Company's incurred losses and LAE decreased 19.1% to $565.8 million for the three months ended March 31, 2007 from $698.9 million for the three months ended March 31, 2006, primarily reflective of significantly improved prior years catastrophe losses, lower attritional losses due to lower earned premiums, a lower loss ratio and mix of business, partially offset by an increase in current year catastrophe losses.

The Company's loss ratio, which is calculated by dividing incurred losses and LAE by current year net premiums earned, improved by 12.1 points to 56.3% for the three months ended March 31, 2007 over the comparable 2006 period, principally due to a 6.7 point improvement of prior years catastrophe losses, coupled with an 8.0 point improvement of current and prior years attritional losses and a 0.8 point improvement of A&E development, partially offset by 3.4 points of current year catastrophe losses.

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

(Dollars in millions)	March 31, 2007 Current Year	March 31, 2007 Prior Years	March 31, 2007 Total Incurred	March 31, 2006 Current Year	March 31, 2006 Prior Years	March 31, 2006 Total Incurred
Attritional	$ 159.5	$ (26.8)	$ 132.7	$ 215.7	$ 31.1	$ 246.8
Catastrophes	-	(10.4)	(10.4)	-	20.6	20.6
A&E	-	-	-	-	0.6	0.6
Total segment	$ 159.5	$ (37.1)	$ 122.4	$ 215.7	$ 52.4	$ 268.0
Loss Ratio	45.2%	-10.5%	34.6%	56.8%	13.8%	70.6%

(Some amounts may not reconcile due to rounding.)

The U.S. Reinsurance segment's incurred losses and LAE decreased 54.3%, or $145.6 million, for the three months ended March 31, 2007 as compared to the same period in 2006, principally due to the reduction in current and prior years attritional losses within treaty property. The segment's loss ratio for the three months ended March 31, 2007 improved by 36.0 points over the first quarter of 2006, reflecting an 11.6 point improvement in current year attritional losses and 24.3 point improvement in prior years losses.

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

(Dollars in millions)	March 31, 2007 Current Year	March 31, 2007 Prior Years	March 31, 2007 Total Incurred	March 31, 2006 Current Year	March 31, 2006 Prior Years	March 31, 2006 Total Incurred
Attritional	$ 135.9	$ 43.7	$ 179.6	$ 135.9	$ (11.4)	$ 124.5
Catastrophes	-	(0.1)	(0.1)	-	0.4	0.4
Total segment	$ 135.9	$ 43.6	$ 179.5	$ 135.9	$ (11.0)	$ 124.9
Loss Ratio	70.4%	22.6%	93.0%	73.2%	-5.9%	67.3%

(Some amounts may not reconcile due to rounding.)

The U.S. Insurance segment's incurred losses and LAE increased 43.7%, or $54.6 million, for the three months ended March 31, 2007 as compared to the same period in 2006, mainly reflecting prior years attritional reserve strengthening for the run-off of a credit insurance program, which was the result of eliminating a claim backlog and corresponding analysis of the updated claim information.

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

	March 31, 2007			March 31, 2006		
(Dollars in millions)	Current Year	Prior Years	Total Incurred	Current Year	Prior Years	Total Incurred
Attritional	$ 32.3	$ -	$ 32.3	$ 42.0	$ (2.7)	$ 39.4
Catastrophes	-	8.8	8.8	-	31.2	31.2
Total segment	$ 32.3	$ 8.8	$ 41.1	$ 42.0	$ 28.5	$ 70.6
Loss Ratio	58.0%	15.8%	73.8%	61.6%	41.9%	103.5%

(Some amounts may not reconcile due to rounding.)

The Specialty Underwriting segment's incurred losses and LAE decreased 41.7%, or $29.4 million, for the three months ended March 31, 2007 as compared to the same period in 2006, reflecting reduced prior years catastrophe losses principally for the marine lines of business, coupled with somewhat lower current year attritional losses.

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

	March 31, 2007			March 31, 2006		
(Dollars in millions)	Current Year	Prior Years	Total Incurred	Current Year	Prior Years	Total Incurred
Attritional	$ 98.0	$ (10.0)	$ 88.0	$ 94.4	$ 8.5	$ 102.9
Catastrophes	5.7	2.0	7.7	-	15.4	15.4
Total segment	$ 103.7	$ (8.0)	$ 95.7	$ 94.4	$ 23.9	$ 118.3
Loss Ratio	57.7%	-4.4%	53.2%	54.1%	13.7%	67.8%

(Some amounts may not reconcile due to rounding.)

The International segment's incurred losses and LAE decreased 19.1%, or $22.5 million, for the three months ended March 31, 2007 as compared to the same period in 2006. The segment's loss ratio improved by 14.6 points over the comparable 2006 period, primarily due to the 18.1 point improvement of prior years losses.

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

(Dollars in millions)	March 31, 2007 Current Year	March 31, 2007 Prior Years	March 31, 2007 Total Incurred	March 31, 2006 Current Year	March 31, 2006 Prior Years	March 31, 2006 Total Incurred
Attritional	$ 114.0	$ (14.9)	$ 99.1	$ 130.6	$ (22.4)	$ 108.2
Catastrophes	28.2	(0.3)	27.9	-	0.8	0.8
A&E	-	-	-	-	8.1	8.1
Total segment	$ 142.2	$ (15.1)	$ 127.1	$ 130.6	$ (13.4)	$ 117.2
Loss Ratio	63.8%	-6.8%	57.0%	61.0%	-6.3%	54.8%

(Some amounts may not reconcile due to rounding.)

The Bermuda segment's incurred losses and LAE increased 8.4%, or $9.9 million, for the three months ended March 31, 2007 as compared to the same period in 2006. The segment's loss ratio for the three months ended March 31, 2007 increased by 2.2 points over the comparable 2006 period, primarily due to an increase in current year catastrophe losses, primarily Kyrill, partially offset by lower attritional current year losses.

Underwriting Expenses. Underwriting expenses are comprised of commission, brokerage taxes and fees as well as other underwriting expenses, the latter being the direct expenses of the Company. Total underwriting expenses were $261.7 million and $266.5 million for the three months ended March 31, 2007 and 2006, respectively. The Company's expense ratio, which is calculated by dividing underwriting expenses by net premiums earned, was 26.1% for the three months ended March 31, 2007 and 2006.

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

Segment Expense Ratios

Segment	2007	2006
U.S. Reinsurance	23.5%	26.9%
U.S. Insurance	23.6%	21.8%
Specialty Underwriting	31.3%	31.5%
International	26.3%	25.0%
Bermuda	27.6%	24.7%

Segment underwriting expenses decreased by 2.3% to $254.7 million for the three months ended March 31, 2007 from $260.7 million for the three months ended March 31, 2006. Commission, brokerage, taxes and fees decreased by $11.8 million, principally due to decreases in premium volume and changes in the mix of business. Segment other underwriting expenses for the three months ended March 31, 2007 were $29.1 million compared to $23.2 million for the three months ended March 31, 2006, primarily due to an increase in compensation costs associated with an increase in staff. Contributing to the segment underwriting expense decrease were a 19.1% ($19.5 million) decrease in the U.S. Reinsurance operation and an 18.9% ($4.1 million) decrease in the Specialty Underwriting operation, partially offset by a 16.3% ($8.7 million) increase in the Bermuda operation, a 12.7% ($5.1 million) increase in the U.S. Insurance operation and an 8.7% ($3.8 million) increase in the International operation. The changes for each operation's expenses principally resulted from changes in commission expenses due to changes in premium volume and business mix by class and type.

The Company's combined ratio, which is the sum of the loss and expense ratios, decreased by 12.1 points to 82.4% in the three months ended March 31, 2007 compared to 94.5% for the three months ended March 31, 2006, primarily as a result of lower prior years' catastrophe and attritional losses.

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

Segment Combined Ratios

Segment	2007	2006
U.S. Reinsurance	58.1%	97.5%
U.S. Insurance	116.6%	89.1%
Specialty Underwriting	105.1%	135.0%
International	79.5%	92.8%
Bermuda	84.6%	79.5%

Investment Results. Net investment income increased 7.4% to $155.8 million for the three months ended March 31, 2007 from $145.0 million for the three months ended March 31, 2006, reflecting the growth in invested assets to $13.9 billion at March 31, 2007 from $13.2 billion at March 31, 2006 and a reduction in interest credited on funds held. Period to period changes in investment income are impacted by changes in the level and mix of invested assets and prevailing interest rates.

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

(Dollars in thousands)	2007	2006
Fixed maturities	$ 126,520	$ 126,023
Equity securities	3,865	2,945
Short-term investments	16,615	12,317
Other investment income	11,266	9,632
Total gross investment income	158,266	150,917
Interest credited and other expense	(2,470)	(5,891)
Total net investment income	$ 155,796	$ 145,026

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

	2007	2006
Imbedded pre-tax yield of cash and invested assets at March 31 and December 31	4.6%	4.6%
Imbedded after-tax yield of cash and invested assets at March 31 and December 31	3.9%	4.0%
Annualized pre-tax yield on average cash and invested assets for the three months ended March 31	4.6%	4.6%
Annualized after-tax yield on average cash and invested assets for the three months ended March 31	4.0%	4.0%

Net realized capital gains of $40.9 million for the three months ended March 31, 2007 reflected realized capital gains on the Company's investments of $49.3 million, resulting principally from gains on the sale of equity securities of $48.0 million and fixed maturities of $1.3 million, partially offset by a $5.3 million fair value adjustment on equity securities and $3.1 million of realized capital losses on the sale of equity securities and fixed maturities. Net realized capital gains of $13.6 million for the three months ended March 31, 2006 reflected $14.1 million of realized capital gains on the Company's investments, resulting principally from gains on the sale of fixed maturities of $8.5 million and equity securities of $4.9 million, partially offset by $0.5 million of realized capital losses.

The Company has issued seven equity put options in its product portfolio which are outstanding. These products meet the definition of a derivative under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133"). The Company recognized net derivative expense of $2.8 million for the three months ended March 31, 2007 as compared to net derivative income of $3.9 million for the three months ended March 31, 2006, reflecting changes in the fair value of these equity put options.

Corporate, Non-allocated Expenses. Corporate underwriting expenses not allocated to segments were $7.0 million and $5.8 million for the three months ended March 31, 2007 and 2006, respectively. This increase was primarily due to higher share-based compensation expense.

Interest, fees and bond issue cost amortization expense for the three months ended March 31, 2007 and 2006 were $17.5 million. For the three months ended March 31, 2007 and 2006 this expense was comprised of $7.8 million related to the senior notes, $9.4 million related to the junior subordinated debt securities, $0.2 million related to the bond issue cost amortization and $0.1 million related to the credit line under the Company's revolving credit facilities.

Other income for the three months ended March 31, 2007 was $3.7 million compared to $6.6 million of other expense for the three months ended March 31, 2006. The change was primarily due to the fluctuation in foreign currency exchange.

Income Taxes. The Company's income tax expense is primarily a function of the statutory tax rates and corresponding pre-tax income in the jurisdictions where the Company operates, coupled with the impact from tax preferenced investment income. Variations in the effective tax rate generally result from changes in the relative levels of pre-tax income among jurisdictions with different tax rates. The Company recorded income tax expense of $59.8 million for the three months ended March 31, 2007 compared to $26.4 million for the three months ended March 31, 2006. The increase was primarily due to the change in pre-tax income and a larger portion of the income generated in jurisdictions with higher tax rates.

Net Income. Net income for the three months ended March 31, 2007 was $297.6 million compared to $168.4 million for the three months ended March 31, 2006 increased primarily due to the improved underwriting results and increased realized capital gains.

FINANCIAL CONDITION

Cash and Invested Assets. Aggregate invested assets, including cash and short-term investments, were $13,943.9 million at March 31, 2007 and $13,957.1 million at December 31, 2006. This decrease in cash and invested assets resulted primarily from the repurchase in the open market of 1.9 million shares for $181.0 million and the payment of $30.7 million in dividends to shareholders, largely offset by the $162.3 million in cash flows from operations and $40.9 million of net realized capital gains. Gross pre-tax unrealized appreciation and depreciation across the Company's investment portfolio were $223.4 million and $114.3 million, respectively, at March 31, 2007 compared to $594.5 million and $122.8 million, respectively, at December 31, 2006. The impact on unrealized appreciation/depreciation of implementing FAS 159 in 2007 for the publicly traded equity securities portfolio was a net decrease of $361.1 million.

The Company's principal investment objectives are to ensure funds are available to meet its insurance and reinsurance obligations and to maximize after-tax investment income while maintaining a high quality diversified investment portfolio. Considering these objectives, the Company views its investment portfolio as having two components; 1) the investments needed to satisfy outstanding liabilities and 2) investments funded by the Company's shareholders' equity.

For amounts deemed to be required to pay outstanding liabilities, the Company invests in taxable and tax-preferenced fixed income securities with an average credit quality of Aa, as rated by Moody's Investors Service, Inc. ("Moody's"). The Company adjusts the mix of taxable and tax-preferenced investments periodically taking into account relative after-tax yields, current and projected operating results, market conditions and the Company's tax position. The fixed maturity portfolio is externally managed by an independent, professional investment manager using portfolio guidelines approved by the Company.

Over the past few years, the Company has reallocated its shareholders' equity investment portfolio to include 1) publicly traded equity securities (primarily exchange traded funds in 2006) and 2) private equity limited partnership investments. The objective of this portfolio diversification is to enhance the risk-adjusted total return of the investment portfolio by allocating a prudent portion of the portfolio to higher return asset classes. The Company has limited its allocation to these asset classes because of 1) the potential for volatility in their values and 2) the impact of these investment classes on required capital as measured by regulatory and rating agency capital models. At March 31, 2007, the value of investments in equity and limited partnership securities approximated 42% of shareholders' equity.

The tables below summarize the composition and characteristics of the Company's investment portfolio for the periods indicated:

	As of March 31, 2007		As of December 31, 2006	
Fixed maturities	$ 10,063.4	72.2%	$ 10,319.8	73.9%
Equity securities, market value	16.4	0.1%	1,613.7	11.6%
Equity securities, fair value	1,668.4	12.0%	-	-
Short-term investments	1,540.8	11.1%	1,306.5	9.4%
Other invested assets	494.7	3.5%	467.2	3.3%
Cash	160.2	1.1%	249.9	1.8%
Total investments and cash	$ 13,943.9	100.0%	$ 13,957.1	100.0%

	As of March 31, 2007	As of December 31, 2006
Fixed income portfolio duration	4.0 years	4.1 years
Fixed income composite credit quality	Aa2	Aa2
Imbedded end of period yield, pre-tax	4.6%	4.6%
Imbedded end of period yield, after-tax	3.9%	4.0%

The increase in equity securities and other invested assets reflects a modest and continuing reweighting of the Company's target investment mix along with routine funding of previous limited partnership commitments. In addition, the Company, adopted and implemented the Statement of Financial Accounting Standards ("FAS") No. 157 "Fair Value Measurements" ("FAS 157") and FAS No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities - including an amendment to FASB statement No. 115" ("FAS 159") for its publicly traded equity securities and as such, $250.8 million, which is net of $110.3 million of tax, was recorded as a cumulative-effect adjustment to retained earnings and a $5.3 million realized loss due to fair value remeasurement was recorded in the consolidated statements of operations and comprehensive income for the three months ended March 31, 2007.

The following table provides a comparison of the Company's total return by asset class to broadly accepted industry benchmarks for the periods indicated:

	Three Months Ended March 31, 2007	Twelve Months Ended December 31, 2006
Company's fixed income portfolio total return	1.5%	4.6%
Lehman bond aggregate index	1.1%	4.3%
Company's common equity portfolio total return	3.2%	19.2%
S & P 500 index	0.6%	15.8%
Company's other invested asset portfolio total return	2.2%	19.8%

Reinsurance Receivables. Reinsurance receivables for both paid and unpaid losses were $785.3 million at March 31, 2007, a 1.6% increase from the $772.8 million at December 31, 2006. At March 31, 2007, $173.9 million, or 22.1%, was receivable from Transatlantic Reinsurance Company ("Transatlantic"), $154.4 million, or 19.7%, was receivable from Founders Insurance Company Limited ("Founders"), of which $121.9 million is fully reserved as uncollectible and the balance is collateralized by a trust, $100.9 million, or 12.8%, was receivable from LM Property and Casualty Insurance Company ("LM"), whose obligations are guaranteed by The Prudential Insurance Company of America ("The Prudential"), $100.0 million, or 12.7%, was receivable from Continental Insurance Company ("Continental"), which is partially collateralized by funds held arrangements, $48.2 million, or 6.1%, was receivable from subsidiaries of London Reinsurance Group ("London Life"), which is fully collateralized by letters of credit, and $46.1 million, or 5.9%, was receivable from Munich Reinsurance Company ("Munich Re"). Continental is collateralized by a funds held arrangement under which the Company has retained the premium amounts due the retrocessionaire, recognized liabilities for such amounts and reduced such liabilities as amounts became due from the retrocessionaire. No other retrocessionaire accounted for more than 5% of the Company's receivables.

Loss and LAE Reserves. Gross loss and LAE reserves totaled $8,731.4 million at March 31, 2007 and $8,840.1 million at December 31, 2006. The decrease during the three months ended March 31, 2007 is primarily attributable to the payout of prior years' catastrophe losses. Net prior period reserve adjustments and normal variability in claim settlements also impacted the period over period change.

The following tables summarize gross outstanding loss and LAE reserves by segment, segregated into case reserves and incurred but not reported loss ("IBNR") reserves which are managed on a combined basis for the periods indicated:

Gross Reserves By Segment

	As of March 31, 2007			
(Dollars in thousands)	Case Reserves	IBNR Reserves	Total Reserves	% of Total
U.S. Reinsurance	$ 1,526,625	$ 2,056,551	$ 3,583,176	41.0%
U.S. Insurance	559,815	1,085,777	1,645,592	18.9%
Specialty Underwriting	314,953	143,761	458,714	5.3%
International	517,691	389,890	907,581	10.4%
Bermuda	796,070	708,046	1,504,116	17.2%
Total excluding A&E	3,715,154	4,384,025	8,099,179	92.8%
A&E	485,082	147,157	632,239	7.2%
Total including A&E	$ 4,200,236	$ 4,531,182	$ 8,731,418	100.0%

	As of December 31, 2006			
(Dollars in thousands)	Case Reserves	IBNR Reserves	Total Reserves	% of Total
U.S. Reinsurance	$ 1,641,661	$ 2,061,722	$ 3,703,383	41.9%
U.S. Insurance	591,384	1,010,998	1,602,382	18.1%
Specialty Underwriting	338,719	145,646	484,365	5.5%
International	535,135	380,208	915,343	10.3%
Bermuda	817,536	666,997	1,484,533	16.8%
Total excluding A&E	3,924,435	4,265,571	8,190,006	92.6%
A&E	501,387	148,747	650,134	7.4%
Total including A&E	$ 4,425,822	$ 4,414,318	$ 8,840,140	100.0%

The changes by segment generally reflect changes in earned premium, changes in business mix, the impact of reserve re-estimations and changes in catastrophe loss reserves, together with claim settlement activity. The fluctuations for A&E reflect claim settlement activity.

The Company's loss and LAE reserves are an estimate of the ultimate liability for unpaid claims. Such estimates are re-evaluated on an ongoing basis, including re-estimates of prior period reserves, taking into consideration all available information and, in particular, newly reported loss and claim experience. Such re-evaluations impact incurred losses in the period when the re-evaluation is made. The Company notes that its analytical methods and processes operate at multiple levels including individual contracts, groupings of like contracts, classes and lines of business, internal business units, segments, legal entities, and in the aggregate. The complexities of the Company's business and operations require analyses and adjustments, both qualitative and quantitative, at these various levels. Additionally, the attribution of reserves, change in reserves and incurred losses between accident year and underwriting year requires adjustments and allocations, both qualitative and quantitative, at these various levels. All of these processes, methods and practices appropriately balance actuarial science, business expertise and management judgment in a manner intended to assure the accuracy, precision and consistency of the Company's reserving practices, which are fundamental to the Company's operations. The Company notes however, that the underlying reserves are estimates, which are subject to variation.

There can be no assurance that reserves for, and losses from, claim obligations will not increase in the future, possibly by a material amount. However, management believes that the Company's existing reserves and reserving methodologies lessen the probability that any such increase would have a material adverse effect on the Company's financial condition, results of operations or cash flows. In this context, the Company notes that over the past 10 years, its past calendar year operations have been affected variably by effects from prior period reserve re-estimates, with such effects ranging from a favorable $62.1 million in 1997, representing 2.2% of the net prior period reserves for the year in which the adjustment was made, to an unfavorable $249.4 million in 2004, representing 3.7% of the net prior period reserves for the year in which the adjustment was made. The Company has noted that variability had increased for years 1999 to 2003 and has taken actions to attempt to reduce year to year variability prospectively. The Company's Annual Report on Form 10-K for the year ended December 31, 2006 discusses the Company's past experience more fully in Part I, Item 1, "Changes in Historical Reserves".

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

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

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

Management believes that these uncertainties and factors continue to render reserves for A&E and particularly asbestos losses significantly less subject to traditional actuarial analysis than reserves for other types of losses. Given these uncertainties, management believes that no meaningful range for such ultimate losses can be established. The Company establishes reserves to the extent that, in the judgment of management, the facts and prevailing law reflect an exposure for the Company or its ceding companies. The Company's A&E liabilities stem from Mt. McKinley's direct insurance business and Everest Re's assumed reinsurance business.

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

Due to the uncertainties discussed above, 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 could have a material adverse effect on the Company's financial condition, results of operations and/or cash flows.

With respect to Mt. McKinley, where the Company has a direct relationship with policyholders, the Company's aggressive litigation posture and the uncertainties inherent in the asbestos coverage and bankruptcy litigation have provided an opportunity to actively engage in settlement negotiations with a number of those policyholders who have potentially significant asbestos liabilities. Those discussions are oriented towards achieving reasonable negotiated settlements that limit Mt. McKinley's liability to a given policyholder to a sum certain. Because of uncertainties and risks inherent in litigation, the Company cannot be certain that in every instance this approach will lead to negotiated settlements in the range expected by the Company. Since 2004, the Company concluded such settlements or reached agreement in principle with 14 of its high profile policyholders. The Company currently has identified 8 policyholders based on their past claim activity and/or potential future liabilities as "High Profile Policyholders" and its settlement efforts are generally directed at such policyholders, in part because their exposures have developed to the point where both the policyholder and the Company have sufficient information to be motivated to settle. The Company believes that this active approach will ultimately result in a more cost-effective liquidation of Mt. McKinley's liabilities than a passive approach, although it may also introduce additional variability in Mt. McKinley's losses and cash flows as reserves are adjusted to reflect the development in litigation, negotiations and, ultimately, potential settlements.

There is less potential for similar settlements with respect to the Company's reinsurance asbestos claims. Ceding companies, with their direct obligation to insureds and overall responsibility for claim settlements, are not consistently aggressive in developing claim settlement information and conveying this information to reinsurers, which can introduce significant and perhaps inappropriate delays in the reporting of asbestos claims/exposures to reinsurers. These delays not only extend the timing of reinsurance claim settlements, but also restrict the information available to estimate the reinsurers' ultimate exposure. At March 31, 2007 the Company had gross asbestos loss reserves of $563.7 million, of which $309.8 million was for assumed business and $253.9 million was for direct excess business.

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

	Three Months Ended March 31,			
(Dollars in thousands)		2007		2006
Gross basis:				
Beginning of period reserves	$	650,134	$	649,460
Incurred losses		-		10,000
Paid losses		(17,895)		(19,825)
End of period reserves	$	632,239	$	639,635
Net basis:				
Beginning of period reserves	$	511,412	$	450,350
Incurred losses		-		8,725
Paid losses		6,498		2,160
End of period reserves	$	517,910	$	461,235

At March 31, 2007, the gross reserves for A&E losses were comprised of $141.2 million representing case reserves reported by ceding companies, $135.4 million representing additional case reserves established by the Company on assumed reinsurance claims, $208.4 million representing case reserves established by the Company on direct excess insurance claims, including Mt. McKinley, and $147.2 million representing IBNR reserves.

The gross incurred losses for A&E exposures increased by $0.0 million and $10.0 million for the three months ended March 31, 2007 and 2006, respectively. These increases are the result of re-evaluations by management reflecting additional information received from insureds and ceding companies, ongoing litigation, additional claims received and settlement activity. Management closely monitors this additional information and adjusts reserves accordingly.

Industry analysts have developed a measurement, known as the survival ratio, to compare the A&E reserves among companies with such liabilities. The survival ratio is typically calculated by dividing a company's current net reserves by the three year average of paid losses, and therefore measures the number of years that it would take to exhaust the current reserves based on historical payment patterns. Using this measurement, the Company's net three year A&E survival ratio was 4.6 years at March 31, 2007. Adjusting for the effect of the reinsurance ceded under the reinsurance agreement with LM, this ratio rises to the equivalent of 5.2 years at March 31, 2007. The cession of $77.4 million to the stop loss reinsurance provided by LM in connection with the acquisition of Mt. McKinley results in unpaid proceeds that are not reflected in past net payments and effectively extend the funding available for future net payments.

Because the survival ratio was developed as a comparative measure of reserve strength and not of absolute reserve adequacy, the Company considers, but does not rely on, the survival ratio when evaluating its reserves. In particular, the Company notes that loss payout variability, which can be material, due in part to the Company's orientation to negotiated settlements, particularly on its Mt. McKinley exposures, significantly impairs the credibility and utility of this measure as an analytical tool.

The Company's net three year survival ratio on its asbestos exposures was 4.4 years for the period ended March 31, 2007. This three year survival ratio, when adjusted for the effect of the reinsurance ceded under the stop loss cover from LM, was 5.1 years and, when adjusted for settlements in place and structured settlements, which are either fully funded by reserves or subject to financial terms that substantially limit the potential variability in the liability, and the stop loss protection from LM, was 7.2 years.

Shareholders' Equity. The Company's shareholders' equity increased to $5,196.9 million as of March 31, 2007 from $5,107.7 million as of December 31, 2006, principally due to $297.6 million of net income for the three months ended March 31, 2007 and a $6.5 million increase in net share-based compensation activity, partially offset by the repurchase of 1.9 million common shares for $181.0 million, $30.7 million of shareholder dividends and a net decrease of $3.2 million in accumulated other comprehensive income due to net unrealized gains on securities and net currency translation.

LIQUIDITY AND CAPITAL RESOURCES

Capital. The Company's business operations are in part dependent on the Company's financial strength, and the market's perception thereof as measured by the Company's shareholders' equity noted above. The Company possesses significant financial flexibility and access to the debt and equity markets as a result of its perceived financial strength, as evidence by the financial strength ratings as assigned by independent rating agencies. The Company continuously monitors its capital and financial position, as well as investment and security market conditions and responds accordingly.

From time to time, the Company has used open market share repurchases to effectively adjust its capital position. During the three months ended March 31, 2007, 1.9 million of the Company's common shares were repurchased by Holdings at a cost of $181.0 million. At March 31, 2007, 3.1 million shares remained under the existing repurchase authorization.

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

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

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

Liquidity. The increase in equity securities and other invested assets reflects a modest and continuing reweighting of the Company's target investment mix along with routine funding of previous limited partnership commitments. In addition, the Company, adopted and implemented FAS 157 and FAS 159, for its publicly traded equity securities and as such, $250.8 million net of $110.3 million of tax was recorded as a cumulative-effect adjustment to retained earnings and a $5.3 million realized loss due to fair value remeasurement was recorded in the consolidated statements of operations and comprehensive income.

For amounts deemed to be required to pay outstanding liabilities, the Company invests in taxable and tax-preferenced fixed income securities with an average credit quality of Aa, as rated by the independent investment rating service of Moody's. The Company's mix of taxable and tax-preferenced investments is adjusted continuously, consistent with the Company's current and projected operating results, market conditions and the Company's tax position. This fixed maturity portfolio is externally managed by an independent, professional investment manager using portfolio guidelines approved by the Company.

Over the past few years, the Company has reallocated its shareholders' equity investment portfolio to include 1) publicly traded equity securities, primarily exchange traded funds, and 2) private equity limited partnership investments. The objective of this portfolio diversification is to enhance the risk-adjusted total return of the investment portfolio by allocating a prudent portion of the portfolio to higher return asset classes. The Company has limited its allocation to these asset classes because 1) the potential for volatility in their values and 2) the impact of these investments on regulatory and rating agency capital adequacy models. At March 31, 2007, the market value of investments in equity and limited partnership securities approximated 42% of shareholders' equity.

The Company's liquidity requirements are generally met from positive cash flow from operations. Positive cash flow results from net income and from reinsurance and insurance premiums being collected prior to disbursements for claims, which disbursements generally take place over an extended period after the collection of premiums, sometimes a period of many years. Collected premiums are generally invested, prior to their use for such disbursements, and investment income provides additional funding for loss payments. The Company's net cash flows from operating activities were $162.3 million and $161.6 million for the three months ended March 31, 2007 and 2006, respectively. Additionally, these cash flows reflected a net tax payment of $25.3 million for the three months ended March 31, 2007 and a $51.3 million net tax recovery for the three months ended March 31, 2006. Net catastrophe loss payments were $141.2 million and $264.9 million for the three months ended March 31, 2007 and 2006, respectively; and A&E loss payments were $6.5 million for the three months ended March 31, 2007 compared to net loss recovery of $2.2 million for the three months ended March 31, 2006.

If disbursements for claims and benefits, policy acquisition costs and other operating expenses exceed premium inflows, cash flow from insurance operations would be negative. The effect on cash flow from operations would be partially offset by cash flow from investment income. Additionally, cash flow from investment maturities and dispositions, both short-term investments and longer term maturities, would further mitigate the impact on total cash flow.

As the timing of payments for claims and benefits cannot be predicted with certainty, the Company maintains portfolios of long term invested assets with varying maturities, along with short-term investments that provide additional liquidity for payment of claims. At March 31, 2007 and December 31, 2006 the Company held cash and short-term investments of $1,701.1 million and $1,556.4 million, respectively. In addition to these cash and short-term investments at March 31, 2007, the Company had $0.7 billion, at fair value, available for sale fixed maturity securities maturing within one year or less, $2.4 billion maturing within one to five years and $7.0 billion maturing after five years. The Company's $1.7 billion of equity securities are comprised primarily of publicly traded securities that can be easily liquidated. The fixed maturity and equity securities, in conjunction with the short-term investments and positive cash flow from operations, provide adequate sources of liquidity for the expected payment of losses in the near future. The Company does not anticipate selling securities or using available credit facilities to pay losses and LAE, but has the ability to do so. Sales may result in realized capital gains or losses and the Company notes that at March 31, 2007 it had $109.0 million of net unrealized appreciation, comprised of $223.4 million of pre-tax appreciation and $114.4 million of pre-tax depreciation.

Management expects the trend of positive cash flow from operations, which in general reflects the Company's core earnings strength to persist over the near term despite the continuing underlying trend is negatively impacted by the payout of catastrophe loss reserves. In the intermediate and longer term, the trend will be impacted by the extent to which competitive pressures change overall pricing available in the Company's markets and the extent to which the Company successfully maintains its strategy of emphasizing profitability over volume.

Effective December 8, 2004, Group, Bermuda Re and Everest International Reinsurance, Ltd. ("Everest International") entered into a three year, $750.0 million senior credit facility with a syndicate of lenders (the "Group Credit Facility"). Wachovia Bank is the administrative agent for the Group Credit Facility. The Group Credit Facility consists of two tranches. Tranche one provides up to $250.0 million of revolving credit for liquidity and general corporate purposes, and for the issuance of standby letters of credit. The interest on the revolving loans shall, at the option of each of the borrowers, be either (1) the Base Rate (as defined below) or (2) an adjusted London Interbank Offered Rate ("LIBOR") plus a margin. The Base Rate is the higher of the rate of interest established by Wachovia Bank from time to time as its prime rate or the Federal Funds rate, in each case plus 0.5% per annum. The amount of margin and the fees payable for the Group Credit Facility depend on Group's senior unsecured debt rating. Tranche two exclusively provides up to $500.0 million for the issuance of standby letters of credit on a collateralized basis.

The Group Credit Facility requires Group to maintain a debt to capital ratio of not greater than 0.35 to 1 and to maintain a minimum net worth amount. Minimum net worth is an amount equal to the sum of (i) $3,575.4 million (base amount) plus (ii) (A) 25% of consolidated net income for each of Group's fiscal quarters and (B) 50% of any increase in consolidated net worth attributable to the issuance of ordinary and preferred shares. The base amount is reset at the end of each fiscal year to be the greater of 70% of Group's consolidated net worth as of the last day of the fiscal year and the calculated minimum amount of net worth prior to the last day of the fiscal year. As of March 31, 2007, the Company was in compliance with these covenants.

For the three months ended March 31, 2007 and 2006, there were no outstanding borrowings under tranche one of the Group Credit Facility. At March 31, 2007, there was $205.7 million used of the $500.0 million available for tranche two of standby letters of credit. In addition, the Company had $271.3 million in letters of credit outstanding at March 31, 2007 under a $350.0 million bilateral agreement with Citibank. All of these letters of credit are collateralized by the Company's cash and investments. These letters of credit are generally used to collateralize reinsurance assumed by Bermuda Re from jurisdictions where collateralization is generally required for the ceding company to receive financial statement credit for such reinsurance recoverables from its principal regulator. Bermuda Re and Everest International also used trust arrangements to provide collateralization to ceding companies, including affiliates. The Company generally avoids providing collateral except where required for ceding companies to receive credit from their regulators. Additionally, at March 31, 2007, $132.7 million of assets were deposited in trust accounts, primarily on behalf of Bermuda Re, as security for assumed losses payable to certain non-affiliated ceding companies.

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

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

For the three months ended March 31, 2007 and 2006, there were no outstanding borrowings under the Holdings Credit Facility.

Interest expense and fees incurred in connection with the Group Credit Facility and the Holdings Credit Facility were $0.1 million each for the three months ended March 31, 2007 and 2006.

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"). The Company does not generally enter into market sensitive instruments for trading purposes.

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

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

Interest Rate Risk. The Company's $13.9 billion investment portfolio at March 31, 2007 is principally comprised of fixed maturity securities, which are subject to interest rate risk and foreign currency rate risk, and equity securities, which are subject to price fluctuations. The impact of the foreign exchange risks on the investment portfolio is generally mitigated by changes in the dollar value of foreign currency denominated liabilities and their associated income statement impact.

Interest rate risk is the potential change in value of the fixed maturity portfolio, including short-term investments, from a change in market interest rates. In a declining interest rate environment, it includes prepayment risk on the $1,550.6 million of mortgage-backed securities. Prepayment risk results from potential accelerated principal payments that shorten the average life and thus the expected yield of the security.

The table below displays the potential impact of market value fluctuations and after-tax unrealized appreciation on the Company's fixed maturity portfolio (including $1.5 billion of short-term investments) as of March 31, 2007 based on upward and downward parallel and immediate 100 and 200 basis point shifts in interest rates. For legal entities with a U.S. dollar functional currency, this modeling was performed on each security individually. To generate appropriate price estimates on mortgage-backed securities, changes in prepayment expectations under different interest rate environments were taken into account. For legal entities with a non-U.S. dollar functional currency, the effective duration of the involved portfolio of securities was used as a proxy for the market value change under the various interest rate change scenarios. All amounts are in U.S. dollars and are presented in millions.

	As of March 31, 2007				
	Interest Rate Shift in Basis Points				
	-200	-100	0	100	200
Total Market Value	$ 12,557.7	$ 12,084.3	$ 11,604.2	$ 11,080.1	$ 10,534.8
Market Value Change from Base (%)	8.2 %	4.1 %	0.0 %	-4.5 %	-9.2 %
Change in Unrealized Appreciation					
After-tax from Base ($)	$ 715.6	$ 360.7	$ -	$ (390.7)	$ (794.4)

The Company had $8,731.4 million and $8,840.1 million of reserves for losses and LAE as of March 31, 2007 and December 31, 2006, respectively. These amounts are recorded at their nominal value as opposed to fair value, which would reflect a discount adjustment to reflect the time value of money. Since losses are paid out over a period of time, the fair value of the reserves is less than the nominal value. As interest rates rise, the fair value of the reserves decreases and, conversely, as interest rates decline, the fair value increases. These movements are the opposite of the interest rate impacts on the fair value of investments. While the difference between fair value and nominal value is not reflected in the Company's financial statements, the Company's financial results will include investment income over time from the investment portfolio until the claims are paid. The Company's loss and loss reserve obligations have an expected duration of approximately 3.8 years, which is reasonably consistent with the Company's fixed income portfolio. If the Company were to discount its loss and LAE reserves, net of $0.8 billion of reinsurance receivables on unpaid losses, the discount would be approximately $1.5 billion resulting in a discounted reserve balance of approximately $6.4 billion, representing approximately 55% of the market value of the fixed maturity investment portfolio funds.

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

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

As of March 31, 2007 Change in Equity Fair Values in Percent					
	-20%	-10%	0%	10%	20%
Fair Value of the Equity Portfolio	$ 1,334.7	$ 1,501.5	$ 1,668.4	$ 1,835.2	$ 2,002.0
After-tax Change in Fair Value	$ (251.9)	$ (126.0)	$ -	$ 126.0	$ 251.9

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

Although not considered material in the context of the Company's aggregate exposure to market sensitive instruments, the Company has issued six equity put options based on the S&P 500 index and one equity put option based on the FTSE 100 index, that are market sensitive and sufficiently unique to warrant supplemental disclosure.

The Company has sold six equity put options based on the S&P 500 index for total consideration, net of commissions, of $22.5 million. These contracts each have a single exercise date, with original maturities ranging from 12 to 30 years and strike prices ranging from $1,141.21 to $1,540.63. As of March 31, 2007, the S&P 500 Index stood at $1,420.86. No amounts will be payable under these contracts if the S&P 500 index is at or above the strike price on the exercise dates, which currently fall between June 2017 and March 2031. If the S&P 500 index is lower than the strike price on the applicable exercise date, the amount due will vary proportionately with the percentage by which the index is below the strike price. Based on historical index volatilities and trends and the March 31, 2007 index value, the Company estimates the probability for each contract of the S&P 500 index falling below the strike price on the exercise date to be less than 4.5%. The theoretical maximum payouts under the contracts would occur if on each of the exercise dates the S&P 500 index value were zero. The present value of these theoretical maximum payouts using a 6% discount factor is $216.3 million.

The Company has sold one equity put option based on the FTSE 100 index for total consideration, net of commissions, of $6.7 million. This contract has an exercise date of July 2020 and a strike price of ₤5,989.75. As of March 31, 2007, the FTSE 100 Index stood at ₤6,308.00. No amount will be payable under this contract if the FTSE 100 index is at or above the strike price on the exercise date. If the FTSE 100 index is lower than the strike price on the applicable exercise date, the amount due will vary proportionately with the percentage by which the index is below the strike price. Based on historical index volatilities and trends and the March 31, 2007 index value, the Company estimates the probability that the FTSE 100 index contract will fall below the strike price on the exercise date to be less than 6.9%. The theoretical maximum payout under the contract would occur if on the exercise date the FTSE 100 index value was zero. The present value of the theoretical maximum payout using a 6.0% discount factor is $29.4 million.

Because the equity put options are derivatives within the framework of FAS 133, the Company reports the fair value of these instruments in its balance sheet and records any changes to fair value in its consolidated statements of operations and comprehensive income. The Company has recorded fair values for its obligations on these equity put options at March 31, 2007 and December 31, 2006 of $40.2 million and $37.5 million, respectively; however, the Company does not believe that the ultimate settlement of these transactions is likely to require a payment that would exceed the initial consideration received or any payment at all.

As there is no active market for these instruments, the determination of their fair value is based on an industry accepted option pricing model, which requires estimates and assumptions, including those regarding volatility and expected rates of return.

The table below estimates the impact of potential movements in interest rates and the equity indices, which are the principal factors affecting fair value of these instruments, looking forward from the fair value at March 31, 2007. These are estimates and there can be no assurance regarding future market performance. The asymmetrical results of the interest rate and S&P 500 and FTSE 100 indices shifts reflect that the liability cannot fall below zero whereas it can increase to its theoretical maximum.

As of March 31, 2007

Equity Indices Put Options Obligation – Sensitivity Analysis

(Dollars in millions)

Interest Rate Shift in Basis Points:	-100	-50	0	50	100
Total Fair Value	$ 56.1	$ 47.6	$ 40.2	$ 34.0	$ 28.7
Fair Value Change from Base (%)	-39.4 %	-18.2 %	0.0 %	15.5 %	28.8 %
Equity Indices Shift in Points:	-200	-100	0	100	200
Total Fair Value	$ 48.1	$ 43.9	$ 40.2	$ 37.0	$ 34.2
Fair Value Change from Base (%)	-19.6 %	-9.1 %	0.0 %	8.0 %	15.0 %
Combined Interest Rate / Equity Indices Shift:	-100/-200	-50/-100	0 / 0	50/100	100/200
Total Fair Value	$ 66.4	$ 51.7	$ 40.2	$ 31.5	$ 24.1
Fair Value Change from Base (%)	-65.1 %	-28.6 %	0.0 %	21.7 %	40.1 %

Safe Harbor Disclosure. This report contains forward-looking statements within the meaning of the U.S. federal securities laws. The Company intends these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in the federal securities laws. In some cases, these statements can be identified by the use of forward-looking words such as “may”, “will”, “should”, “could”, “anticipate”, “estimate”, “expect”, “plan”, “believe”, “predict”, “potential” and “intend”. Forward-looking statements contained in this report include information regarding the Company’s reserves for losses and LAE, the adequacy of the Company’s provision for uncollectible balances, estimates of the Company’s catastrophe exposure, the effects of catastrophic events on the Company’s financial statements, the ability of Everest Re, Holdings and Bermuda Re to pay dividends and the settlement costs of the Company’s specialized equity put options. Forward-looking statements only reflect the Company’s expectations and are not guarantees of performance. These statements involve risks, uncertainties and assumptions. Actual events or results may differ materially from the Company’s expectations. Important factors that could cause the Company’s actual events or results to be materially different from the Company’s expectations include the uncertainties that surround the estimating of reserves for losses and LAE, those discussed in Note 6 of Notes to Consolidated Financial Statements (unaudited) included in this report and the risks described under the caption "Risk Factors" in the Company's most recent Annual Report on Form 10-K, Part I, Item 1A. The Company undertakes no obligation to update or revise publicly any forward looking statements, whether as a result of new information, future events or otherwise.

PART I - Item 3

EVEREST RE GROUP, LTD.
QUANTITATIVE AND QUALITATIVE DISCLOSURES
ABOUT MARKET RISK

Market Risk Instruments. See “Liquidity and Capital Resources - Market Sensitive Instruments” in PART I – Item 2.

PART I – Item 4

EVEREST RE GROUP, LTD.
CONTROLS AND PROCEDURES

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

EVEREST RE GROUP, LTD.
OTHER INFORMATION

PART II – Item 1. Legal Proceedings

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

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

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

PART II – Item 1A. Risk Factors

No material changes.

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

Issuer Purchases of Equity Securities				
	(a)	(b)	(c)	(d)
Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (1)
January 1 - 31	0	N/A	0	5,000,000
February 1 - 28	1,046,700	95.5618	1,046,700	3,953,300
March 1 - 31	853,300	94.9444	853,300	3,100,000
Total	1,900,000	95.2845	1,900,000	3,100,000

(1) On September 21, 2004, the Company's board of directors approved an amended share repurchase program authorizing the Company and/or its subsidiary Holdings to purchase up to an aggregate of 5,000,000 of the Company's common shares through open market transactions, privately negotiated transactions or both.

PART II – Item 3. Defaults Upon Senior Securities

None.

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

None.

PART II – Item 5. Other Information

None.

Part II – Item 6. Exhibits

Exhibit Index:

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

Everest Re Group, Ltd.

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 Re Group, Ltd.
(Registrant)

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

(Duly Authorized Officer and Principal Financial Officer)

Dated: May 9, 2007