EVEREST REINSURANCE HOLDINGS INC
Form 10-Q
May 15, 2013

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: March 31, 2013	Commission file number: 1-14527

EVEREST REINSURANCE HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

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

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

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

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

YES X NO

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

YES X NO

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

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

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

YES NO X

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

Class	Number of Shares Outstanding At May 1, 2013
Common Shares, $0.01 par value	1,000

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

EVEREST REINSURANCE HOLDINGS, INC.

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Part I

ITEM 1. FINANCIAL STATEMENTS

EVEREST REINSURANCE HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except par value per share)	March 31, 2013 (unaudited)	December 31, 2012
ASSETS:		
Fixed maturities - available for sale, at market value (amortized cost: 2013, $5,380,387; 2012, $5,289,619)	$5,611,463	$ 5,531,410
Fixed maturities - available for sale, at fair value	36,127	41,470
Equity securities - available for sale, at market value (cost: 2013, $15; 2012, $15)	15	13
Equity securities - available for sale, at fair value	1,330,699	1,199,848
Short-term investments	381,790	465,550
Other invested assets (cost: 2013, $404,149; 2012, $420,744)	404,149	420,744
Other invested assets, at fair value	1,262,235	1,068,711
Cash	343,955	347,720
Total investments and cash	9,370,433	9,075,466
Accrued investment income	56,641	54,914
Premiums receivable	1,051,518	1,001,267
Reinsurance receivables - unaffiliated	711,288	650,261
Reinsurance receivables - affiliated	2,935,096	2,976,992
Funds held by reinsureds	161,880	161,694
Deferred acquisition costs	97,517	97,522
Prepaid reinsurance premiums	573,287	557,460
Deferred tax asset	119,104	214,175
Income taxes recoverable	31,187	61,244
Other assets	238,115	236,955
TOTAL ASSETS	$15,346,066	$ 15,087,950
LIABILITIES:		
Reserve for losses and loss adjustment expenses	$7,945,043	$ 8,143,055
Unearned premium reserve	1,135,992	1,093,822
Funds held under reinsurance treaties	84,558	90,079
Losses in the course of payment	341,923	179,774
Commission reserves	33,198	39,324
Other net payable to reinsurers	895,719	900,794
5.4% Senior notes due 10/15/2014	249,919	249,907
6.6% Long term notes due 5/1/2067	238,358	238,357
Junior subordinated debt securities payable	329,897	329,897
Accrued interest on debt and borrowings	12,092	4,781
Unsettled securities payable	35,004	48,830
Other liabilities	290,162	290,724
Total liabilities	11,591,865	11,609,344

Commitments and Contingencies (Note 6)		
STOCKHOLDER'S EQUITY:		
Common stock, par value: $0.01; 3,000 shares authorized;		
1,000 shares issued and outstanding (2013 and 2012)	-	-
Additional paid-in capital	343,381	340,223
Accumulated other comprehensive income (loss), net of deferred income tax expense (benefit) of $92,429 at 2013 and $99,544 at 2012	171,653	184,867
Retained earnings	3,239,167	2,953,516
Total stockholder's equity	3,754,201	3,478,606
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$15,346,066	$ 15,087,950

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

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

(Dollars in thousands)	Three Months Ended March 31, 2013	2012
	(unaudited)	
REVENUES:		
Premiums earned	$448,006	$433,711
Net investment income	76,869	81,242
Net realized capital gains (losses):		
Other-than-temporary impairments on fixed maturity securities	-	(5,674)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	-	-
Other net realized capital gains (losses)	309,806	181,815
Total net realized capital gains (losses)	309,806	176,141
Other income (expense)	(9,661)	(6,254)
Total revenues	825,020	684,840
CLAIMS AND EXPENSES:		
Incurred losses and loss adjustment expenses	268,641	250,397
Commission, brokerage, taxes and fees	68,122	87,491
Other underwriting expenses	43,522	39,514
Corporate expenses	1,772	1,566
Interest, fee and bond issue cost amortization expense	12,616	12,696
Total claims and expenses	394,673	391,664
INCOME (LOSS) BEFORE TAXES	430,347	293,176
Income tax expense (benefit)	144,696	78,452
NET INCOME (LOSS)	$285,651	$214,724
Other comprehensive income (loss), net of tax:		
Unrealized appreciation (depreciation) ("URA(D)") on securities arising during the period	(5,606)	6,411
Less: reclassification adjustment for realized losses (gains) included in net income (loss)	(1,358)	2,713
Total URA(D) on securities arising during the period	(6,964)	9,124
Foreign currency translation adjustments	(7,596)	5,297
Pension adjustments	1,346	984
Total other comprehensive income (loss), net of tax	(13,214)	15,405
COMPREHENSIVE INCOME (LOSS)	$272,437	$230,129

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

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

(Dollars in thousands, except share amounts)	Three Months Ended March 31, 2013	2012 (unaudited)
COMMON STOCK (shares outstanding):		
Balance, beginning of period	1,000	1,000
Balance, end of period	1,000	1,000
ADDITIONAL PAID-IN CAPITAL:		
Balance, beginning of period	$340,223	$333,416
Share-based compensation plans	3,158	1,626
Balance, end of period	343,381	335,042
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), NET OF DEFERRED INCOME TAXES:		
Balance, beginning of period	184,867	174,790
Net increase (decrease) during the period	(13,214)	15,405
Balance, end of period	171,653	190,195
RETAINED EARNINGS:		
Balance, beginning of period	2,953,516	2,433,187
Net income (loss)	285,651	214,724
Balance, end of period	3,239,167	2,647,911
TOTAL STOCKHOLDER'S EQUITY, END OF PERIOD	$3,754,201	$3,173,148

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

EVEREST REINSURANCE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Three Months Ended March 31, 2013	2012
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$285,651	$214,724
Adjustments to reconcile net income to net cash provided by operating activities:		
Decrease (increase) in premiums receivable	(51,555)	37,206
Decrease (increase) in funds held by reinsureds, net	(6,122)	(40,354)
Decrease (increase) in reinsurance receivables	(22,142)	7,668
Decrease (increase) in current income taxes	29,912	(898)
Decrease (increase) in deferred tax asset	102,187	74,674
Decrease (increase) in prepaid reinsurance premiums	(16,378)	4,536
Increase (decrease) in reserve for losses and loss adjustment expenses	(176,428)	(165,989)
Increase (decrease) in unearned premiums	43,947	(10,324)
Increase (decrease) in other net payable to reinsurers	(4,619)	4,105
Increase (decrease) in losses in course of payment	162,432	37,901
Change in equity adjustments in limited partnerships	(11,220)	(11,285)
Change in other assets and liabilities, net	12,988	6,481
Non-cash compensation expense	2,173	1,616
Amortization of bond premium (accrual of bond discount)	6,563	4,274
Amortization of underwriting discount on senior notes	13	13
Net realized capital (gains) losses	(309,806)	(176,141)
Net cash provided by (used in) operating activities	47,596	(11,793)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from fixed maturities matured/called - available for sale, at market value	298,241	202,187
Proceeds from fixed maturities matured/called - available for sale, at fair value	3,000	-
Proceeds from fixed maturities sold - available for sale, at market value	166,934	84,136
Proceeds from fixed maturities sold - available for sale, at fair value	3,664	59,281
Proceeds from equity securities sold - available for sale, at fair value	103,828	239,540
Distributions from other invested assets	32,477	5,861
Cost of fixed maturities acquired - available for sale, at market value	(586,523)	(292,848)
Cost of fixed maturities acquired - available for sale, at fair value	(1,295)	(3,124)
Cost of equity securities acquired - available for sale, at fair value	(120,527)	(105,214)
Cost of other invested assets acquired	(4,661)	(11,636)
Net change in short-term investments	83,622	(222,137)
Net change in unsettled securities transactions	(17,558)	29,769
Net cash provided by (used in) investing activities	(38,798)	(14,185)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Tax benefit from share-based compensation	985	10
Revolving credit borrowings	-	-
Net cash provided by (used in) financing activities	985	10

EFFECT OF EXCHANGE RATE CHANGES ON CASH	(13,548)	22,448
Net increase (decrease) in cash	(3,765)	(3,520)
Cash, beginning of period	347,720	348,267
Cash, end of period	$343,955	$344,747
SUPPLEMENTAL CASH FLOW INFORMATION:		
Income taxes paid (recovered)	$862	$4,625
Interest paid	5,136	5,217

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

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the Three Months Ended March 31, 2013 and 2012

1. GENERAL

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

2. BASIS OF PRESENTATION

The unaudited consolidated financial statements of the Company for the three months ended March 31, 2013 and 2012 include all adjustments, consisting of normal recurring accruals, which, in the opinion of management, are necessary for a fair statement of the results on an interim basis. Certain financial information, which is normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), has been omitted since it is not required for interim reporting purposes. The December 31, 2012 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, 2013 and 2012 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, 2012, 2011 and 2010 included in the Company's most recent Form 10-K filing.

All intercompany accounts and transactions have been eliminated.

Certain reclassifications and format changes have been made to prior period amounts to conform to the current period presentation.

Application of Recently Issued Accounting Standard Changes

Intangibles-Goodwill or Other. In September 2011, the Financial Accounting Standards Board ("FASB") amended the authoritative guidance for disclosures on Goodwill Impairment. The amendment allows an entity first to assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis in determining whether it is necessary to perform the two-step goodwill impairment test. This guidance is effective for periods beginning after December 15, 2011. The Company implemented this guidance as of January 1, 2012.

Presentation of Comprehensive Income. In June 2011, FASB issued amendments to existing guidance to provide two alternatives for the presentation of comprehensive income. Components of net income and comprehensive income can either be presented within a single, continuous financial statement or be presented in two separate but consecutive financial statements. The Company has chosen to present the components of net income and comprehensive income in a single, continuous financial statement. The guidance is effective for reporting periods beginning after December 15, 2011. The Company implemented this guidance as of January 1, 2012. In February, 2013, the FASB issued an additional amendment for the presentation of amounts reclassified out of accumulated other comprehensive income by component. The Company implemented the proposed guidance as of January 1, 2013.

Common Fair Value Measurement. In May 2011, FASB issued amendments to existing guidance to achieve common fair value measurement and disclosure requirements between GAAP and International Financial Reporting Standards. The amendments change wording used to describe many GAAP fair value measurement requirements and disclosures. FASB does not intend for the amendments to cause a change in application of fair value accounting guidance. The guidance is effective for reporting periods beginning after December 15, 2011. The Company implemented this guidance prospectively as of January 1, 2012.

Treatment of Insurance Contract Acquisition Costs. In October 2010, the FASB issued authoritative guidance for the accounting for costs associated with acquiring or renewing insurance contracts. The guidance identifies the incremental direct costs of contract acquisition and costs directly related to acquisition activities that should be capitalized. This guidance is effective for reporting periods beginning after December 15, 2011. The Company implemented this guidance as of January 1, 2012 and determined that $7,215 thousand of previously deferrable acquisition costs would be expensed during 2012 and 2013, including $5,818 thousand and $942 thousand expensed during 2012 and in the three months ended March 31, 2013, respectively.

3. INVESTMENTS

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

	At March 31, 2013			
(Dollars in thousands)	Amortized Cost	Unrealized Appreciation	Unrealized Depreciation	Market Value
Fixed maturity securities				
U.S. Treasury securities and obligations of U.S. government agencies and corporations	$75,235	$ 1,398	$ (696)	$75,937
Obligations of U.S. states and political subdivisions	1,100,226	71,375	(2,062)	1,169,539
Corporate securities	1,593,973	62,251	(4,353)	1,651,871
Asset-backed securities	46,837	2,290	-	49,127
Mortgage-backed securities				
Commercial	45,094	7,165	-	52,259
Agency residential	757,378	11,916	(4,678)	764,616
Non-agency residential	1,324	172	(23)	1,473
Foreign government securities	720,011	50,070	(3,580)	766,501
Foreign corporate securities	1,040,309	45,837	(6,006)	1,080,140
Total fixed maturity securities	$5,380,387	$ 252,474	$ (21,398)	$5,611,463
Equity securities	$15	$ -	$ -	$15

	At December 31, 2012			
(Dollars in thousands)	Amortized Cost	Unrealized Appreciation	Unrealized Depreciation	Market Value
Fixed maturity securities				
U.S. Treasury securities and obligations of U.S. government agencies and corporations	$77,611	$ 1,448	$ (869)	$78,190
Obligations of U.S. states and political subdivisions	1,214,990	78,096	(1,123)	1,291,963
Corporate securities	1,510,186	61,137	(6,471)	1,564,852
Asset-backed securities	44,070	2,417	-	46,487
Mortgage-backed securities				
Commercial	45,157	7,534	(67)	52,624
Agency residential	672,724	12,722	(1,724)	683,722
Non-agency residential	1,933	429	(33)	2,329
Foreign government securities	732,277	51,461	(3,735)	780,003
Foreign corporate securities	990,671	46,850	(6,281)	1,031,240

Total fixed maturity securities	$5,289,619	$ 262,094	$ (20,303	) $5,531,410
Equity securities	$15	$ -	$ (2	) $13

The $766,501 thousand of foreign government securities at March 31, 2013 included $90,168 thousand of European sovereign securities. Approximately 51.5%, 13.7%, 11.6%, 7.1% and 5.3% of European Sovereign Securities represented securities held in the governments of France, the United Kingdom, Sweden, the Netherlands and Austria, respectively. No other countries represented more than 5% of the European

sovereign securities. The Company held no sovereign securities of Portugal, Italy, Ireland, Greece or Spain at March 31, 2013.

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

(Dollars in thousands)	At March 31, 2013	At December 31, 2012
Pre-tax cumulative unrealized appreciation (depreciation)	$ 302	$ 399

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

	At March 31, 2013		At December 31, 2012	
(Dollars in thousands)	Amortized Cost	Market Value	Amortized Cost	Market Value
Fixed maturity securities – available for sale				
Due in one year or less	$303,216	$303,754	$329,474	$330,149
Due after one year through five years	2,537,939	2,631,420	2,380,093	2,462,430
Due after five years through ten years	959,270	1,006,214	1,008,653	1,064,579
Due after ten years	729,329	802,600	807,515	889,090
Asset-backed securities	46,837	49,127	44,070	46,487
Mortgage-backed securities				
Commercial	45,094	52,259	45,157	52,624
Agency residential	757,378	764,616	672,724	683,722
Non-agency residential	1,324	1,473	1,933	2,329
Total fixed maturity securities	$5,380,387	$5,611,463	$5,289,619	$5,531,410

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

	Three Months Ended March 31,	
(Dollars in thousands)	2013	2012
Increase (decrease) during the period between the market value and cost of investments carried at market value, and deferred taxes thereon:		
Fixed maturity securities	$(10,618)	$14,055
Fixed maturity securities, other-than-temporary impairment	(97)	(20)
Equity securities	1	2
Change in unrealized appreciation (depreciation), pre-tax	(10,714)	14,037

Deferred tax benefit (expense)	3,716	(4,920)
Deferred tax benefit (expense), other-than-temporary impairment	34	7
Change in unrealized appreciation (depreciation), net of deferred taxes, included in stockholder's equity	$(6,964)	$9,124

The Company frequently reviews all of its fixed maturity, available for sale securities for declines in market value and focuses its attention on securities whose fair value has fallen below 80% of their amortized cost at the time of review. The Company then assesses whether the decline in value is temporary or other-than-temporary. In making its assessment, the Company evaluates the current market and interest rate environment as well as specific issuer information. Generally, a change in a security's value caused by a change in the market, interest rate or foreign exchange environment does not constitute an other-than-temporary impairment, but rather a temporary decline in market value. Temporary declines in market value are recorded as unrealized losses in accumulated other comprehensive income (loss). If the Company

determines that the decline is other-than-temporary and the Company does not have the intent to sell the security; and it is more likely than not that the Company will not have to sell the security before recovery of its cost basis, the carrying value of the investment is written down to fair value. The fair value adjustment that is credit or foreign exchange related is recorded in net realized capital gains (losses) in the Company's consolidated statements of operations and comprehensive income (loss). The fair value adjustment that is non-credit related is recorded as a component of other comprehensive income (loss), net of tax, and is included in accumulated other comprehensive income (loss) in the Company's consolidated balance sheets. The Company's assessments are based on the issuers current and expected future financial position, timeliness with respect to interest and/or principal payments, speed of repayments and any applicable credit enhancements or breakeven constant default rates on mortgage-backed and asset-backed securities, as well as relevant information provided by rating agencies, investment advisors and analysts.

The majority of the Company's equity securities available for sale at market value are primarily comprised of mutual fund investments whose underlying securities consist of fixed maturity securities. When a fund's value reflects an unrealized loss, the Company assesses whether the decline in value is temporary or other-than-temporary. In making its assessment, the Company considers the composition of its portfolios and their related markets, reports received from the portfolio managers and discussions with portfolio managers. If the Company determines that the declines are temporary and it has the ability and intent to continue to hold the investments, then the declines are recorded as unrealized losses in accumulated other comprehensive income (loss). If declines are deemed to be other-than-temporary, then the carrying value of the investment is written down to fair value and recorded in net realized capital gains (losses) in the Company's consolidated statements of operations and comprehensive income (loss).

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

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

	Duration of Unrealized Loss at March 31, 2013 By Security Type					
	Less than 12 months		Greater than 12 months		Total	
(Dollars in thousands)	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
Fixed maturity securities - available for sale						
U.S. Treasury securities and obligations of U.S. government agencies and corporations	$ 5,333	$ (19)	$ 6,030	$ (677)	$ 11,363	$ (696)
Obligations of U.S. states and political subdivisions	67,022	(2,007)	4,930	(55)	71,952	(2,062)

Corporate securities	112,551	(946)	53,848	(3,407)	166,399	(4,353)
Asset-backed securities	-	-	-	-	-	-
Mortgage-backed securities						
Commercial	-	-	-	-	-	-
Agency residential	322,361	(3,902)	70,171	(776)	392,532	(4,678)
Non-agency residential	-	-	411	(23)	411	(23)
Foreign government securities	7,849	(111)	34,454	(3,469)	42,303	(3,580)
Foreign corporate securities	80,003	(755)	74,027	(5,251)	154,030	(6,006)
Total fixed maturity securities	$ 595,119	$ (7,740)	$ 243,871	$ (13,658)	$ 838,990	$ (21,398)
Equity securities	-	-	15	-	15	-
Total	$ 595,119	$ (7,740)	$ 243,886	$ (13,658)	$ 839,005	$ (21,398)

	Duration of Unrealized Loss at March 31, 2013 By Maturity					
	Less than 12 months		Greater than 12 months		Total	
(Dollars in thousands)	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
Fixed maturity securities						
Due in one year or less	$ 845	$ (4)	$ 20,952	$ (3,170)	$ 21,797	$ (3,174)
Due in one year through five years	148,957	(1,065)	103,911	(8,230)	252,868	(9,295)
Due in five years through ten years	48,859	(661)	30,786	(961)	79,645	(1,622)
Due after ten years	74,097	(2,108)	17,640	(498)	91,737	(2,606)
Asset-backed securities	-	-	-	-	-	-
Mortgage-backed securities	322,361	(3,902)	70,582	(799)	392,943	(4,701)
Total fixed maturity securities	$ 595,119	$ (7,740)	$ 243,871	$ (13,658)	$ 838,990	$ (21,398)

The aggregate market value and gross unrealized losses related to investments in an unrealized loss position at March 31, 2013 were $839,005 thousand and $21,398 thousand, respectively. There were no unrealized losses on a single issuer that exceeded 0.03% of the market value of the fixed maturity securities at March 31, 2013. In addition, as indicated on the above table, there was no significant concentration of unrealized losses in any one market sector. The $7,740 thousand of unrealized losses related to fixed maturity securities that have been in an unrealized loss position for less than one year were primarily comprised of agency residential mortgage-backed securities and state and municipal securities. Of these unrealized losses, $6,819 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating organization. The $13,658 thousand of unrealized losses related to fixed maturity securities in an unrealized loss position for more than one year related primarily to domestic and foreign corporate securities as well as foreign government securities. Of these unrealized losses, $12,805 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating organization. The non-investment grade securities with unrealized losses were mainly comprised of corporate securities, with the majority representing floating interest rate bank loan securities. The gross unrealized depreciation for mortgage-backed securities included $23 thousand related to sub-prime and alt-A loans. In all instances, there were no projected cash flow shortfalls to recover the full book value of the investments and the related interest obligations. The mortgage-backed securities still have excess credit coverage and are current on interest and principal payments.

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

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

	Duration of Unrealized Loss at December 31, 2012 By Security Type					
	Less than 12 months		Greater than 12 months		Total	
(Dollars in thousands)	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
Fixed maturity securities - available for sale						
U.S. Treasury securities and obligations of U.S. government agencies and corporations	$ 8,058	$ (292)	$ 3,386	$ (577)	$ 11,444	$ (869)
Obligations of U.S. states and political subdivisions	38,754	(1,072)	5,781	(51)	44,535	(1,123)
Corporate securities	122,138	(1,566)	62,492	(4,905)	184,630	(6,471)
Asset-backed securities	-	-	-	-	-	-
Mortgage-backed securities						
Commercial	-	-	10,729	(67)	10,729	(67)
Agency residential	177,336	(1,042)	54,595	(682)	231,931	(1,724)
Non-agency residential	-	-	446	(33)	446	(33)
Foreign government securities	13,958	(105)	34,355	(3,630)	48,313	(3,735)
Foreign corporate securities	44,945	(565)	53,672	(5,716)	98,617	(6,281)
Total fixed maturity securities	$ 405,189	$ (4,642)	$ 225,456	$ (15,661)	$ 630,645	$ (20,303)
Equity securities	-	-	13	(2)	13	(2)
Total	$ 405,189	$ (4,642)	$ 225,469	$ (15,663)	$ 630,658	$ (20,305)

	Duration of Unrealized Loss at December 31, 2012 By Maturity					
	Less than 12 months		Greater than 12 months		Total	
(Dollars in thousands)	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
Fixed maturity securities						
Due in one year or less	$ 5,875	$ (24)	$ 19,291	$ (2,833)	$ 25,166	$ (2,857)
Due in one year through five years	103,313	(1,671)	110,161	(10,564)	213,474	(12,235)
Due in five years through ten years	57,225	(678)	16,385	(1,008)	73,610	(1,686)
Due after ten years	61,440	(1,227)	13,849	(474)	75,289	(1,701)
Asset-backed securities	-	-	-	-	-	-
Mortgage-backed securities	177,336	(1,042)	65,770	(782)	243,106	(1,824)
Total fixed maturity securities	$ 405,189	$ (4,642)	$ 225,456	$ (15,661)	$ 630,645	$ (20,303)

The aggregate market value and gross unrealized losses related to investments in an unrealized loss position at December 31, 2012 were $630,658 thousand and $20,305 thousand, respectively. There were no unrealized losses on a single issuer that exceeded 0.02% of the market value of the fixed maturity securities at December 31, 2012. In addition, as indicated on the above table, there was no significant concentration of unrealized losses in any one market sector. The $4,642 thousand of unrealized losses related to fixed maturity securities that have been in an unrealized loss position for less than one year were primarily comprised of domestic corporate securities, state and municipal securities as well as agency residential mortgage-backed securities. Of these unrealized losses, $3,281 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating organization. The $15,661 thousand of unrealized losses related to fixed maturity securities in an unrealized loss position for more than one year related primarily to domestic and foreign corporate securities as well as foreign government securities. Of these unrealized losses, $14,401 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating organization. The non-investment grade securities with unrealized losses were mainly comprised of corporate securities, with the majority representing floating interest rate bank loan securities. The gross unrealized depreciation for mortgage-backed securities included $33 thousand related to sub-prime and alt-A loans. In all instances, there were no projected cash flow shortfalls to recover the full book value of the

investments and the related interest obligations. The mortgage-backed securities still have excess credit coverage and are current on interest and principal payments.

Other invested assets, at fair value, is comprised of common shares of the Company's ultimate parent, Group. At March 31, 2013, the Company held 9,719,971 shares of Group representing 16.3% of the total outstanding shares.

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

	Three Months Ended March 31,	
(Dollars in thousands)	2013	2012
Fixed maturities	$53,899	$54,821
Equity securities	7,731	10,305
Short-term investments and cash	266	128
Other invested assets		
Limited partnerships	11,348	11,612
Dividends from Parent's shares	4,666	4,666
Other	2,320	1,518
Gross investment income before adjustments	80,230	83,050
Funds held interest income (expense)	2,418	1,948
Gross investment income	82,648	84,998
Investment expenses	(5,779)	(3,756)
Net investment income	$76,869	$81,242

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

The Company had contractual commitments to invest up to an additional $66,345 thousand in limited partnerships at March 31, 2013. These commitments will be funded when called in accordance with the partnership agreements, which have investment periods that expire, unless extended, through 2016.

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

	Three Months Ended March 31,	
(Dollars in thousands)	2013	2012
Fixed maturity securities, market value:		
Other-than-temporary impairments	$-	$(5,674)
Gains (losses) from sales	2,089	1,501
Fixed maturity securities, fair value:		
Gain (losses) from sales	(58)	5,207
Gains (losses) from fair value adjustments	84	3,031
Equity securities, market value:		
Gains (losses) from sales	-	-
Equity securities, fair value:		
Gains (losses) from sales	8,083	22,317
Gains (losses) from fair value adjustments	106,069	67,820
Other invested assets, fair value:		
Gains (losses) from fair value adjustments	193,525	81,939
Short-term investment gains (losses)	14	-
Total net realized capital gains (losses)	$309,806	$176,141

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

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

	Three Months Ended March 31,	
(Dollars in thousands)	2013	2012
Proceeds from sales of fixed maturity securities	$170,598	$143,417
Gross gains from sales	3,811	8,988
Gross losses from sales	(1,780)	(2,280)
Proceeds from sales of equity securities	$103,828	$239,540
Gross gains from sales	8,869	26,826
Gross losses from sales	(786)	(4,509)

4. FAIR VALUE

The Company's fixed maturity and equity securities are primarily managed by third party investment asset managers. The investment asset managers obtain prices from nationally recognized pricing services. These services

seek to utilize market data and observations in their evaluation process. They use pricing applications that vary by asset class and incorporate available market information and when fixed maturity securities do not trade on a daily basis the services will apply available information through processes such as benchmark curves, benchmarking of like securities, sector groupings and matrix pricing. In addition, they use model processes, such as the Option Adjusted Spread model to develop prepayment and interest rate scenarios for securities that have prepayment features.

In limited instances where prices are not provided by pricing services or in rare instances when a manager may not agree with the pricing service, price quotes on a non-binding basis are obtained from investment brokers. The investment asset managers do not make any changes to prices received from either the pricing services or the investment brokers. In addition, the investment asset managers have procedures in place to review the reasonableness of the prices from the service providers and may request verification of the prices. In addition, the Company continually performs analytical reviews of price changes and tests the prices on a random basis to an independent pricing source. No material variances were noted during these price validation procedures. In limited situations, where financial markets are inactive or illiquid, the Company may use its own assumptions about future cash flows and risk-adjusted discount rates to determine fair value. The Company made no such adjustments at March 31, 2013 and December 31, 2012.

The Company internally manages a small public equity portfolio which had a fair value at March 31, 2013 of $75,956 thousand and all prices were obtained from publically published sources.

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

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

As of March 31, 2013 and December 31, 2012, all Level 3 fixed maturity securities, were priced using single non-binding broker quotes since prices for these securities were not provided by normal pricing service companies. The single broker quotes are provided by market makers or broker-dealers who are recognized as market participants in the markets in which they are providing the quotes. The prices received from brokers are reviewed for reasonableness by the third party asset managers and the Company.

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

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

		Fair Value Measurement Using:		
(Dollars in thousands)	March 31, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Fixed maturities, market value				
U.S. Treasury securities and obligations of U.S. government agencies and corporations	$ 75,937	$-	$75,937	$ -
Obligations of U.S. States and political subdivisions	1,169,539	-	1,169,539	-
Corporate securities	1,651,871	-	1,651,871	-
Asset-backed securities	49,127	-	44,441	4,686
Mortgage-backed securities				
Commercial	52,259	-	52,259	-
Agency residential	764,616	-	764,616	-
Non-agency residential	1,473	-	1,468	5
Foreign government securities	766,501	-	766,501	-
Foreign corporate securities	1,080,140	-	1,078,348	1,792
Total fixed maturities, market value	5,611,463	-	5,604,980	6,483
Fixed maturities, fair value	36,127	-	36,127	-
Equity securities, market value	15	15	-	-
Equity securities, fair value	1,330,699	1,192,549	138,150	-
Other invested assets, fair value	1,262,235	1,262,235	-	-

There were no transfers between Level 1 and Level 2 for the three months ended March 31, 2013.

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

		Fair Value Measurement Using:		
(Dollars in thousands)	December 31, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Fixed maturities, market value				
U.S. Treasury securities and obligations of U.S. government agencies and corporations	$ 78,190	$ -	$ 78,190	$ -
Obligations of U.S. States and political subdivisions	1,291,963	-	1,291,963	-
Corporate securities	1,564,852	-	1,564,852	-
Asset-backed securities	46,487	-	41,638	4,849
Mortgage-backed securities				
Commercial	52,624	-	52,624	-
Agency residential	683,722	-	654,324	29,398
Non-agency residential	2,329	-	2,324	5
Foreign government securities	780,003	-	780,003	-
Foreign corporate securities	1,031,240	-	1,019,819	11,421
Total fixed maturities, market value	5,531,410	-	5,485,737	45,673
Fixed maturities, fair value	41,470	-	41,470	-
Equity securities, market value	13	13	-	-
Equity securities, fair value	1,199,848	1,059,288	140,560	-
Other invested assets, fair value	1,068,711	1,068,711	-	-

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

	Three Months Ended March 31, 2013					Three Months Ended March 31, 2012			
(Dollars in thousands)	Asset-backed Securities	Foreign Corporate	Non-agency RMBS	Agency RMBS	Total	Asset-backed Securities	Foreign Corporate	Non-agency RMBS	Total
Beginning balance	$ 4,849	$ 11,421	$ 5	$ 29,398	$ 45,673	$ 16,046	$ 2,536	$ 7	$ 18,589
Total gains or (losses) (realized/unrealized)									
Included in earnings	(99)	(2)	-	-	(101)	55	(3)	1	53
Included in other comprehensive income	(190)	(124)	-	-	(314)	332	125	(1)	456

(loss)									
Purchases, issuances and settlements	126	750	-	-	876	2,675	2,461	(1)	5,135
Transfers in and/or (out) of Level 3	-	(10,253)	-	(29,398)	(39,651)	(6,352)	-	-	(6,352)
Ending balance	$ 4,686	$ 1,792	$ 5	$ -	$ 6,483	$ 12,756	$ 5,119	$ 6	$ 17,881
The amount of total gains or losses for the period included									
in earnings (or changes in net assets) attributable to the									
change in unrealized gains or losses relating to assets									
still held at the reporting date	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
(Some amounts may not reconcile due to rounding.)									

5. CAPITAL TRANSACTIONS

On October 14, 2011, the Company renewed its shelf registration statement on Form S-3ASR with the SEC, as a Well Known Seasoned Issuer. This shelf registration statement can be used by Group to register common shares, preferred shares, debt securities, warrants, share purchase contracts and share purchase units; by Holdings to register debt securities and by Everest Re Capital Trust III ("Capital Trust III") to register trust preferred securities.

6. CONTINGENCIES

In the ordinary course of business, the Company is involved in lawsuits, arbitrations and other formal and informal dispute resolution procedures, the outcomes of which will determine the Company's rights and obligations under insurance and reinsurance agreements. In some disputes, the Company seeks to enforce its rights under an agreement or to collect funds owing to it. In other matters, the Company is resisting attempts by others to collect funds or enforce alleged rights. These disputes arise from time to time and are ultimately resolved through both informal and formal means, including negotiated resolution, arbitration and litigation. In all such matters, the Company believes that its positions are legally and commercially reasonable. The Company considers the statuses of these proceedings when determining its reserves for unpaid loss and loss adjustment expenses.

Aside from litigation and arbitrations related to these insurance and reinsurance agreements, the Company is not a party to any other material litigation or arbitration.

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

(Dollars in thousands)	At March 31, 2013	At December 31, 2012
	$ 144,524	$ 144,628

Prior to its 1995 initial public offering, the Company purchased annuities from an unaffiliated life insurance company with an A+ (Superior) financial strength rating from A.M. Best to settle certain claim liabilities of the company. Should the life insurance company become unable to make the annuity payments, the Company would be liable for those claim liabilities. The table below presents the estimated cost to replace all such annuities for which the Company was contingently liable for the periods indicated:

(Dollars in thousands)	At March 31, 2013	At December 31, 2012
	$ 28,897	$ 29,132

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7. OTHER COMPREHENSIVE INCOME (LOSS)

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

(Dollars in thousands)	Three Months Ended March 31, 2013	2012
Net income (loss)	$285,651	$214,724
Other comprehensive income (loss), before tax:		
Unrealized appreciation (depreciation) ("URA(D)") on securities arising during the period		
URA(D) of investments - temporary	(8,528)	9,884
URA(D) of investments - non-credit OTTI	(97)	(20)
URA(D) on securities arising during the period	(8,625)	9,864
Reclassification adjustment for realized losses (gains) included in net income (loss)	(2,089)	4,173
Total URA(D) on securities arising during the period	(10,714)	14,037
Foreign currency translation adjustments	(11,686)	8,149
Reclassification adjustment for benefit plan amortization included in net income (loss)	2,070	1,513
Total other comprehensive income (loss), before tax	(20,330)	23,699
Income tax benefit (expense) related to items of other comprehensive income (loss):		
Tax benefit (expense) on URA(D) arising during the period		
Tax benefit (expense) on URA(D) of investments - temporary	2,985	(3,460)
Tax benefit (expense) on URA(D) of investments - non-credit OTTI	34	7
Tax benefit (expense) on URA(D) on securities arising during the period	3,019	(3,453)
Reclassification of tax expense (benefit) on realized losses (gains) included in net income (loss)	731	(1,460)
Total tax benefit (expense) from URA(D) arising during the period	3,750	(4,913)
Tax benefit (expense) from foreign currency translation	4,090	(2,852)
Reclassification of tax expense (benefit) on benefit plan amortization included in net income (loss)	(724)	(529)
Total income tax benefit (expense) related to items of other comprehensive income (loss):	7,116	(8,294)
Other comprehensive income (loss), net of tax	(13,214)	15,405
Comprehensive income (loss)	$272,437	$230,129

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

(Dollars in thousands)	At March 31, 2013	At December 31, 2012

Beginning balance of URA (D) on securities	$ 157,163	$ 147,140
Current period change in URA (D) of investments - temporary	(6,901)	10,177
Current period change in URA (D) of investments - non-credit OTTI	(63)	(154)
Ending balance of URA (D) on securities	150,199	157,163
Beginning balance of foreign currency translation adjustments	90,215	83,185
Current period change in foreign currency translation adjustments	(7,596)	7,030
Ending balance of foreign currency translation adjustments	82,619	90,215
Beginning balance of benefit plans	(62,511)	(55,535)
Current period change in benefit plans	1,346	(6,976)
Ending balance of benefit plans	(61,165)	(62,511)
Ending balance of accumulated other comprehensive income (loss)	$ 171,653	$ 184,867

8. CREDIT FACILITY

Effective August 15, 2011, the Company entered into a new three year, $150,000 thousand unsecured revolving credit facility with a syndicate of lenders, replacing the August 23, 2006 five year senior revolving credit facility. Both the August 15, 2011 and August 23, 2006 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 may be used for liquidity and general corporate purposes. The Holdings Credit Facility provides for the borrowing of up to $150,000 thousand with interest at a rate selected by Holdings equal to either, (1) the Base Rate (as defined below) or (2) a periodic fixed rate equal to the Eurodollar Rate plus an applicable margin. The Base Rate means a fluctuating interest rate per annum in effect from time to time to be equal to the higher of (a) the rate of interest publicly announced by Citibank as its base rate, (b) 0.5% per annum above the Federal Funds Rate or (c) 1% above the one month London Interbank Offered Rate ("LIBOR"), 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 $1,875,000 thousand plus 25% of future aggregate net income and 25% of future aggregate capital contributions after December 31, 2010, which at March 31, 2013, was $2,016,650 thousand. As of March 31, 2013, the Company was in compliance with all Holdings Credit Facility covenants.

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

(Dollars in thousands)	At March 31, 2013			At December 31, 2012		
Bank	Commitment	In Use	Date of Maturity/Expiry Loan Date	Commitment	In Use	Date of Maturity/Expiry Loan Date
Citibank Holdings Credit Facility	$ 150,000	$ -		$ 150,000	$ -	
Total revolving credit borrowings		-			-	
Total letters of credit		1,551	12/31/2013		1,551	12/31/2013
Total Citibank Holdings Credit Facility	$ 150,000	$ 1,551		$ 150,000	$ 1,551	

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

(Dollars in thousands)	Three Months Ended March 31, 2013	2012

Credit facility fees incurred	$65	$167

9. TRUST AGREEMENTS

A subsidiary of the Company, Everest Re, has established a trust agreement, which effectively uses Everest Re's investments as collateral, as security for assumed losses payable to a non-affiliated ceding company. At March 31, 2013, the total amount on deposit in the trust account was $140,525 thousand.

10. SENIOR NOTES

The table below displays Holdings' outstanding senior notes. Market value is based on quoted market prices, but due to limited trading activity, these senior notes are considered Level 2 in the fair value hierarchy.

(Dollars in thousands)	Date Issued	Date Due	Principal Amounts	March 31, 2013 Consolidated Balance Sheet Amount	March 31, 2013 Market Value	December 31, 2012 Consolidated Balance Sheet Amount	December 31, 2012 Market Value
5.40% Senior notes	10/12/2004	10/15/2014	$ 250,000	$ 249,919	$ 265,768	$ 249,907	$ 266,390

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

	Three Months Ended March 31,	
(Dollars in thousands)	2013	2012
Interest expense incurred	$3,387	$3,387

11. LONG TERM SUBORDINATED NOTES

The table below displays Holdings' outstanding fixed to floating rate long term subordinated notes. Market value is based on quoted market prices, but due to limited trading activity, these subordinated notes are considered Level 2 in the fair value hierarchy.

(Dollars in thousands)	Date Issued	Original Principal Amount	Maturity Date Scheduled	Maturity Date Final	March 31, 2013 Consolidated Balance Sheet Amount	March 31, 2013 Market Value	December 31, 2012 Consolidated Balance Sheet Amount	December 31, 2012 Market Value
6.6% Long term subordinated notes	04/26/2007	$ 400,000	05/15/2037	05/01/2067	$ 238,358	$ 243,304	$ 238,357	$ 242,138

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

May 15, 2017, and compounded quarterly for periods from and including May 15, 2017.

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

On March 19, 2009, Group announced the commencement of a cash tender offer for any and all of the 6.60% fixed to floating rate long term subordinated notes. Upon expiration of the tender offer, the Company had reduced its outstanding debt by $161,441 thousand.

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

	Three Months Ended March 31,	
(Dollars in thousands)	2013	2012
Interest expense incurred	$3,937	$3,937

12. JUNIOR SUBORDINATED DEBT SECURITIES PAYABLE

The following table displays Holdings' outstanding junior subordinated debt securities due to Everest Re Capital Trust II ("Capital Trust II"), a wholly owned finance subsidiary of Holdings. Fair value is primarily based on the quoted market price of the related trust preferred securities, and as such, these securities are considered Level 2 under the fair value hierarchy.

				March 31, 2013		December 31, 2012	
(Dollars in thousands)	Date Issued	Date Due	Amount Issued	Consolidated Balance Sheet Amount	Fair Value	Consolidated Balance Sheet Amount	Fair Value
6.20% Junior subordinated debt securities	03/29/2004	03/29/2034	$ 329,897	$ 329,897	$ 330,793	$ 329,897	$ 333,225

Holdings may redeem the junior subordinated debt securities before their maturity at 100% of their principal amount plus accrued interest as of the date of redemption. The securities may be redeemed, in whole or in part, on one or more occasions at any time on or after March 30, 2009; or at any time, in whole, but not in part, within 90 days of the occurrence and continuation of a determination that the Trust may become subject to tax or the Investment Company Act.

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

	Three Months Ended March 31,	
(Dollars in thousands)	2013	2012
Interest expense incurred	$5,113	$5,113

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

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

There are certain regulatory and contractual restrictions on the ability of Holdings' operating subsidiaries to transfer funds to Holdings in the form of cash dividends, loans or advances. The insurance laws of the State of Delaware, where Holdings' direct insurance subsidiaries are domiciled, require regulatory approval before those subsidiaries can pay dividends or make loans or advances to Holdings that exceed certain statutory thresholds. In addition, the terms of Holdings Credit Facility (discussed in Note 8) require Everest Re, Holdings' principal insurance subsidiary, to maintain a certain statutory surplus level as measured at the end of each fiscal year. At December 31, 2012, $2,272,346 thousand of the $3,068,916 thousand in net assets of Holdings' consolidated subsidiaries were subject to the foregoing regulatory restrictions.

13. SEGMENT REPORTING

The U.S. Reinsurance operation writes property and casualty reinsurance and specialty lines of business, including Marine, Aviation, Surety and Accident and Health ("A&H") business, on both a treaty and facultative basis, through reinsurance brokers, as well as directly with ceding companies primarily within the U.S. The International operation writes non-U.S. property and casualty reinsurance through Everest Re's branches in Canada, Singapore and through offices in Brazil, Miami and New Jersey. The Insurance operation writes property and casualty insurance, including medical stop loss insurance, directly and through general agents, brokers and surplus lines brokers within the U.S. and Canada.

These segments are managed independently, but conform with corporate guidelines with respect to pricing, risk management, control of aggregate catastrophe exposures, capital, investments and support operations. Management generally monitors and evaluates the financial performance of these operating segments based upon their underwriting results.

Underwriting results include earned premium less losses and loss adjustment expenses ("LAE") incurred, commission and brokerage expenses and other underwriting expenses. Underwriting results are measured using ratios, in particular loss, commission and brokerage and other underwriting expense ratios, which, respectively, divide incurred losses, commissions and brokerage and other underwriting expenses by premiums earned.

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

U.S. Reinsurance	Three Months Ended March 31,	
(Dollars in thousands)	2013	2012
Gross written premiums	$434,791	$369,481
Net written premiums	217,623	187,225
Premiums earned	$196,945	$183,867
Incurred losses and LAE	101,194	109,749
Commission and brokerage	38,130	45,177
Other underwriting expenses	10,534	10,754
Underwriting gain (loss)	$47,087	$18,187

International	Three Months Ended March 31,	
(Dollars in thousands)	2013	2012
Gross written premiums	$300,399	$280,461
Net written premiums	133,789	136,329
Premiums earned	$141,893	$147,793
Incurred losses and LAE	82,083	64,640
Commission and brokerage	28,107	31,762
Other underwriting expenses	7,930	6,740
Underwriting gain (loss)	$23,773	$44,651

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Insurance	Three Months Ended March 31,	
(Dollars in thousands)	2013	2012
Gross written premiums	$248,556	$207,249
Net written premiums	124,755	103,825
Premiums earned	$109,168	$102,051
Incurred losses and LAE	85,364	76,008
Commission and brokerage	1,885	10,552
Other underwriting expenses	25,058	22,020
Underwriting gain (loss)	$(3,139)	$(6,529)

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

	Three Months Ended March 31,	
(Dollars in thousands)	2013	2012
Underwriting gain (loss)	$67,721	$56,309
Net investment income	76,869	81,242
Net realized capital gains (losses)	309,806	176,141
Corporate expense	(1,772)	(1,566)
Interest, fee and bond issue cost amortization expense	(12,616)	(12,696)
Other income (expense)	(9,661)	(6,254)
Income (loss) before taxes	$430,347	$293,176

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

	Three Months Ended March 31,	
(Dollars in thousands)	2013	2012
Canada	$40,146	$47,440

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

14. RELATED-PARTY TRANSACTIONS

Parent

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

Amendment Date (Dollars in thousands)	Common Shares Authorized for Repurchase
09/21/2004	5,000,000
07/21/2008	5,000,000
02/24/2010	5,000,000
02/22/2012	5,000,000
	20,000,000

As of March 31, 2013, Holdings held 9,719,971 common shares of Group, which it had purchased in the open market between February 1, 2007 and March 8, 2011. The table below represents the total purchase price for these common shares purchased.

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

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

	Three Months Ended March 31,	
(Dollars in thousands)	2013	2012
Dividends received	$4,666	$4,666

Outside Directors

During the normal course of business, the Company, through its affiliates, engages in insurance and brokerage and commission business transactions, with companies controlled by or affiliated with one or more of Group's outside directors. Such transactions, individually and in the aggregate, are not material to the Company's financial condition, results of operation and cash flows.

Affiliated Companies

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

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

	Three Months Ended March 31,	
(Dollars in thousands)	2013	2012
Expenses incurred	$ 18,555	$ 18,134

Affiliates

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

(Dollars in thousands)

Coverage Period	Ceding Company	Percent Ceded	Assuming Company	Type of Business	Single Occurrence Limit	Aggregate Limit
01/01/2002-12/31/2002	Everest Re	20.0 %	Bermuda Re	property / casualty business	$ -	$ -
01/01/2003-12/31/2003	Everest Re	25.0 %	Bermuda Re	property / casualty business	-	-
01/01/2004-12/31/2005	Everest Re	22.5 %	Bermuda Re	property / casualty business	-	-
	Everest Re	2.5 %	Everest International	property / casualty business	-	-
01/01/2006-12/31/2006	Everest Re	18.0 %	Bermuda Re	property business	125,000 (1)	-
	Everest Re	2.0 %	Everest International	property business	-	-
01/01/2006-12/31/2007	Everest Re	31.5 %	Bermuda Re	casualty business	-	-
	Everest Re	3.5 %	Everest International	casualty business	-	-
01/01/2007-12/31/2007	Everest Re	22.5 %	Bermuda Re	property business	130,000 (1)	-

	Everest Re	2.5	%	Everest International	property business	-	-
01/01/2008-12/31/2008	Everest Re	36.0	%	Bermuda Re	property / casualty business	130,000 (1)	275,000(2)
	Everest Re	4.0	%	Everest International	property / casualty business	-	-
01/01/2009-12/31/2009	Everest Re	36.0	%	Bermuda Re	property / casualty business	150,000 (1)	325,000(2)
	Everest Re	8.0	%	Everest International	property / casualty business	-	-
01/01/2010-12/31/2010	Everest Re	44.0	%	Bermuda Re	property / casualty business	150,000	325,000
01/01/2011-12/31/2011	Everest Re	50.0	%	Bermuda Re	property / casualty business	150,000	300,000
01/01/2012	Everest Re	50.0	%	Bermuda Re	property / casualty business	100,000	200,000
01/01/2003-12/31/2006	Everest Re-Canadian Branch	50.0	%	Bermuda Re	property business	-	-
01/01/2007-12/31/2009	Everest Re-Canadian Branch	60.0	%	Bermuda Re	property business	-	-
01/01/2010-12/31/2010	Everest Re-Canadian Branch	60.0	%	Bermuda Re	property business	350,000 (3)	-
01/01/2011-12/31/2011	Everest Re-Canadian Branch	60.0	%	Bermuda Re	property business	350,000 (3)	-
01/01/2012-12/31/2012	Everest Re-Canadian Branch	75.0	%	Bermuda Re	property / casualty business	206,250 (3)	412,500(3)
01/01/2013	Everest Re-Canadian Branch	75.0	%	Bermuda Re	property / casualty business	150,000 (3)	412,500(3)
01/01/2012	Everest Canada	80.0	%	Everest Re-Canadian Branch	property business	-	-

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

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

(3) Amounts shown are Canadian dollars.

For premiums earned and losses incurred for the period January 1, 2002 through December 31, 2002, Everest Re, Everest National Insurance Company and Everest Security Insurance Company entered into an Excess of Loss Reinsurance Agreement with Bermuda Re, covering workers' compensation losses occurring on and after January 1, 2002, as respect to new, renewal and in force policies effective on that date through December 31, 2002. The table below represents Bermuda Re's liability limits for any losses per one occurrence.

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

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

(Dollars in thousands)

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

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

Bermuda Re	Three Months Ended March 31,	
(Dollars in thousands)	2013	2012
Ceded written premiums	$477,131	$399,068
Ceded earned premiums	454,382	398,032
Ceded losses and LAE (a)	231,531	256,375

Everest International	Three Months Ended March 31,	
(Dollars in thousands)	2013	2012
Ceded written premiums	$(135)	$255
Ceded earned premiums	61	1,092
Ceded losses and LAE	40	(2,099)

Everest Canada	Three Months Ended March 31,

(Dollars in thousands)	2013	2012
Assumed written premiums	$2,838	$3,167
Assumed earned premiums	3,770	3,852
Assumed losses and LAE	2,226	2,311

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

Everest Re sold net assets of its UK branch to Bermuda Re and provided Bermuda Re with a reserve indemnity agreement allowing for indemnity payments of up to 90% of 25.0 million of the excess of 2002 and prior reserves, provided that any recognition of profit from the reserves for 2002 and prior underwriting years is taken into account. The limit available under this agreement was fully exhausted at December 31, 2004.

15. INCOME TAXES

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

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

During the first quarter of 2012, the Company identified an understatement in its Deferred tax asset account of $12,417 thousand. The understatement resulted from differences between filed and recorded amounts that had accumulated over several prior periods. The Company corrected this understatement in its March 31, 2012 financial statements, resulting in an additional $12,417 thousand income tax benefit included in the income tax expense (benefit) caption in the Consolidated Statements of Operations and Comprehensive Income (Loss) and increased net income for the same amount for the quarter ended March 31, 2012. The Company also increased its Deferred tax asset in its Consolidated Balance Sheets by the same amount. The Company believes that this out of period adjustment is immaterial to its March 31, 2012 financial statements and to all prior periods. As such, the Company has not restated any prior period amounts.

16. SUBSEQUENT EVENTS

The Company has announced that on May 24, 2013, it will redeem at par value the $329,897 thousand of 6.2% junior subordinated debt securities that were due to mature on May 29, 2034. Available funds primarily will be used for the redemption.

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

Industry Conditions.

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

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

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

However, during the fourth quarter of 2012, the industry sustained significant losses from Superstorm Sandy and also sustained significant losses during 2011 from Australian floods, the New Zealand earthquake, the earthquake and tsunami in Japan, storms in the U.S., and the Thailand floods. It is too early to determine the longer term impact on market conditions as a result of these events. While the 2011 events have resulted in meaningful rate increases for catastrophe coverages in some global catastrophe prone regions, particularly areas impacted by these losses, whether the magnitude of these 2012 and 2011 losses is sufficient to increase rates and improve market conditions for other lines of business remains to be seen.

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

Financial Summary.

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

(Dollars in millions)	Three Months Ended March 31, 2013	2012	Percentage Increase/ (Decrease)
Gross written premiums	$983.7	$ 857.2	14.8 %
Net written premiums	476.2	427.4	11.4 %
REVENUES:			
Premiums earned	$448.0	$ 433.7	3.3 %
Net investment income	76.9	81.2	-5.4 %
Net realized capital gains (losses)	309.8	176.1	75.9 %
Other income (expense)	(9.7)	(6.3)	54.5 %
Total revenues	825.0	684.8	20.5 %
CLAIMS AND EXPENSES:			
Incurred losses and loss adjustment expenses	268.6	250.4	7.3 %
Commission, brokerage, taxes and fees	68.1	87.5	-22.1 %
Other underwriting expenses	43.5	39.5	10.1 %
Corporate expense	1.8	1.6	13.2 %
Interest, fee and bond issue cost amortization expense	12.6	12.7	-0.6 %
Total claims and expenses	394.7	391.7	0.8 %
INCOME (LOSS) BEFORE TAXES	430.3	293.2	46.8 %
Income tax expense (benefit)	144.7	78.5	84.4 %
NET INCOME (LOSS)	$285.7	$ 214.7	33.0 %
RATIOS:			Point Change
Loss ratio	60.0 %	57.7 %	2.3
Commission and brokerage ratio	15.2 %	20.2 %	(5.0)
Other underwriting expense ratio	9.7 %	9.1 %	0.6
Combined ratio	84.9 %	87.0 %	(2.1)

(Dollars in millions)	At March 31, 2013	At December 31, 2012	Percentage Increase/ (Decrease)
Balance sheet data:			
Total investments and cash	$9,370.4	$ 9,075.5	3.3 %
Total assets	15,346.1	15,088.0	1.7 %
Loss and loss adjustment expense reserves	7,945.0	8,143.1	-2.4 %
Total debt	818.2	818.2	0.0 %
Total liabilities	11,591.9	11,609.3	-0.2 %
Stockholder's equity	3,754.2	3,478.6	7.9 %

(Some amounts may not reconcile due to rounding.)

Revenues.

Premiums. Gross written premiums increased by 14.8% to $983.7 million for the three months ended March 31, 2013 compared to $857.2 million for the three months ended March 31, 2012, reflecting an $85.2 million increase in our reinsurance business and a $41.3 million increase in our insurance business. The increase in reinsurance premiums was primarily due to new business, increased participations on existing business and higher original rates on subject business. The increase in insurance premiums was primarily due to the growth in California workers compensation, crop and non-standard auto business. Net

written premiums increased by 11.4% to $476.2 million for the three months ended March 31, 2013 compared to $427.4 million for the three months ended March 31, 2012, which is consistent with the increase in gross written premiums. Premiums earned increased by 3.3% to $448.0 million for the three months ended March 31, 2013 compared to $433.7 million for the three months ended March 31, 2012. The change in premiums earned relative to net written premiums is the result of timing; premiums are earned ratably over the coverage period whereas written premiums are recorded at the initiation of the coverage period.

Net Investment Income. Net investment income decreased by 5.4% to $76.9 million for the three months ended March 31, 2013 compared with net investment income of $81.2 million for the three months ended March 31, 2012. Net pre-tax investment income, as a percentage of average invested assets was 3.7% for the three months ended March 31, 2013 compared to 4.0% for the three months ended March 31, 2012. The decline in income and yield was primarily the result of lower reinvestment rates for the fixed income portfolios, and decreased dividend income from equity investments, due to the partial liquidation of some mutual funds.

Net Realized Capital Gains (Losses). Net realized capital gains were $309.8 million and $176.1 million for the three months ended March 31, 2013 and 2012, respectively. Of the $309.8 million, there were $299.7 million of gains from fair value re-measurements and $10.1 million of net realized capital gains from sales on our fixed maturity and equity securities. The net realized capital gains of $176.1 million for the three months ended March 31, 2012 were the result of $152.8 million of gains from fair value re-measurements and $29.0 million of net realized capital gains from sales on our fixed maturity and equity securities, partially offset by $5.7 million of other-than-temporary impairments on our available for sale fixed maturity securities.

Other Income (Expense). We recorded other expense of $9.7 million and $6.3 million for the three months ended March 31, 2013 and 2012, respectively. The changes were primarily due to fluctuations in currency exchange rates for the corresponding periods.

Claims and Expenses.
Incurred Losses and Loss Adjustment Expenses. The following table presents our incurred losses and loss adjustment expenses (“LAE”) for the periods indicated.

	Three Months Ended March 31,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2013						
Attritional	$ 255.9	57.2 %	$ (1.6)	-0.4 %	$ 254.3	56.8 %
Catastrophes	-	0.0 %	14.3	3.2 %	14.3	3.2 %
A&E	-	0.0 %	-	0.0 %	-	0.0 %
Total segment	$ 255.9	57.2 %	$ 12.7	2.8 %	$ 268.6	60.0 %
2012						
Attritional	$ 235.4	54.2 %	$ 1.8	0.4 %	$ 237.2	54.6 %
Catastrophes	15.0	3.5 %	(1.9)	-0.4 %	13.1	3.1 %
A&E	-	0.0 %	0.1	0.0 %	0.1	0.0 %
Total segment	$ 250.4	57.7 %	$ -	0.0 %	$ 250.4	57.7 %
Variance 2013/2012						

Attritional	$	20.5		3.0		pts	$	(3.4	)	(0.8	)	pts	$	17.1		2.2		pts
Catastrophes		(15.0	)	(3.5	)	pts		16.2		3.6		pts		1.2		0.1		pts
A&E		-		-		pts		(0.1	)	-		pts		(0.1	)	-		pts
Total segment	$	5.5		(0.5	)	pts	$	12.7		2.8		pts	$	18.2		2.3		pts

(a) Attritional losses exclude catastrophe and Asbestos and Environmental ("A&E") losses.

(Some amounts may not reconcile due to rounding.)

Incurred losses and LAE increased by 7.3% to $268.6 million for the three months ended March 31, 2013 compared to $250.4 million for the three months ended March 31, 2012, representing 2.3 loss ratio points. The increase was mainly due to increased premiums in 2013 and prior year development on Superstorm

Sandy. Current year catastrophe losses were lower by $15.0 million, or 3.5 points, period over period. There were no current year catastrophe losses for the three months ended March 31, 2013. The $15.0 million of current year catastrophe losses for the three months ended March 31, 2012 related to U.S. storms. Current year attritional losses increased $20.5 million, representing 3.0 loss ratio points, due to increased premiums, the impact of changes in our affiliated quota share agreements and the effect of fluctuations in foreign currency.

Commission, Brokerage, Taxes and Fees. Commission, brokerage, taxes and fees decreased by 22.1% to $68.1 million for the three months ended March 31, 2013 compared to $87.5 million for the three months ended March 31, 2012. The three months ended March 31, 2013 decrease is due primarily to an increase in excess of loss business which carries a lower commission than pro rata business, and growth in crop insurance on a direct distribution basis, which has lower acquisition costs.

Other Underwriting Expenses. Other underwriting expenses were $43.5 million and $39.5 million for the three months ended March 31, 2013 and 2012, respectively. The increase in other underwriting expense was mainly due to higher compensation expenses.

Corporate Expenses. Corporate expenses, which are general operating expenses that are not allocated to segments, were $1.8 million and $1.6 million for the three months ended March 31, 2013 and 2012, respectively.

Interest, Fees and Bond Issue Cost Amortization Expense. Interest, fees and other bond amortization expense was $12.6 million and $12.7 million for the three months ended March 31, 2013 and 2012, respectively.

Income Tax Expense (Benefit). Income tax expense was $144.7 million and $78.5 million for the three months ended March 31, 2013 and 2012, respectively. Our income tax is primarily a function of the statutory tax rates coupled with the impact from tax-preferenced investment income. Variations in our effective tax rate generally result from changes in the relative levels of pre-tax income. The increases in tax expense were mainly due to the increase in taxable income resulting from higher underwriting income and net capital gains in 2013. The 2012 income tax expense also reflects tax benefit of $12.4 million realized due to corrections of understatement in the deferred tax asset account.

Net Income (Loss).
Our net income was $285.7 million and $214.7 million for the three months ended March 31, 2013 and 2012, respectively. The increase was primarily driven by the financial component fluctuations explained above.

Ratios.
Our combined ratio decreased by 2.1 points to 84.9% for the three months ended March 31, 2013 compared to 87.0% for the three months ended March 31, 2012. The loss ratio component increased 2.3 points for the three months ended March 31, 2013 over the same period last year due mainly to the impact of changes in our affiliated quota share agreements and the effect of fluctuations in foreign currency. The commission and brokerage ratio component decreased 5.0 points over the same period last year due to an increase in excess of loss business which carries a lower commission than pro rata business, and growth in crop insurance on a direct distribution basis, which has lower acquisition costs. The other underwriting expense ratio component increased slightly from the same period last year due to higher compensation costs.

Stockholder's Equity.
Stockholder's equity increased by $275.6 million to $3,754.2 million at March 31, 2013 from $3,478.6 million at December 31, 2012, principally as a result of $285.7 million of net income, $3.2 million of share-based compensation transactions and $1.3 million of net benefit plan obligation adjustments, partially offset by $7.6 million of net foreign currency translation adjustments and $7.0 million of net unrealized depreciation on investments.

Consolidated Investment Results

Net Investment Income.
Net investment income decreased 5.4% to $76.9 million for the three months ended March 31, 2013 compared to $81.2 million for the three months ended March 31, 2012. The decrease was primarily due to a decline in income from our fixed maturities, reflective of declining reinvestment rates, and equities, due to the partial liquidation of some mutual funds.

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

	Three Months Ended March 31,	
(Dollars in millions)	2013	2012
Fixed maturities	$54.0	$54.8
Equity securities	7.7	10.3
Short-term investments and cash	0.3	0.1
Other invested assets		
Limited partnerships	11.3	11.6
Dividend from Parent	4.7	4.7
Other	2.3	1.5
Gross investment income before adjustments	80.2	83.1
Funds held interest income (expense)	2.4	1.9
Future policy benefit reserve income (expense)	-	-
Gross investment income	82.6	85.0
Investment expenses	(5.8)	(3.8)
Net investment income	$76.9	$81.2

(Some amounts may not reconcile due to rounding)

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

	At March 31, 2013	At December 31, 2012
Imbedded pre-tax yield of cash and invested assets	3.3%	3.4%
Imbedded after-tax yield of cash and invested assets	2.4%	2.4%

	Three Months Ended March 31,	
	2013	2012
Annualized pre-tax yield on average cash and invested assets	3.7%	4.0%
Annualized after-tax yield on average cash and invested assets	2.6%	2.9%

Net Realized Capital Gains (Losses).
The following table presents the composition of our net realized capital gains (losses) for the periods indicated:

	Three Months Ended March 31,		
(Dollars in millions)	2013	2012	Variance
Gains (losses) from sales:			
Fixed maturity securities, market value			
Gains	$3.7	$3.6	$0.1
Losses	(1.6)	(2.1)	0.5
Total	2.1	1.5	0.6
Fixed maturity securities, fair value			
Gains	0.1	5.4	(5.3)
Losses	(0.2)	(0.2)	-
Total	(0.1)	5.2	(5.3)
Equity securities, fair value			
Gains	8.9	26.8	(17.9)
Losses	(0.8)	(4.5)	3.7
Total	8.1	22.3	(14.2)
Total net realized gains (losses) from sales			
Gains	12.7	35.8	(23.1)
Losses	(2.6)	(6.8)	4.2
Total	10.1	29.0	(18.9)
Other than temporary impairments:	-	(5.7)	5.7
Gains (losses) from fair value adjustments:			
Fixed maturities, fair value	0.1	3.0	(2.9)
Equity securities, fair value	106.1	67.8	38.3
Other invested assets, fair value	193.5	81.9	111.6
Total	299.7	152.8	146.9
Total net realized gains (losses)	$309.8	$176.1	$133.7

(Some amounts may not reconcile due to rounding)

Net realized capital gains were $309.8 million and $176.1 million for the three months ended March 31, 2013 and 2012, respectively. For the three months ended March 31, 2013, we recorded $299.7 million of gains due to fair value re-measurements on fixed maturity, equity securities and other invested assets and $10.1 million of net realized capital gains from sales of fixed maturity and equity securities. The fixed maturity and equity sales for the three months ended March 31, 2013 related primarily to adjusting the portfolios for overall market changes and individual credit shifts. For the three months ended March 31, 2012, we recorded $152.8 million of gains due to fair value re-measurements on fixed maturity and equity securities and other invested assets and $29.0 million of net realized capital gains from sales of fixed maturity and equity securities, partially offset by $5.7 million of

other-than-temporary impairments on fixed maturity securities.

Segment Results.
The U.S. Reinsurance operation writes property and casualty reinsurance and specialty lines of business, including Marine, Aviation, Surety and A&H business, on both a treaty and facultative basis, through reinsurance brokers, as well as directly with ceding companies primarily within the U.S. The International operation writes non-U.S. property and casualty reinsurance through Everest Re's branches in Canada, Singapore and through offices in Brazil, Miami and New Jersey. The Insurance operation writes property and casualty insurance, including medical stop loss insurance, directly and through general agents, brokers and surplus lines brokers within the U.S and Canada.

These segments are managed independently, but conform with corporate guidelines with respect to pricing, risk management, control of aggregate catastrophe exposures, capital, investments and support operations. Management generally monitors and evaluates the financial performance of these operating segments based upon their underwriting results.

Underwriting results include earned premium less losses and LAE incurred, commission and brokerage expenses and other underwriting expenses. We measure our underwriting results using ratios, in particular loss, commission and brokerage and other underwriting expense ratios, which respectively, divide incurred losses, commissions and brokerage and other underwriting expenses by premiums earned.

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

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

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

	Three Months Ended March 31,			
(Dollars in millions)	2013	2012	Variance	% Change
Gross written premiums	$434.8	$369.5	$65.3	17.7 %
Net written premiums	217.6	187.2	30.4	16.2 %
Premiums earned	$196.9	$183.9	$13.1	7.1 %
Incurred losses and LAE	101.2	109.7	(8.6)	-7.8 %
Commission and brokerage	38.1	45.2	(7.0)	-15.6 %
Other underwriting expenses	10.5	10.8	(0.2)	-2.0 %
Underwriting gain (loss)	$47.1	$18.2	$28.9	158.9 %
				Point Chg
Loss ratio	51.4 %	59.7 %		(8.3)
Commission and brokerage ratio	19.4 %	24.6 %		(5.2)
Other underwriting expense ratio	5.3 %	5.8 %		(0.5)
Combined ratio	76.1 %	90.1 %		(14.0)

(Some amounts may not reconcile due to rounding.)

Premiums. Gross written premiums increased by 17.7% to $434.8 million for the three months ended March 31, 2013 from $369.5 million for the three months ended March 31, 2012, primarily due to new business opportunities, particularly for contracts with catastrophe exposed risks, and higher subject premium on casualty quota share business as rates began to rise in these markets. Net written premiums increased 16.2% to $217.6 million for the three months ended March 31, 2013 compared to $187.2 million for the three months ended March 31, 2012, which is in line with the increase in gross written premiums. Premiums earned increased 7.1% to $196.9 million for the three months ended March 31, 2013 compared to $183.9 million for the three months ended March 31, 2012. The change in premiums earned relative to

net written premiums is the result of timing; premiums are earned ratably over the coverage period whereas written premiums are recorded at the initiation of the coverage period.

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

	Three Months Ended March 31,											
(Dollars in millions)	Current Year		Ratio %/ Pt Change		Prior Years		Ratio %/ Pt Change		Total Incurred		Ratio %/ Pt Change	
2013												
Attritional	$	88.3	44.9	%	$ (2.3)		-1.2	%	$ 86.1		43.7	%
Catastrophes		-	0.0	%	15.1		7.7	%	15.1		7.7	%
A&E		-	0.0	%	-		0.0	%	-		0.0	%
Total segment	$	88.3	44.9	%	$ 12.9		6.5	%	$ 101.2		51.4	%
2012												
Attritional	$	94.7	51.5	%	$ 4.3		2.4	%	$ 99.0		53.8	%
Catastrophes		15.0	8.2	%	(4.4)		-2.4	%	10.6		5.8	%
A&E		-	0.0	%	0.1		0.1	%	0.1		0.1	%
Total segment	$	109.7	59.7	%	$ -		0.1	%	$ 109.7		59.7	%
Variance 2013/2012												
Attritional	$	(6.4)	(6.6)	pts	$ (6.6)		(3.6)	pts	$ (12.9)		(10.1)	pts
Catastrophes		(15.0)	(8.2)	pts	19.5		10.1	pts	4.5		1.9	pts
A&E		-	-	pts	(0.1)		(0.1)	pts	(0.1)		(0.1)	pts
Total segment	$	(21.4)	(14.8)	pts	$ 12.9		6.4	pts	$ (8.6)		(8.3)	pts

(Some amounts may not reconcile due to rounding.)

Incurred losses decreased 7.8% to $101.2 million for the three months ended March 31, 2013 compared to $109.7 million for the three months ended March 31, 2012, primarily due to a $15.0 million (8.2 points) decrease in current year catastrophes and a decrease in current year attritional losses of $6.4 million (6.6 points), partially offset by the $19.5 million (10.1 points) increase in prior year catastrophe losses. The current year attritional losses decreased due primarily to a shift in business to excess of loss contracts which generally have lower attritional losses than pro rata contracts. The $15.0 million of current year catastrophe losses for the three months ended March 31, 2012 related to U.S. storm losses ($15.0 million). The increase in prior year catastrophe losses mainly related to development on Superstorm Sandy.

Segment Expenses. Commission and brokerage expenses decreased 15.6% to $38.1 million for the three months ended March 31, 2013 compared to $45.2 million for the three months ended March 31, 2012. This variance was primarily due to the shift in the mix of business towards excess of loss contracts which generally carry lower commission expense than pro rata contracts. Segment other underwriting expenses decreased slightly to $10.5 million for the three months ended March 31, 2013 compared to $10.8 million for the same period in 2012.

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International.

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

	Three Months Ended March 31,			
(Dollars in millions)	2013	2012	Variance	% Change
Gross written premiums	$300.4	$280.5	$19.9	7.1 %
Net written premiums	133.8	136.3	(2.5)	-1.9 %
Premiums earned	$141.9	$147.8	$(5.9)	-4.0 %
Incurred losses and LAE	82.1	64.6	17.4	27.0 %
Commission and brokerage	28.1	31.8	(3.7)	-11.5 %
Other underwriting expenses	7.9	6.7	1.2	17.7 %
Underwriting gain (loss)	$23.8	$44.7	$(20.9)	-46.8 %
				Point Chg
Loss ratio	57.8 %	43.7 %		14.1
Commission and brokerage ratio	19.8 %	21.5 %		(1.7)
Other underwriting expense ratio	5.6 %	4.6 %		1.0
Combined ratio	83.2 %	69.8 %		13.4

(Some amounts may not reconcile due to rounding.)

Premiums. Gross written premiums increased by 7.1% to $300.4 million for the three months ended March 31, 2013 compared to $280.5 million for the three months ended March 31, 2012, primarily due to an increase in new business and higher premium rates on renewals, particularly for contracts with catastrophe exposed risks. Net written premiums decreased by 1.9% to $133.8 million for the three months ended March 31, 2013 compared to $136.3 million for the three months ended March 31, 2012, primarily due to the impact of changes in our affiliated quota share agreements. Premiums earned decreased by 4.0% to $141.9 million for the three months ended March 31, 2013 compared to $147.8 million for the three months ended March 31, 2012. The change in premiums earned is comparable to the change in net written premiums.

Incurred Losses and LAE. The following table presents the incurred losses and LAE for the International segment for the periods indicated.

	Three Months Ended March 31,					
	Current	Ratio %/	Prior	Ratio %/	Total	Ratio %/
(Dollars in millions)	Year	Pt Change	Years	Pt Change	Incurred	Pt Change
2013						
Attritional	$ 87.1	61.4 %	$ (4.2)	-3.0 %	$ 82.9	58.4 %
Catastrophes	-	0.0 %	(0.8)	-0.6 %	(0.8)	-0.6 %
Total segment	$ 87.1	61.4 %	$ (5.0)	-3.6 %	$ 82.1	57.8 %
2012						
Attritional	$ 65.1	44.0 %	$ (3.0)	-2.0 %	$ 62.1	42.0 %

Catastrophes		-	0.0	%		2.5	1.7	%		2.5	1.7	%
Total segment	$	65.1	44.0	%	$	(0.5)	-0.3	%	$	64.6	43.7	%
Variance 2013/2012												
Attritional	$	22.0	17.4	pts	$	(1.2)	(1.0)	pts	$	20.8	16.4	pts
Catastrophes		-	-	pts		(3.3)	(2.3)	pts		(3.3)	(2.3)	pts
Total segment	$	22.0	17.4	pts	$	(4.5)	(3.3)	pts	$	17.4	14.1	pts

(Some amounts may not reconcile due to rounding.)

Incurred losses and LAE increased 27.0% to $82.1 million for the three months ended March 31, 2013 compared to $64.6 million for the three months ended March 31, 2012, representing 14.1 loss ratio points. Current years' attritional losses increased by $22.0 million due primarily to the impact of changes in our affiliated quota share agreements and the effect of fluctuations in foreign currency.

Segment Expenses. Commission and brokerage expenses decreased 11.5% to $28.1 million for the three months ended March 31, 2013 compared to $31.8 million for the three months ended March 31, 2012. This decrease is mainly due to the shift in the mix of business towards property catastrophe and excess of loss business which have lower commission rates. Segment other underwriting expenses increased to $7.9 million for the three months ended March 31, 2013 compared to $6.7 million for the three months ended March 31, 2012. The increases relate to higher compensation costs.

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

	Three Months Ended March 31,			
(Dollars in millions)	2013	2012	Variance	% Change
Gross written premiums	$248.6	$207.2	$41.3	19.9 %
Net written premiums	124.8	103.8	20.9	20.2 %
Premiums earned	$109.2	$102.1	$7.1	7.0 %
Incurred losses and LAE	85.4	76.0	9.4	12.3 %
Commission and brokerage	1.9	10.6	(8.7)	-82.1 %
Other underwriting expenses	25.1	22.0	3.0	13.8 %
Underwriting gain (loss)	$(3.1)	$(6.5)	$3.4	-51.9 %
				Point Chg
Loss ratio	78.2 %	74.5 %		3.7
Commission and brokerage ratio	1.7 %	10.3 %		(8.6)
Other underwriting expense ratio	23.0 %	21.6 %		1.4
Combined ratio	102.9 %	106.4 %		(3.5)

(Some amounts may not reconcile due to rounding.)

Premiums. Gross written premiums increased by 19.9% to $248.6 million for the three months ended March 31, 2013 compared to $207.2 million for the three months ended March 31, 2012. This increase was primarily driven by California workers compensation, crop and non-standard auto business. Net written premiums increased 20.2% to $124.8 million for the three months ended March 31, 2013 compared to $103.8 million for the three months ended March 31, 2012, which is consistent with the change in gross written premiums. Premiums earned increased 7.0% to $109.2 million for the three months ended March 31, 2013 compared to $102.1 million for the three months ended March 31, 2012. The change in premiums earned relative to net written premiums is the result of timing; premiums are earned ratably over the coverage period whereas written premiums are recorded at the initiation of the coverage period.

Incurred Losses and LAE. The following table presents the incurred losses and LAE for the Insurance segment for the periods indicated.

	Three Months Ended March 31,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2013						
Attritional	$ 80.5	73.7 %	$ 4.9	4.5 %	$ 85.4	78.2 %
Catastrophes	-	0.0 %	-	0.0 %	-	0.0 %
Total segment	$ 80.5	73.7 %	$ 4.9	4.5 %	$ 85.4	78.2 %
2012						
Attritional	$ 75.5	74.0 %	$ 0.5	0.5 %	$ 76.0	74.5 %
Catastrophes	-	0.0 %	-	0.0 %	-	0.0 %
Total segment	$ 75.5	74.0 %	$ 0.5	0.5 %	$ 76.0	74.5 %
Variance 2013/2012						
Attritional	$ 5.0	(0.3) pts	$ 4.4	4.0 pts	$ 9.4	3.7 pts
Catastrophes	-	- pts	-	- pts	-	- pts
Total segment	$ 5.0	(0.3) pts	$ 4.4	4.0 pts	$ 9.4	3.7 pts
(Some amounts may not reconcile due to rounding.)						

Incurred losses and LAE increased by 12.3% to $85.4 million for the three months ended March 31, 2013 compared to $76.0 million for the three months ended March 31, 2012. This variance was mainly due to an increase of $9.4 million in attritional losses resulting primarily from higher premium and the impact of changes in our affiliated quota share agreements. Despite higher current year attritional losses, the current year attritional loss ratio declined by 0.3 points due to improvement in the attritional loss ratio on workers compensation business and the benefit of compounding rate increases.

Segment Expenses. Commission and brokerage expenses decreased 82.1% to $1.9 million for the three months ended March 31, 2013 compared to $10.6 million for the three months ended March 31, 2012, driven by growth in direct distribution business, which has lower acquisition costs and changes in our affiliated quota share agreements. Segment other underwriting expenses for the three months ended March 31, 2013 increased to $25.1 million from $22.0 million for the three months ended March 31, 2012 due primarily to increased premiums and higher compensation costs.

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

Our current investment strategy seeks to maximize after-tax income through a high quality, diversified, taxable and tax-preferenced fixed maturity portfolio, while maintaining an adequate level of liquidity. Our mix of taxable and tax-preferenced investments is adjusted periodically, consistent with our current and projected operating results, market conditions and our tax position. The fixed maturity securities in the investment portfolio are comprised of non-trading available for sale securities. Additionally, we have invested in equity securities.

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

Interest Rate Risk. Our $9.4 billion investment portfolio, at March 31, 2013, is principally comprised of fixed maturity securities, which are generally subject to interest rate risk and some foreign currency exchange rate risk, and some equity securities, which are subject to price fluctuations and some foreign exchange rate risk. The overall economic impact of the foreign exchange risks on the investment portfolio is partially mitigated by changes in the dollar value of foreign currency denominated liabilities and their associated income statement impact.

Interest rate risk is the potential change in value of the fixed maturity securities portfolio, including short-term investments, from a change in market interest rates. In a declining interest rate environment, it includes prepayment risk on the $818.3 million of mortgage-backed securities in the $5,647.6 million fixed maturity portfolio. Prepayment risk results from potential accelerated principal payments that shorten the average life and thus the expected yield of the security.

The table below display the potential impact of market value fluctuations and after-tax unrealized appreciation on our fixed maturity portfolio (including $381.8 million of short-term investments) for the periods indicated based on upward and downward parallel and immediate 100 and 200 basis point shifts in interest rates. For legal entities with a U.S. dollar functional currency, this modeling was performed on each security individually. To generate appropriate price estimates for mortgage-backed securities, changes in prepayment expectations under different interest rate environments were taken into account. For legal entities with non-U.S. dollar functional currency, the effective duration of the involved portfolio of securities was used as a proxy for the market value change under the various interest rate change scenarios.

	Impact of Interest Rate Shift in Basis Points At March 31, 2013				
(Dollars in millions)	-200	-100	0	100	200
Total Market/Fair Value	$6,314.8	$6,175.2	$6,029.4	$5,871.1	$5,703.9
Market/Fair Value Change from Base (%)	4.7 %	2.4 %	0.0 %	-2.6 %	-5.4 %
Change in Unrealized Appreciation					
After-tax from Base ($)	$185.5	$94.8	$-	$(102.9)	$(211.6)

We had $7,945.0 million and $8,143.1 million of gross reserves for losses and LAE as of March 31, 2013 and December 31, 2012, respectively. These amounts are recorded at their nominal value, as opposed to present value, which would reflect a discount adjustment to reflect the time value of money. Since losses are paid out over a period of time, the present value of the reserves is less than the nominal value. As interest rates rise, the present value of the reserves decreases and, conversely, as interest rates decline, the present value increases. These movements are the opposite of the interest rate impacts on the fair value of investments. While the difference between present value and nominal value is not reflected in our financial statements, our financial results will include investment income over time from the investment portfolio until the claims are paid. Our loss and loss reserve obligations have an expected duration that is reasonably consistent with our fixed income portfolio.

Equity Risk. Equity risk is the potential change in fair and/or market value of the common stock and preferred stock portfolios arising from changing prices. Our equity investments consist of a diversified portfolio of individual securities. The primary objective of the equity portfolio is to obtain greater total return relative to bonds over time through market appreciation and income.

The table below displays the impact on fair/market value and after-tax change in fair/market value of a 10% and 20% change in equity prices up and down for the periods indicated.

	Impact of Percentage Change in Equity Fair/Market Values At March 31, 2013				
(Dollars in millions)	-20%	-10%	0%	10%	20%
Fair/Market Value of the Equity Portfolio	$1,064.6	$1,197.6	$1,330.7	$1,463.8	$1,596.9
After-tax Change in Fair/Market Value	(173.0)	(86.5)	-	86.5	173.0

Foreign Exchange Risk. Foreign currency risk is the potential change in value, income and cash flow arising from adverse changes in foreign currency exchange rates. Each of our non-U.S. ("foreign") operations maintains capital in the currency of the country of its geographic location consistent with local regulatory guidelines. Each foreign operation may conduct business in its local currency, as well as the currency of other countries in which it operates. The primary foreign currency exposures for these foreign operations are the Singapore and Canadian Dollars. We mitigate foreign exchange exposure by generally matching the currency and duration of our assets to our corresponding operating liabilities. In accordance with FASB guidance, we translate the assets, liabilities and income of non-U.S. dollar functional currency legal entities to the U.S. dollar. This translation amount is reported as a component of other comprehensive income. As of March 31, 2013, there has been no material change in exposure to foreign exchange rates as compared to December 31, 2012.

SAFE HARBOR DISCLOSURE

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

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

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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 and reinsurance agreements. In some disputes, the Company seeks to enforce its rights under an agreement or to collect funds owing to it. In other matters, the Company is resisting attempts by others to collect funds or enforce alleged rights. These disputes arise from time to time and are ultimately resolved through both informal and formal means, including negotiated resolution, arbitration and litigation. In all such matters, the Company believes that its positions are legally and commercially reasonable. The Company considers the statuses of these proceedings when determining its reserves for unpaid loss and loss adjustment expenses.

Aside from litigation and arbitrations related to these insurance and reinsurance agreements, the Company is not a party to any other material litigation or arbitration.

ITEM 1A. RISK FACTORS

No material changes.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit
Index:

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

Everest Reinsurance Holdings, Inc.

Signatures

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

Everest Reinsurance Holdings, Inc.
(Registrant)

/S/ CRAIG HOWIE
Craig Howie
Executive Vice President and
Chief Financial Officer

(Duly Authorized Officer and Principal Financial Officer)

Dated: May 15, 2013