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

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

FOR THE QUARTERLY PERIOD ENDED:	Commission file number:
JUNE 30, 2010	1-15731

EVEREST RE GROUP, LTD.
(Exact name of registrant as specified in its charter)

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

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

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

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

YES X NO ____

Indicate by check mark whether the registrant 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 ____ 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	X	Accelerated filer	
Non-accelerated filer (Do not check if smaller reporting company)		Smaller reporting company	

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

YES ____ NO X

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

Class	Number of Shares Outstanding At August 1, 2010
Common Shares, $0.01 par value	56,242,019

EVEREST RE GROUP, LTD

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PART I

ITEM 1. FINANCIAL STATEMENTS

EVEREST RE GROUP, LTD.
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except par value per share)	June 30, 2010 (unaudited)	December 31, 2009
ASSETS:		
Fixed maturities - available for sale, at market value (amortized cost: 2010, $12,955,574; 2009, $12,614,742)	$ 13,499,102	$ 13,005,949
Fixed maturities - available for sale, at fair value	66,351	50,528
Equity securities - available for sale, at market value (cost: 2010, $12,574; 2009, $13,970)	15,173	16,301
Equity securities - available for sale, at fair value	367,093	380,025
Short-term investments	381,931	673,131
Other invested assets (cost: 2010, $581,392; 2009, $546,158)	581,013	545,284
Cash	191,453	247,598
Total investments and cash	15,102,116	14,918,816
Accrued investment income	154,372	158,886
Premiums receivable	968,205	978,847
Reinsurance receivables	652,912	636,375
Funds held by reinsureds	377,968	379,864
Deferred acquisition costs	370,832	362,346
Prepaid reinsurance premiums	118,285	108,029
Deferred tax asset	170,225	174,170
Federal income taxes recoverable	95,890	144,903
Other assets	196,071	139,076
TOTAL ASSETS	$ 18,206,876	$ 18,001,312
LIABILITIES:		
Reserve for losses and loss adjustment expenses	$ 9,237,813	$ 8,937,858
Future policy benefit reserve	63,968	64,536
Unearned premium reserve	1,420,099	1,415,402
Funds held under reinsurance treaties	95,104	91,893
Losses in the course of payment	28,705	39,766
Commission reserves	42,425	55,579
Other net payable to reinsurers	50,822	53,014
Revolving credit borrowings	133,000	-
8.75% Senior notes due 3/15/2010	-	199,970
5.4% Senior notes due 10/15/2014	249,790	249,769
6.6% Long term notes due 5/1/2067	238,349	238,348
Junior subordinated debt securities payable	329,897	329,897
Accrued interest on debt and borrowings	4,892	9,885
Equity index put option liability	76,599	57,349
Other liabilities	199,814	156,324
Total liabilities	12,171,277	11,899,590
Commitments and contingencies (Note 8)		
SHAREHOLDERS' EQUITY:		
Preferred shares, par value: $0.01; 50 million shares authorized; no shares issued and outstanding	-	-
Common shares, par value: $0.01; 200 million shares authorized; (2010) 66.0 million and (2009) 65.8 million issued	660	658
Additional paid-in capital	1,853,158	1,845,181
Accumulated other comprehensive income (loss), net of deferred income tax expense (benefit) of $107.4 million at 2010 and $101.0 million at 2009	366,866	272,038
Treasury shares, at cost; 9.8 million shares (2010) and 6.5 million shares (2009)	(830,037)	(582,926)
Retained earnings (deficit)	4,644,952	4,566,771
Total shareholders' equity	6,035,599	6,101,722
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 18,206,876	$ 18,001,312

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

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

(Dollars in thousands, except per share amounts)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
	(unaudited)		(unaudited)	
REVENUES:				
Premiums earned	$ 989,899	$ 956,908	$ 1,917,201	$ 1,889,198
Net investment income	165,731	167,209	327,230	235,963
Net realized capital gains (losses):				
Other-than-temporary impairments on fixed maturity securities	-	(4,936)	-	(13,210)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	-	-	-	-
Other net realized capital gains (losses)	(41,693)	28,398	31,025	(28,465)
Total net realized capital gains (losses)	(41,693)	23,462	31,025	(41,675)
Realized gain on debt repurchase	-	-	-	78,271
Net derivative gain (loss)	(22,304)	21,351	(19,250)	1,648
Other income (expense)	7,798	2,389	13,137	(2,791)
Total revenues	1,099,431	1,171,319	2,269,343	2,160,614
CLAIMS AND EXPENSES:				
Incurred losses and loss adjustment expenses	643,948	566,785	1,550,804	1,136,690
Commission, brokerage, taxes and fees	236,493	229,214	449,155	455,252
Other underwriting expenses	41,747	40,970	80,691	77,325
Corporate expenses	3,887	4,367	8,462	8,147
Interest, fees and bond issue cost amortization expense	13,016	17,116	29,658	37,258
Total claims and expenses	939,091	858,452	2,118,770	1,714,672
INCOME (LOSS) BEFORE TAXES	160,340	312,867	150,573	445,942
Income tax expense (benefit)	3,667	40,279	16,552	64,798
NET INCOME (LOSS)	$ 156,673	$ 272,588	$ 134,021	$ 381,144
Other comprehensive income (loss), net of tax	65,889	308,064	94,828	305,279
COMPREHENSIVE INCOME (LOSS)	$ 222,562	$ 580,652	$ 228,849	$ 686,423
EARNINGS PER COMMON SHARE:				
Basic	$ 2.70	$ 4.44	$ 2.29	$ 6.21
Diluted	2.70	4.43	2.28	6.19
Dividends declared	0.48	0.48	0.96	0.96

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

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

(Dollars in thousands, except per share amounts)	Three Months Ended June 30, 2010 (unaudited)	Three Months Ended June 30, 2009 (unaudited)	Six Months Ended June 30, 2010 (unaudited)	Six Months Ended June 30, 2009 (unaudited)
COMMON SHARES (shares outstanding):				
Balance, beginning of period	58,922,474	61,542,089	59,317,741	61,414,027
Issued during the period, net	37	18,755	167,076	146,817
Treasury shares acquired	(2,680,492)	(707,900)	(3,242,798)	(707,900)
Balance, end of period	56,242,019	60,852,944	56,242,019	60,852,944
COMMON SHARES (par value):				
Balance, beginning of period	$ 660	$ 657	$ 658	$ 656
Issued during the period, net	-	-	2	1
Balance, end of period	660	657	660	657
ADDITIONAL PAID-IN CAPITAL:				
Balance, beginning of period	1,849,441	1,827,819	1,845,181	1,824,552
Share-based compensation plans	3,717	3,876	7,977	7,106
Other	-	-	-	37
Balance, end of period	1,853,158	1,831,695	1,853,158	1,831,695
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), NET OF DEFERRED INCOME TAXES:				
Balance, beginning of period	300,977	(294,636)	272,038	(291,851)
Cumulative adjustment of initial adoption[1], net of tax	-	(57,312)	-	(57,312)
Net increase (decrease) during the period	65,889	308,064	94,828	305,279
Balance, end of period	366,866	(43,884)	366,866	(43,884)
RETAINED EARNINGS (DEFICIT):				
Balance, beginning of period	4,515,835	3,898,343	4,566,771	3,819,327
Cumulative adjustment of initial adoption[1], net of tax	-	57,312	-	57,312
Net income (loss)	156,673	272,588	134,021	381,144
Dividends declared ($0.48 per quarter and $0.96 year-to-date per share in 2010 and 2009)	(27,556)	(29,549)	(55,840)	(59,089)
Balance, end of period	4,644,952	4,198,694	4,644,952	4,198,694
TREASURY SHARES AT COST:				
Balance, beginning of period	(629,958)	(392,329)	(582,926)	(392,329)
Purchase of treasury shares	(200,079)	(49,418)	(247,111)	(49,418)
Balance, end of period	(830,037)	(441,747)	(830,037)	(441,747)
TOTAL SHAREHOLDERS' EQUITY, END OF PERIOD	$ 6,035,599	$ 5,545,415	$ 6,035,599	$ 5,545,415

[1] The cumulative adjustment to accumulated other comprehensive income (loss), net of deferred income taxes, and retained earnings (deficit), represents the effect of initially adopting new guidance for other-than-temporary impairments of debt securities.

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

EVEREST RE GROUP, LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
	(unaudited)		(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	$ 156,673	$ 272,588	$ 134,021	$ 381,144
Adjustments to reconcile net income to net cash provided by operating activities:				
Decrease (increase) in premiums receivable	2,624	(44,864)	(5,135)	(59,343)
Decrease (increase) in funds held by reinsureds, net	(11,156)	(21,004)	(13,585)	(30,785)
Decrease (increase) in reinsurance receivables	(29,147)	75,952	(62,291)	43,815
Decrease (increase) in deferred tax asset	(11,853)	9,228	(5,064)	54,218
Increase (decrease) in reserve for losses and loss adjustment expenses	30,445	(181,592)	449,390	(179,158)
Increase (decrease) in future policy benefit reserve	(434)	(2,013)	(569)	1,148
Increase (decrease) in unearned premiums	(28,341)	(22,387)	13,257	10,465
Change in equity adjustments in limited partnerships	(16,091)	(19,809)	(32,255)	53,476
Change in other assets and liabilities, net	73,043	52,725	17,576	31,812
Non-cash compensation expense	3,589	3,620	7,130	6,756
Amortization of bond premium (accrual of bond discount)	10,454	4,391	21,339	6,881
Amortization of underwriting discount on senior notes	11	48	53	94
Realized gain on debt repurchase	-	-	-	(78,271)
Net realized capital (gains) losses	41,693	(23,462)	(31,025)	41,675
Net cash provided by (used in) operating activities	221,510	103,421	492,842	283,927
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from fixed maturities matured/called - available for sale, at market value	369,775	318,283	783,165	560,413
Proceeds from fixed maturities matured/called - available for sale, at fair value	-	-	-	5,570
Proceeds from fixed maturities sold - available for sale, at market value	238,940	48,701	723,462	129,658
Proceeds from fixed maturities sold - available for sale, at fair value	6,115	4,510	8,612	8,002
Proceeds from equity securities sold - available for sale, at market value	712	34	712	1,076
Proceeds from equity securities sold - available for sale, at fair value	51,400	10,591	72,742	12,239
Distributions from other invested assets	19,630	10,647	30,360	23,311
Cost of fixed maturities acquired - available for sale, at market value	(938,124)	(550,863)	(1,961,623)	(1,363,243)
Cost of fixed maturities acquired - available for sale, at fair value	(9,486)	(3,244)	(23,680)	(16,553)
Cost of equity securities acquired - available for sale, at market value	(1,426)	-	(1,426)	-
Cost of equity securities acquired - available for sale, at fair value	(38,095)	(10,320)	(80,417)	(19,299)
Cost of other invested assets acquired	(10,034)	(18,503)	(37,078)	(24,742)
Net change in short-term investments	209,878	78,140	291,897	791,062
Net change in unsettled securities transactions	(58,493)	49,629	(11,195)	53,328
Net cash provided by (used in) investing activities	(159,208)	(62,395)	(204,469)	160,822
CASH FLOWS FROM FINANCING ACTIVITIES:				
Common shares issued during the period, net	128	256	849	388
Purchase of treasury shares	(200,079)	(49,418)	(247,111)	(49,418)
Revolving credit borrowings	133,000	-	133,000	-
Net cost of debt repurchase	-	-	-	(83,026)
Net cost of senior notes maturing	-	-	(200,000)	-
Dividends paid to shareholders	(27,556)	(29,549)	(55,840)	(59,089)
Net cash provided by (used in) financing activities	(94,507)	(78,711)	(369,102)	(191,145)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	9,499	42,737	24,584	13,002
Net increase (decrease) in cash	(22,706)	5,052	(56,145)	266,606
Cash, beginning of period	214,159	467,248	247,598	205,694
Cash, end of period	$ 191,453	$ 472,300	$ 191,453	$ 472,300
SUPPLEMENTAL CASH FLOW INFORMATION				
Cash transactions:				
Income taxes paid (recovered)	$ (48,597)	$ 40,644	$ (35,838)	$ 67,779
Interest paid	20,160	19,806	34,361	38,124

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

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the Three and Six Months Ended June 30, 2010 and 2009

1. GENERAL

Everest Re Group, Ltd. ("Group"), a Bermuda company, through its subsidiaries, principally provides reinsurance and insurance in the U.S., Bermuda and international markets. As used in this document, "Company" means Group and its subsidiaries. On December 30, 2008, Group contributed Everest Reinsurance Holdings, Inc. and its subsidiaries ("Holdings") to its recently established Irish holding company, Everest Underwriting Group (Ireland), Limited ("Holdings Ireland").

2. BASIS OF PRESENTATION

The unaudited consolidated financial statements of the Company for the three and six months ended June 30, 2010 and 2009 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, 2009 consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. The results for the three and six months ended June 30, 2010 and 2009 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, 2009, 2008 and 2007 included in the Company's most recent Form 10-K filing.

All intercompany accounts and transactions have been eliminated.

Certain reclassifications and format changes have been made to prior years' amounts to conform to the 2010 presentation.

Financial Accounting Standards Board Accounting Codification

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

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

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

Application of Recently Issued Accounting Standard Changes

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

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

Interim Disclosures About Fair Value of Financial Instruments. In April 2009, the FASB revised the authoritative guidance for disclosures about fair value of financial instruments. This new guidance requires quarterly disclosures on the qualitative and quantitative information about the fair value of all financial instruments including methods and significant assumptions used to estimate fair value during the period. These disclosures were previously only done annually. The Company adopted this disclosure beginning with the second quarter of 2009 and included it in the Notes to Consolidated Interim Financial Statements.

Other-Than-Temporary Impairments on Investment Securities. In April 2009, the FASB revised the authoritative guidance for the recognition and presentation of other-than-temporary impairments. This new guidance amends the recognition guidance for other-than-temporary impairments of debt securities and expands the financial statement disclosures for other-than-temporary impairments on debt and equity securities. For available for sale debt securities that the Company has no intent to sell and more likely than not will not be required to sell prior to recovery, only the credit loss component of the impairment would be recognized in earnings, while the rest of the fair value loss would be recognized in accumulated other comprehensive income. The Company adopted this guidance effective April 1, 2009. Upon adoption the Company recognized a cumulative-effect adjustment increase in retained earnings (deficit) and decrease in accumulated other comprehensive income (loss) of $57.3 million, net of $8.3 million of tax.

Measurement of Fair Value in Inactive Markets. In April 2009, the FASB revised the authoritative guidance for fair value measurements and disclosures, which reaffirms that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. It also reaffirms the need to use judgment in determining if a formerly active market has become inactive and in determining fair values when the market has become inactive. There was no impact to the Company’s financial statements upon adoption.

3. INVESTMENTS

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

	At June 30, 2010			
(Dollars in thousands)	Amortized Cost	Unrealized Appreciation	Unrealized Depreciation	Market Value
Fixed maturity securities - available for sale				
U.S. Treasury securities and obligations of				
U.S. government agencies and corporations	$ 382,529	$ 23,033	$ (89)	$ 405,473
Obligations of U.S. states and political subdivisions	3,469,450	181,595	(17,016)	3,634,029
Corporate securities	2,875,998	164,601	(19,657)	3,020,942
Asset-backed securities	277,060	8,955	(3,049)	282,966
Mortgage-backed securities				
Commercial	475,259	17,195	(20,984)	471,470
Agency residential	2,347,896	106,641	(571)	2,453,966
Non-agency residential	162,333	1,753	(5,197)	158,889
Foreign government securities	1,508,822	83,584	(22,818)	1,569,588
Foreign corporate securities	1,456,227	70,473	(24,921)	1,501,779
Total fixed maturity securities	$ 12,955,574	$ 657,830	$ (114,302)	$ 13,499,102
Equity securities	$ 12,574	$ 2,602	$ (3)	$ 15,173

	At December 31, 2009			
(Dollars in thousands)	Amortized Cost	Unrealized Appreciation	Unrealized Depreciation	Market Value
Fixed maturity securities - available for sale				
U.S. Treasury securities and obligations of				
U.S. government agencies and corporations	$ 339,839	$ 17,879	$ (3,565)	$ 354,153
Obligations of U.S. states and political subdivisions	3,694,267	183,848	(24,256)	3,853,859
Corporate securities	2,421,875	107,749	(32,963)	2,496,661
Asset-backed securities	310,429	7,713	(4,413)	313,729
Mortgage-backed securities				
Commercial	475,204	5,172	(37,758)	442,618
Agency residential	2,310,826	61,481	(3,863)	2,368,444
Non-agency residential	177,500	238	(17,117)	160,621
Foreign government securities	1,507,385	100,243	(16,875)	1,590,753
Foreign corporate securities	1,377,417	72,442	(24,748)	1,425,111
Total fixed maturity securities	$ 12,614,742	$ 556,765	$ (165,558)	$ 13,005,949
Equity securities	$ 13,970	$ 2,333	$ (2)	$ 16,301

In accordance with FASB guidance, the Company reclassified the non-credit portion of other-than-temporary impairments from retained earnings (deficit) into accumulated other comprehensive income (loss), on April 1, 2009. At June 30, 2010, the pre-tax cumulative unrealized depreciation on these corporate securities had improved, with the remaining unrealized depreciation at $3.2 thousand compared to $6.1 million at December 31, 2009.

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

	At June 30, 2010		At December 31, 2009	
(Dollars in thousands)	Amortized Cost	Market Value	Amortized Cost	Market Value
Fixed maturity securities – available for sale				
Due in one year or less	$ 626,717	$ 637,761	$ 621,706	$ 652,483
Due after one year through five years	3,590,646	3,747,860	3,017,731	3,151,819
Due after five years through ten years	2,569,986	2,712,264	2,530,830	2,634,709
Due after ten years	2,905,677	3,033,926	3,170,516	3,281,526
Asset-backed securities	277,060	282,966	310,429	313,729
Mortgage-backed securities				
Commercial	475,259	471,470	475,204	442,618
Agency residential	2,347,896	2,453,966	2,310,826	2,368,444
Non-agency residential	162,333	158,889	177,500	160,621
Total fixed maturity securities	$ 12,955,574	$ 13,499,102	$ 12,614,742	$ 13,005,949

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2010	2009	2010	2009
Increase (decrease) during the period between the market value and cost of investments carried at market value, and deferred taxes thereon:				
Fixed maturity securities	$ 129,039	$ 197,599	$ 146,237	$ 271,759
Fixed maturity securities, cumulative other-than-temporary impairment adjustment	33	(65,658)	6,085	(65,658)
Equity securities	(32)	139	268	(105)
Other invested assets	(19)	3,868	495	2,227
Change in unrealized appreciation (depreciation), pre-tax	129,021	135,948	153,085	208,223
Deferred tax benefit (expense)	(15,934)	(16,359)	(4,358)	(41,686)
Deferred tax benefit (expense), cumulative other-than-temporary impairment adjustment	164	8,346	(904)	8,346
Change in unrealized appreciation (depreciation), net of deferred taxes, included in shareholders' equity	$ 113,251	$ 127,935	$ 147,823	$ 174,883

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

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

The 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 June 30, 2010 By Security Type					
	Less than 12 months		Greater than 12 months		Total	
(Dollars in thousands)	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
Fixed maturity securities - available for sale						
U.S. Treasury securities and obligations of						
U.S. government agencies and corporations	$ -	$ -	$ 3,398	$ (89)	$ 3,398	$ (89)
Obligations of U.S. states and political subdivisions	5,008	(28)	362,675	(16,988)	367,683	(17,016)
Corporate securities	272,409	(6,379)	174,227	(13,278)	446,636	(19,657)
Asset-backed securities	2,601	(3)	16,748	(3,046)	19,349	(3,049)
Mortgage-backed securities						
Commercial	-	-	81,331	(20,984)	81,331	(20,984)
Agency residential	95,220	(344)	672	(227)	95,892	(571)
Non-agency residential	-	-	57,715	(5,197)	57,715	(5,197)
Foreign government securities	170,280	(6,458)	150,503	(16,360)	320,783	(22,818)
Foreign corporate securities	172,419	(4,762)	177,007	(20,159)	349,426	(24,921)
Total fixed maturity securities	$ 717,937	$ (17,974)	$ 1,024,276	$ (96,328)	$ 1,742,213	$ (114,302)
Equity securities	12	(3)	-	-	12	(3)
Total	$ 717,949	$ (17,977)	$ 1,024,276	$ (96,328)	$ 1,742,225	$ (114,305)

	Duration of Unrealized Loss at June 30, 2010 By Maturity					
	Less than 12 months		Greater than 12 months		Total	
(Dollars in thousands)	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
Fixed maturity securities						
Due in one year or less	$ 57,680	$ (1,664)	$ 52,120	$ (5,000)	$ 109,800	$ (6,664)
Due in one year through five years	247,136	(5,992)	192,851	(15,340)	439,987	(21,332)
Due in five years through ten years	279,725	(8,372)	145,914	(16,560)	425,639	(24,932)
Due after ten years	35,575	(1,599)	476,925	(29,974)	512,500	(31,573)
Asset-backed securities	2,601	(3)	16,748	(3,046)	19,349	(3,049)
Mortgage-backed securities	95,220	(344)	139,718	(26,408)	234,938	(26,752)
Total fixed maturity securities	$ 717,937	$ (17,974)	$ 1,024,276	$ (96,328)	$ 1,742,213	$ (114,302)

The aggregate market value and gross unrealized losses related to investments in an unrealized loss position at June 30, 2010 were $1,742.2 million and $114.3 million, respectively. There were no unrealized losses on a single security that exceeded 0.05% of the market value of the fixed maturity securities at June 30, 2010. In addition, as indicated on the above table, there was no significant concentration of unrealized losses in any one market sector. The $18.0 million of unrealized losses related to fixed maturity securities that have been in an unrealized loss position for less than one year were generally comprised of highly rated domestic and foreign government and corporate securities. Of these unrealized losses, $12.3 million were related to securities that were rated investment grade by at least one nationally recognized statistical rating organization. The $96.3 million of unrealized losses related to fixed maturity and equity securities in an unrealized loss position for more than one year related primarily to highly rated domestic and foreign government, municipal, corporate and asset-backed and mortgage-backed securities. Of these unrealized losses, $69.2 million 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 and commercial mortgage-backed securities. The gross unrealized depreciation greater than 12 months for mortgage-backed securities included $2.9 million 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. Unrealized losses have decreased since December 31, 2009, as a result of improved conditions in the overall financial market resulting from increased liquidity and lower interest rates.

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 period indicated:

	Duration of Unrealized Loss at December 31, 2009 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	$ 155,007	$ (3,444)	$ 1,375	$ (121)	$ 156,382	$ (3,565)
Obligations of U.S. states and political subdivisions	559	(4)	452,018	(24,252)	452,577	(24,256)
Corporate securities	170,323	(2,539)	357,442	(30,424)	527,765	(32,963)
Asset-backed securities	12,514	(87)	47,273	(4,326)	59,787	(4,413)
Mortgage-backed securities						
Commercial	8,411	(135)	294,163	(37,623)	302,574	(37,758)
Agency residential	591,372	(3,541)	6,216	(322)	597,588	(3,863)
Non-agency residential	-	(1)	153,698	(17,116)	153,698	(17,117)
Foreign government securities	215,048	(3,737)	154,225	(13,138)	369,273	(16,875)
Foreign corporate securities	299,769	(7,356)	179,550	(17,392)	479,319	(24,748)
Total fixed maturity securities	$ 1,453,003	$ (20,844)	$ 1,645,960	$ (144,714)	$ 3,098,963	$ (165,558)
Equity securities	13	(2)	-	-	13	(2)
Total	$ 1,453,016	$ (20,846)	$ 1,645,960	$ (144,714)	$ 3,098,976	$ (165,560)

(Dollars in thousands)	Duration of Unrealized Loss at December 31, 2009 By Maturity					
	Less than 12 months		Greater than 12 months		Total	
	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
Fixed maturity securities						
Due in one year or less	$ 5,777	$ (1)	$ 74,211	$ (5,504)	$ 79,988	$ (5,505)
Due in one year through five years	423,782	(6,120)	268,321	(19,861)	692,103	(25,981)
Due in five years through ten years	315,853	(6,094)	198,398	(14,972)	514,251	(21,066)
Due after ten years	95,294	(4,865)	603,680	(44,990)	698,974	(49,855)
Asset-backed securities	12,514	(87)	47,273	(4,326)	59,787	(4,413)
Mortgage-backed securities	599,783	(3,677)	454,077	(55,061)	1,053,860	(58,738)
Total fixed maturity securities	$ 1,453,003	$ (20,844)	$ 1,645,960	$ (144,714)	$ 3,098,963	$ (165,558)

The aggregate market value and gross unrealized losses related to investments in an unrealized loss position at December 31, 2009 were $3,099.0 million and $165.6 million, respectively. There were no unrealized losses on a single security that exceeded 0.07% of the market value of the fixed maturity securities at December 31, 2009. In addition, as indicated on the above table, there was no significant concentration of unrealized losses in any one market sector. The $20.8 million of unrealized losses related to fixed maturity and equity securities that have been in an unrealized loss position for less than one year were generally comprised of highly rated government, corporate and mortgage-backed securities. Of these unrealized losses, $20.7 million were related to securities that were rated investment grade by at least one nationally recognized statistical rating organization. The $144.7 million of unrealized losses related to fixed maturity securities in an unrealized loss position for more than one year related primarily to highly rated government, municipal, corporate and mortgage-backed securities. Of these unrealized losses, $111.3 million 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 are mainly comprised of corporate and commercial mortgage-backed securities. The gross unrealized depreciation greater than 12 months for mortgage-backed securities included $3.7 million 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 had excess credit coverage and were current on interest and principal payments. Unrealized losses decreased since December 31, 2008, as a result of improved conditions in the overall financial market resulting from increased liquidity and lower interest rates.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2010	2009	2010	2009
Fixed maturity securities	$ 149,017	$ 144,333	$ 294,216	$ 288,955
Equity securities	2,856	730	5,379	1,426
Short-term investments and cash	(82)	1,682	(390)	5,243
Other invested assets				
Limited partnerships	15,611	20,267	31,509	(52,679)
Other	330	261	702	1,035
Total gross investment income	167,732	167,273	331,416	243,980
Interest debited (credited) and other expense	(2,001)	(64)	(4,186)	(8,017)
Total net investment income	$ 165,731	$ 167,209	$ 327,230	$ 235,963

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

The Company had contractual commitments to invest up to an additional $184.6 million in limited partnerships at June 30, 2010. These commitments will be funded when called in accordance with the partnership agreements, which have investment periods that expire, unless extended, through 2014.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2010	2009	2010	2009
Fixed maturity securities, market value:				
Other-than-temporary impairments	$ -	$ (4,936)	$ -	$ (13,210)
Gains (losses) from sales	(2,249)	3,313	50,757	(36,281)
Fixed maturity securities, fair value:				
Gains (losses) from sales	190	133	273	229
Gains (losses) from fair value adjustments	(2,518)	2,010	482	1,968
Equity securities, market value:				
Gains (losses) from sales	111	-	111	47
Equity securities, fair value:				
Gains (losses) from sales	(2,894)	5,631	(999)	5,182
Gains (losses) from fair value adjustments	(34,341)	17,296	(19,608)	373
Short-term investments gains (losses)	8	15	9	17
Total net realized capital gains (losses)	$ (41,693)	$ 23,462	$ 31,025	$ (41,675)

Proceeds from sales of fixed maturity securities for the three months ended June 30, 2010 and 2009 were $245.1 million and $53.2 million, respectively. Gross gains of $7.7 million and $5.6 million and gross losses of $9.8 million and $2.0 million were realized on those fixed maturity securities sales for the three months ended June 30, 2010 and 2009, respectively. Proceeds from sales of equity securities for the three months ended June 30, 2010 and 2009 were $52.1 million and $10.6 million, respectively. Gross gains of $1.3 million and $5.7 million and gross losses of $4.1 million and $0.0 million were realized on those equity sales for the three months ended June 30, 2010 and 2009, respectively.

Proceeds from sales of fixed maturity securities for the six months ended June 30, 2010 and 2009 were $732.1 million and $137.7 million, respectively. Gross gains of $66.4 million and $8.3 million and gross losses of $15.3 million and $44.3 million were realized on those fixed maturity securities sales for the six months ended June 30, 2010 and 2009, respectively. Proceeds from sales of equity securities for the six months ended June 30, 2010 and 2009 were $73.5 million and $13.3 million, respectively. Gross gains of $3.7 million and $5.9 million and gross losses of $4.6 million and $0.7 million were realized on those equity sales for the six months ended June 30, 2010 and 2009, respectively.

The Company records fair value re-measurements as net realized capital gains (losses) in the consolidated statements of operations and comprehensive income (loss). The Company recorded $36.9 million and $19.1 million in net realized capital losses due to fair value re-measurements on fixed maturity and equity securities, at fair value, for the three and six months ended June 30, 2010, respectively. The Company recorded $19.3 million and $2.3 million in net realized capital gains due to fair value re-measurements on fixed maturity and equity securities, at fair value, for the three and six months ended June 30, 2009, respectively.

For the three and six months ended June 30, 2010, the Company had no write-downs in the value of securities deemed to be impaired on an other-than-temporary basis included in net realized capital gains (losses). For the three and six months ended June 30, 2009, the Company recorded $4.9 million and $13.2 million of write-downs in the value of securities deemed to be impaired on an other-than-temporary basis in net realized capital gains (losses). The Company had no other-than-temporary impaired securities where the impairment had both a credit and non-credit component.

4. DERIVATIVES

The Company sold seven equity index put option contracts, based on two indices, in 2001 and 2005, which are outstanding. The Company sold these equity index put options as insurance products with the intent of achieving a profit. These equity index put option contracts meet the definition of a derivative under FASB guidance and the Company's position in these equity index put option contracts is unhedged. Accordingly, these equity index put option contracts are carried at fair value in the consolidated balance sheets with changes in fair value recorded in the consolidated statements of operations and comprehensive income (loss).

The Company sold six equity index put option contracts, based on the Standard & Poor's 500 ("S&P 500") index, for total consideration, net of commissions, of $22.5 million. At June 30, 2010, fair value for these equity index put option contracts was $69.3 million. These equity index put option contracts each have a single exercise date, with maturities ranging from 12 to 30 years and strike prices ranging from $1,141.21 to $1,540.63. No amounts will be payable under these equity index put option contracts if the S&P 500 index is at, or above, the strike prices on the exercise dates, which fall between June 2017 and March 2031. If the S&P 500 index is lower than the strike price on the applicable exercise date, the amount due would vary proportionately with the percentage by which the index is below the strike price. Based on historical index volatilities and trends and the June 30, 2010 S&P 500 index value, the Company estimates the probability that each equity index put option contract of the S&P 500 index falling below the strike price on the exercise date to be less than 52%. The theoretical maximum payouts under the equity index put option contracts would occur if on each of the exercise dates the S&P 500 index value were zero. At June 30, 2010, the present value of these theoretical maximum payouts using a 6% discount factor was $261.4 million.

The Company sold one equity index put option contract based on the FTSE 100 index for total consideration, net of commissions, of $6.7 million. At June 30, 2010, fair value for this equity index put option contract was $7.3 million. This equity index put option contract has an exercise date of July 2020 and a strike price of ₤5,989.75. No amount will be payable under this equity index put option contract if the FTSE 100 index is at, or above, the strike price on the exercise date. If the FTSE 100 index is lower than the strike price on the exercise date, the amount due will vary proportionately with the percentage by which the index is below the strike price. Based on historical index volatilities and trends and the June 30, 2010 FTSE 100 index value, the Company estimates the probability that the equity index put option contract of the FTSE 100 index will fall below the strike price on the exercise date to be less than 46%. The theoretical maximum payout under the equity index put option contract would occur if on the exercise date the FTSE 100 index value was zero. At June 30, 2010, the present value of the theoretical maximum payout using a 6% discount factor and current exchange rate was $26.6 million.

The fair value of the equity index put options can be found in the Company's consolidated balance sheets as follows:

(Dollars in thousands)

Derivatives not designated as hedging instruments	Location of fair value in balance sheets	Fair Value At June 30, 2010	Fair Value At December 31, 2009
Equity index put option contracts	Equity index put option liability	$ 76,599	$ 57,349
Total		$ 76,599	$ 57,349

The change in fair value of the equity index put option contracts can be found in the Company's statement of operations and comprehensive income (loss) as follows:

(Dollars in thousands)		Net derivative gain (loss)			
		For the Three Months Ended June 30,		For the Six Months Ended June 30,	
Derivatives not designated as hedging instruments	Location of gain (loss) in statements of operations and comprehensive income (loss)	2010	2009	2010	2009
Equity index put option contracts	Net derivative gain (loss)	$ (22,304)	$ 21,351	$ (19,250)	$ 1,648
Total		$ (22,304)	$ 21,351	$ (19,250)	$ 1,648

The Company's equity index put option contracts (derivatives) contain provisions that require collateralization of the fair value, as calculated by the counterparty, above a specified threshold, which is based on the Company's financial strength ratings (Moody's Investors Service, Inc.) and/or debt ratings (Standard & Poor's Ratings Services). The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a liability position on June 30, 2010, was $76.6 million for which the Company had posted collateral with a market value of $50.5 million. If on June 30, 2010, the Company's ratings were such that the collateral threshold was zero, the Company would be required to post an additional $55.0 million, which is an approximation of the counterparties' fair value calculation.

5. FAIR VALUE

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

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

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 and valuation of less liquid securities such as commercial mortgage-backed securities and the Company's equity index put option contracts.

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.

The Company sold seven equity index put option contracts which meet the definition of a derivative. The Company's position in these contracts is unhedged. The Company recorded a change in fair value of $22.3 million loss and $19.3 million loss for the three and six months ended June 30, 2010, respectively, and a $21.4 million gain and $1.6 million gain for the three and six months ended June 30, 2009, respectively, in the consolidated statements of operations and comprehensive income (loss).

The fair value was calculated using an industry accepted option pricing model, Black-Scholes, which used the following assumptions:

	At June 30, 2010	
	Contracts based on S & P 500 Index	Contract based on FTSE 100 Index
Equity index	1,030.7	4,916.9
Interest rate	3.63% to 4.90%	4.40%
Time to maturity	6.9 to 20.8 yrs	10.1 yrs
Volatility	22.3% to 24.8%	25.9%

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

		Fair Value Measurement Using:		
(Dollars in thousands)	June 30, 2010	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	$ 405,473	$ -	$ 405,473	$ -
Obligations of U.S. States and political subdivisions	3,634,029	-	3,634,029	-
Corporate securities	3,020,942	-	3,010,992	9,950
Asset-backed securities	282,966	-	276,404	6,562
Mortgage-backed securities				
Commercial	471,470	-	471,470	-
Agency residential	2,453,966	-	2,453,966	-
Non-agency residential	158,889	-	157,381	1,508
Foreign government securities	1,569,588	-	1,569,588	-
Foreign corporate securities	1,501,779	-	1,501,779	-
Total fixed maturities, market value	13,499,102	-	13,481,082	18,020
Fixed maturities, fair value	66,351	-	66,351	-
Equity securities, market value	15,173	15,173	-	-
Equity securities, fair value	367,093	367,093	-	-
Liabilities:				
Equity index put option contracts	$ 76,599	$ -	$ -	$ 76,599

There were no significant transfers between Level 1 and Level 2 for the six months ended June 30, 2010.

The following table presents the fair value measurement levels for all assets and liabilities, 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, 2009	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	$ 354,153	$ -	$ 354,153	$ -
Obligations of U.S. States and political subdivisions	3,853,859	-	3,853,859	-
Corporate securities	2,496,661	-	2,486,761	9,900
Asset-backed securities	313,729	-	307,460	6,269
Mortgage-backed securities				
Commercial	442,618	-	442,618	-
Agency residential	2,368,444	-	2,368,444	-
Non-agency residential	160,621	-	159,227	1,394
Foreign government securities	1,590,753	-	1,590,753	-
Foreign corporate securities	1,425,111	-	1,425,111	-
Total fixed maturities, market value	13,005,949	-	12,988,386	17,563
Fixed maturities, fair value	50,528	-	50,528	-
Equity securities, market value	16,301	16,301	-	-
Equity securities, fair value	380,025	379,058	967	-
Liabilities:				
Equity index put option contracts	$ 57,349	$ -	$ -	$ 57,349

The following tables present the activity under Level 3, fair value measurements using significant unobservable inputs for fixed maturity investments, for the periods indicated:

	By Asset							
	Three Months Ended June 30, 2010				Six Months Ended June 30, 2010			
(Dollars in thousands)	Corporate Securities	Asset-backed Securities	Non-agency RMBS	Total	Corporate Securities	Asset-backed Securities	Non-agency RMBS	Total
Beginning balance	$ 9,900	$ 6,388	$ 1,459	$ 17,747	$ 9,900	$ 6,268	$ 1,394	$ 17,563
Total gains or (losses) (realized/unrealized)								
Included in earnings (or changes in net assets)	(2)	-	68	66	(2)	-	160	158
Included in other comprehensive income (loss)	52	112	79	243	52	44	184	280
Purchases, issuances and settlements	-	71	(97)	(26)	-	259	(230)	29
Transfers in and/or (out) of Level 3	-	(10)	-	(10)	-	(10)	-	(10)
Ending Balance	$ 9,950	$ 6,562	$ 1,508	$ 18,020	$ 9,950	$ 6,562	$ 1,508	$ 18,020
The amount of total gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

(Some amounts may not reconcile due to rounding.)

(Dollars in thousands)	Summary			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Assets:				
Balance, beginning of period	$ 17,747	$ 89,537	$ 17,563	$ 293,607
Total gains or (losses) (realized/unrealized)				
Included in earnings (or changes in net assets)	66	(169)	158	(141)
Included in other comprehensive income (loss)	243	(3,739)	280	376
Purchases, issuances and settlements	(26)	(199)	29	(296)
Transfers in and/or (out) of Level 3	(10)	(69,956)	(10)	(278,072)
Balance, end of period	$ 18,020	$ 15,474	$ 18,020	$ 15,474
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	$ -	$ -	$ -	$ (816)

The following table presents the activity under Level 3, fair value measurements using significant unobservable inputs for equity index put option contracts, for the periods indicated:

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Liabilities:				
Balance, beginning of period	$ 54,295	$ 80,255	$ 57,349	$ 60,552
Total (gains) or losses (realized/unrealized)				
Included in earnings (or changes in net assets)	22,304	(21,351)	19,250	(1,648)
Included in other comprehensive income (loss)	-	-	-	-
Purchases, issuances and settlements	-	-	-	-
Transfers in and/or (out) of Level 3	-	-	-	-
Balance, end of period	$ 76,599	$ 58,905	$ 76,599	$ 58,905
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 liabilities still held at the reporting date	$ -	$ -	$ -	$ -

(Some amounts may not reconcile due to rounding.)

6. CAPITAL TRANSACTIONS

On December 17, 2008, 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.

7. EARNINGS PER COMMON SHARE

Net income (loss) per common share has been computed as per below, based upon weighted average common basic and dilutive shares outstanding.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands, except per share amounts)	2010	2009	2010	2009
Net income (loss) per share:				
Numerator				
Net income (loss)	$ 156,673	$ 272,588	$ 134,021	$ 381,144
Less: dividends declared-common shares and nonvested common shares	(27,557)	(29,549)	(55,840)	(59,088)
Undistributed earnings	129,116	243,039	78,181	322,056
Percentage allocated to common shareholders [(1)]	99.5%	99.6%	99.5%	99.7%
	128,450	242,142	77,822	320,995
Add: dividends declared-common shareholders	27,414	29,438	55,552	58,871
Numerator for basic and diluted earnings per common share	$ 155,863	$ 271,580	$ 133,374	$ 379,866
Denominator				
Denominator for basic earnings per weighted-average common shares	57,691	61,118	58,305	61,206
Effect of dilutive securities:				
Options	118	147	153	143
Denominator for diluted earnings per adjusted weighted-average common shares	57,808	61,265	58,459	61,349
Per common share net income (loss)				
Basic	$ 2.70	$ 4.44	$ 2.29	$ 6.21
Diluted	$ 2.70	$ 4.43	$ 2.28	$ 6.19

(1) Basic weighted-average common shares outstanding	57,691	61,118	58,305	61,206
Basic weighted-average common shares outstanding and nonvested common shares expected to vest	57,990	61,345	58,574	61,408
Percentage allocated to common shareholders	99.5%	99.6%	99.5%	99.7%

(Some amounts may not reconcile due to rounding.)

Options to purchase 1,924,070 and 1,923,110 common shares for the three and six months ended June 30, 2010, respectively, were outstanding but were not included in the computation of earnings per diluted share as they were anti-dilutive. Options to purchase 1,980,970 and 1,944,176 common shares for the three and six months ended June 30, 2009, respectively, were outstanding but were not included in the computation of earnings per diluted share as they were anti-dilutive. All outstanding options expire on or between April 20, 2011 and February 24, 2020.

8. CONTINGENCIES

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

In 1993 and prior, the Company had a business arrangement with The Prudential Insurance Company of America ("The Prudential") wherein, for a fee, the Company accepted settled claim payment obligations of certain property and casualty insurers, and, concurrently, became the owner of the annuity or assignee of the annuity proceeds funded by the property and casualty insurers specifically to fulfill these fully settled obligations. In these circumstances, the Company would be liable if The Prudential, which has an A+ (Superior) financial strength rating from A.M. Best Company ("A.M. Best"), was unable to make the annuity payments. The estimated cost to replace all such annuities for which the Company was contingently liable at June 30, 2010 and December 31, 2009 was $156.0 million and $152.3 million, respectively.

Prior to its 1995 initial public offering, the Company purchased annuities from an unaffiliated life insurance company with an A+ (Superior) financial strength rating from A.M. Best to settle certain claim liabilities of the company. Should the life insurance company become unable to make the annuity payments, the Company would be liable for those claim liabilities. The estimated cost to replace such annuities at June 30, 2010 and December 31, 2009 was $25.6 million and $24.6 million, respectively.

9. OTHER COMPREHENSIVE INCOME (LOSS)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2010	2009	2010	2009
Unrealized appreciation (depreciation) ("URA(D)") on securities arising during the period				
URA(D) of investments - temporary	$ 128,988	$ 187,148	$ 147,000	$ 259,423
URA(D) of investments - non-credit OTTI	33	14,458	6,085	14,458
Tax benefit (expense) from URA(D) arising during the period	(15,770)	(16,359)	(5,262)	(41,686)
Total URA(D) on securities arising during the period, net of tax	113,251	185,247	147,823	232,195
Foreign currency translation adjustments	(50,911)	137,186	(53,198)	77,393
Tax benefit (expense) from foreign currency translation	3,113	(16,037)	(641)	(5,977)
Net foreign currency translation adjustments	(47,798)	121,149	(53,839)	71,416
Pension adjustments	671	1,899	1,299	1,899
Tax benefit (expense) on pension	(235)	(232)	(455)	(232)
Net pension adjustments	436	1,668	844	1,668
Other comprehensive income (loss), net of tax	$ 65,889	$ 308,064	$ 94,828	$ 305,279

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)	June 30, 2010	December 31, 2009
URA(D) on securities, net of deferred taxes		
Temporary	$ 457,290	$ 314,648
Non-credit, OTTI	(193)	(5,374)
Total unrealized appreciation (depreciation) on investments, net of deferred taxes	457,097	309,274
Foreign currency translation adjustments, net of deferred taxes	(66,807)	(12,968)
Pension adjustments, net of deferred taxes	(23,424)	(24,268)
Accumulated other comprehensive income (loss)	$ 366,866	$ 272,038

10. CREDIT FACILITIES

The Company has three facilities for a total commitment of up to $1,300.0 million, providing available credit for the issuance of letters of credit and/or unsecured revolving credit lines. The costs incurred in connection with the three facilities were $0.6 million and $0.5 million for the three months ended June 30, 2010 and 2009, respectively, and $1.0 million for the six months ended June 30, 2010 and 2009. The terms and outstanding amounts for each facility are discussed below:

Group Credit Facility

Effective July 27, 2007, Group, Everest Reinsurance (Bermuda), Ltd. (“Bermuda Re”) and Everest International Reinsurance, Ltd. (“Everest International”) entered into a five year, $850.0 million senior credit facility with a syndicate of lenders referred to as the “Group Credit Facility”. Wachovia Bank, a subsidiary of Wells Fargo Corporation (“Wachovia Bank”) is the administrative agent for the Group Credit Facility, which consists of two tranches. Tranche one provides up to $350.0 million of unsecured revolving credit for liquidity and general corporate purposes, and for the issuance of unsecured standby letters of credit. The interest on the revolving loans shall, at the Company’s option, be either (1) the Base Rate (as defined below) or (2) an adjusted London Interbank Offered Rate (“LIBOR”) plus a margin. The Base Rate is the higher of (a) the prime commercial lending rate established by Wachovia Bank or (b) the Federal Funds Rate plus 0.5% per annum. The amount of margin and the fees payable for the Group Credit Facility depends on Group’s senior unsecured debt rating. Tranche two exclusively provides up to $500.0 million for the issuance of standby letters of credit on a collateralized basis.

The Group Credit Facility requires Group to maintain a debt to capital ratio of not greater than 0.35 to 1 and to maintain a minimum net worth. Minimum net worth is an amount equal to the sum of $3,575.4 million plus 25% of consolidated net income for each of Group’s fiscal quarters, for which statements are available ending on or after January 1, 2007 and for which consolidated net income is positive, plus 25% of any increase in consolidated net worth during such period attributable to the issuance of ordinary and preferred shares, which at June 30, 2010, was $4,104.5 million. As of June 30, 2010, the Company was in compliance with all Group Credit Facility covenants.

At June 30, 2010, the Group Credit facility had no outstanding letters of credit under tranche one and $359.9 million outstanding letters of credit under tranche two. At December 31, 2009, the Group Credit Facility had no outstanding letters of credit under tranche one and $386.5 million outstanding letters of credit under tranche two. The following table summarizes the outstanding letters of credit and/or borrowings at June 30, 2010.

(Dollars in thousands)

Bank		Commitment	In Use	Date of Expiry
Wachovia Group Credit Facility	Tranche One	$ 350,000	$ -	
	Tranche Two	500,000	359,868	12/31/2010
Total Wachovia Group Credit Facility		$ 850,000	$ 359,868	

Holdings Credit Facility

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

The Holdings Credit Facility requires Holdings to maintain a debt to capital ratio of not greater than 0.35 to 1 and Everest Reinsurance Company ("Everest Re") to maintain its statutory surplus at $1.5 billion plus 25% of future aggregate net income and 25% of future aggregate capital contributions after December 31, 2005, which at June 30, 2010, was $1,954.2 million. As of June 30, 2010, Holdings was in compliance with all Holdings Credit Facility covenants.

At June 30, 2010, the Company had outstanding $133.0 million of short-term loans and $17.0 million of letters of credit under the Holdings Credit Facility. At December 31, 2009, the Company had outstanding $28.0 million of letters of credit under the Holdings Credit Facility. The following table summarizes outstanding letters of credit and/or borrowings at June 30, 2010.

(Dollars in thousands)

Bank	Commitment	In Use	Date of Loan	Maturity/Expiry Date
Citibank Holdings Credit Facility	$ 150,000	$ 25,000	5/7/2010	8/9/2010
		25,000	5/10/2010	8/10/2010
		25,000	5/14/2010	8/16/2010
		25,000	5/19/2010	8/19/2010
		20,000	6/11/2010	9/13/2010
		13,000	6/15/2010	9/15/2010
Total short-term borrowings		133,000		
Total letters of credit		16,951		12/31/2010
Total Citibank Holdings Credit Facility	$ 150,000	$ 149,951		

Bermuda Re Letter of Credit Facility

Bermuda Re has a $300.0 million letter of credit issuance facility with Citibank N.A. referred to as the "Bermuda Re Letter of Credit Facility", which commitment is reconfirmed annually. The Bermuda Re Letter of Credit Facility provides for the issuance of up to $300.0 million of secured letters of credit to collateralize reinsurance obligations as a non-admitted reinsurer. The interest on drawn letters of credit shall be (A) 0.20% per annum of the principal amount of issued standard letters of credit (expiry of 15 months or less) and (B) 0.25% per annum of the principal amount of issued extended tenor letters of credit (expiry maximum of up to 60 months). The commitment fee on undrawn credit shall be 0.10% per annum.

At June 30, 2010 and December 31, 2009, the Bermuda Re Letter of Credit Facility had outstanding letters of credit of $194.8 million and $219.2 million, respectively. The following table summarizes the outstanding letters of credit at June 30, 2010.

(Dollars in thousands)

Bank	Commitment	In Use	Date of Expiry
Citibank Bilateral Letter of Credit Agreement	$ 300,000	$ 2,291	11/24/2010
		63,255	12/31/2010
		34,241	1/31/2011
		285	6/15/2011
		23,077	6/30/2014
		33,655	12/31/2013
		10,875	9/30/2014
		27,128	12/31/2014
Total Citibank Bilateral Agreement	$ 300,000	$ 194,807	

11. TRUST AGREEMENTS

Certain subsidiaries of Group, principally Bermuda Re, a Bermuda insurance company and direct subsidiary of Group, have established trust agreements, which effectively use the Company's investments as collateral, as security for assumed losses payable to certain non-affiliated ceding companies. At June 30, 2010, the total amount on deposit in trust accounts was $99.1 million.

12. SENIOR NOTES

On October 12, 2004, Holdings completed a public offering of $250.0 million principal amount of 5.40% senior notes due October 15, 2014. On March 14, 2000, Holdings completed a public offering of $200.0 million principal amount of 8.75% senior notes due on March 15, 2010. On March 15, 2010, the $200.0 million principal amount of 8.75% senior notes matured and was paid in cash.

Interest expense incurred in connection with these senior notes was $3.4 million and $7.8 million for the three months ended June 30, 2010 and 2009, respectively, and $10.4 million and $15.6 million for the six months ended June 30, 2010 and 2009, respectively. Market value, which is based on quoted market prices at June 30, 2010 and December 31, 2009, was $256.6 million and $256.1 million, respectively, for the 5.40% senior notes and $200.0 million for the 8.75% senior notes at December 31, 2009.

13. LONG TERM SUBORDINATED NOTES

On April 26, 2007, Holdings completed a public offering of $400.0 million principal amount of 6.6% fixed to floating rate long term subordinated notes with a scheduled maturity date of May 15, 2037 and a final maturity date of May 1, 2067. 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 $161.4 million, which resulted in a pre-tax gain on debt repurchase of $78.3 million.

Interest expense incurred in connection with these long term notes was $3.9 million for the three months ended June 30, 2010 and 2009, and $7.9 million and $10.4 million for the six months ended June 30, 2010 and 2009, respectively. Market value, which is based on quoted market prices at June 30, 2010 and December 31, 2009, was $206.4 million and $176.5 million on the outstanding 6.6% long term subordinated notes, respectively.

14. JUNIOR SUBORDINATED DEBT SECURITIES PAYABLE

On March 29, 2004, Holdings issued $329.9 million of 6.20% junior subordinated debt securities due, March 29, 2034, to Everest Re Capital Trust II ("Capital Trust II"). Holdings 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.

Fair value, which is primarily based on the quoted market price of the related trust preferred securities, was $269.7 million and $272.6 million, at June 30, 2010 and December 31, 2009, respectively, for the 6.20% junior subordinated debt securities.

Interest expense incurred in connection with these junior subordinated notes was $5.1 million for the three months ended June 30, 2010 and 2009, and $10.2 million for the six months ended June 30, 2010 and 2009.

Capital Trust II is a wholly owned finance subsidiary of Holdings.

Holdings considers that the mechanisms and obligations relating to the trust preferred securities, taken together, constitute a full and unconditional guarantee by Holdings of Capital Trust 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 10) 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, 2009, $2,352.0 million of the $3,271.1 million in net assets of Holdings' consolidated subsidiaries were subject to the foregoing regulatory restrictions.

15. SEGMENT REPORTING

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

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 utilizes inter-affiliate reinsurance, although such reinsurance does not materially impact segment results, as business is generally reported within the segment in which the business was first produced.

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

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

U.S. Reinsurance	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2010	2009	2010	2009
Gross written premiums	$ 268,215	$ 266,151	$ 512,223	$ 530,482
Net written premiums	268,559	266,306	512,825	526,806
Premiums earned	$ 286,886	$ 295,891	$ 523,626	$ 559,048
Incurred losses and LAE	146,199	158,905	300,003	296,690
Commission and brokerage	71,182	70,073	128,380	135,412
Other underwriting expenses	9,377	8,023	17,183	15,585
Underwriting gain (loss)	$ 60,128	$ 58,890	$ 78,060	$ 111,361

U.S. Insurance	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2010	2009	2010	2009
Gross written premiums	$ 204,941	$ 213,511	$ 433,178	$ 418,228
Net written premiums	141,534	169,054	318,517	351,495
Premiums earned	$ 155,323	$ 168,617	$ 317,146	$ 334,637
Incurred losses and LAE	118,589	120,324	230,652	236,347
Commission and brokerage	29,276	33,179	61,082	64,699
Other underwriting expenses	16,279	19,152	32,856	36,433
Underwriting gain (loss)	$ (8,821)	$ (4,038)	$ (7,444)	$ (2,842)

Specialty Underwriting (Dollars in thousands)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Gross written premiums	$ 65,855	$ 57,188	$ 131,742	$ 116,111
Net written premiums	64,460	55,746	129,580	113,713
Premiums earned	$ 68,814	$ 54,916	$ 136,238	$ 118,050
Incurred losses and LAE	62,436	42,675	108,173	82,716
Commission and brokerage	16,802	14,913	33,598	33,495
Other underwriting expenses	2,407	1,999	4,358	3,844
Underwriting gain (loss)	$ (12,831)	$ (4,671)	$ (9,891)	$ (2,005)

International (Dollars in thousands)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Gross written premiums	$ 306,998	$ 274,253	$ 582,348	$ 525,003
Net written premiums	306,960	272,902	582,272	523,629
Premiums earned	$ 291,964	$ 254,341	$ 568,564	$ 508,855
Incurred losses and LAE	224,127	133,538	651,717	288,879
Commission and brokerage	77,846	62,965	142,781	129,302
Other underwriting expenses	7,308	5,684	13,688	10,304
Underwriting gain (loss)	$ (17,317)	$ 52,154	$ (239,622)	$ 80,370

Bermuda (Dollars in thousands)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Gross written premiums	$ 167,500	$ 162,718	$ 375,037	$ 381,782
Net written premiums	167,457	162,738	375,029	381,849
Premiums earned	$ 186,912	$ 183,143	$ 371,627	$ 368,608
Incurred losses and LAE	92,597	111,343	260,259	232,058
Commission and brokerage	41,387	48,084	83,314	92,344
Other underwriting expenses	6,376	6,112	12,606	11,159
Underwriting gain (loss)	$ 46,552	$ 17,604	$ 15,448	$ 33,047

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

(Dollars in thousands)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Underwriting gain (loss)	$ 67,711	$ 119,939	$ (163,449)	$ 219,931
Net investment income	165,731	167,209	327,230	235,963
Net realized capital gains (losses)	(41,693)	23,462	31,025	(41,675)
Realized gain on debt repurchase	-	-	-	78,271
Net derivative gain (loss)	(22,304)	21,351	(19,250)	1,648
Corporate expenses	(3,887)	(4,367)	(8,462)	(8,147)
Interest, fee and bond issue cost amortization expense	(13,016)	(17,116)	(29,658)	(37,258)
Other income (expense)	7,798	2,389	13,137	(2,791)
Income (loss) before taxes	$ 160,340	$ 312,867	$ 150,573	$ 445,942

The Company produces business in the U.S., Bermuda and internationally. The net income deriving from and assets residing in the individual foreign countries in which the Company writes business are not identifiable in the Company's financial records. Based on gross written premium, the largest country, other than the U.S., in which the Company writes business, is the United Kingdom, with $107.6 million and $239.9 million of gross written premium for the three and six months ended June 30, 2010, respectively. No other country represented more than 5% of the Company's revenues.

16. SHARE-BASED COMPENSATION PLANS

There were no share-based compensation awards granted for the three months ended June 30, 2010.

17. RETIREMENT BENEFITS

The Company maintains both qualified and non-qualified defined benefit pension plans for its U.S. employees employed prior to April 1, 2010. In addition, the Company has a retiree health plan for eligible retired employees.

Net periodic benefit cost for U.S. employees included the following components for the periods indicated:

Pension Benefits	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2010	2009	2010	2009
Service cost	$ 1,704	$ 1,679	$ 3,472	$ 3,007
Interest cost	1,804	1,557	3,526	3,192
Expected return on plan assets	(2,045)	(1,974)	(3,985)	(3,072)
Amortization of prior service cost	12	13	25	25
Amortization of net (income) loss	656	1,104	1,233	1,832
ASC 715 settlement charge	846	4	2,241	804
Net periodic benefit cost	$ 2,977	$ 2,383	$ 6,512	$ 5,788

Other Benefits	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2010	2009	2010	2009
Service cost	$ 228	$ 248	$ 508	$ 451
Interest cost	196	187	424	390
Amortization of net (income) loss	4	43	41	43
Net periodic benefit cost	$ 428	$ 478	$ 973	$ 884

The Company did not make any contributions to the pension benefit plan for the three and six months ended June 30, 2010. The Company contributed $3.5 million to the pension benefit plan for the three and six months ended June 30, 2009.

18. RELATED-PARTY TRANSACTIONS

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

19. INCOME TAXES

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

The Company recognizes accrued interest related to unrecognized tax benefits and penalties in income taxes. For the three and six months ended June 30, 2010, the Company expensed approximately $2.2 million and $1.1 million in interest and penalties, respectively.

20. SUBSEQUENT EVENTS

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

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

Industry Conditions.

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

We compete in the U.S., Bermuda 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.

Starting in the latter part of 2007 and continuing into 2010, there has been a significant slowdown in the global economy, which has negatively impacted the financial resources of the industry. Excessive availability and use of credit, particularly by individuals, led to increased defaults on sub-prime mortgages in the U.S. and elsewhere, falling values for houses and many commodities and contracting consumer spending. The significant increase in default rates negatively impacted the value of asset-backed securities held by both foreign and domestic institutions. The defaults have led to a corresponding increase in foreclosures, which have driven down housing values, resulting in additional losses on asset-backed securities. During the third and fourth quarters of 2008, credit markets deteriorated dramatically, evidenced by widening credit spreads and dramatically reduced availability of credit. Many financial institutions, including some insurance entities, experienced liquidity crises due to immediate demands for funds for withdrawals or collateral, combined with falling asset values and their inability to sell assets to meet the increased demands. As a result, several financial institutions failed or were acquired at distressed prices, while others received loans from the U.S. government to continue operations. The liquidity crisis significantly increased the spreads on fixed maturity securities and, at the same time, had a dramatic and negative impact on the stock markets around the world. The combination of losses on securities from failed or impaired companies combined with the decline in values of fixed maturity and equity securities resulted in significant declines in the capital bases of most insurance and reinsurance companies. While there was significant improvement in the financial markets during 2009 and into 2010, concerns about interest rates, deflation and sovereign debt levels have hindered financial market recoveries. It is too early to predict the timing and extent of the impact these financial market fluctuations will have on insurance and reinsurance market conditions.

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. We noted, however, that in many markets and lines during 2009 and into 2010, the rates of decline have slowed, pricing in some segments was relatively flat and there was upward movement in some others, particularly property catastrophe coverage in Latin America and Australia where there have been significant losses. Competition and its effect on rates, terms and conditions vary widely by market and coverage yet continues to be most prevalent in the U.S. casualty insurance and reinsurance markets. The U.S. insurance markets in which we participate were extremely competitive as well.

Rates in the international markets have generally been stable and we have seen some increases, particularly for catastrophe exposed business. We have grown our business in the Middle East, Latin America and Asia. We are expanding our international reach with our new office in Brazil to capitalize on the recently expanded opportunity for professional reinsurers in that market and on the economic growth expected for Brazil in the future.

Overall, we believe that current marketplace conditions offer pockets of 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 shareholders' equity for the periods indicated.

(Dollars in millions)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Percentage Increase/ (Decrease)	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009	Percentage Increase/ (Decrease)
Gross written premiums	$ 1,013.5	$ 973.8	4.1%	$ 2,034.5	$ 1,971.6	3.2%
Net written premiums	949.0	926.7	2.4%	1,918.2	1,897.5	1.1%
REVENUES:						
Premiums earned	$ 989.9	$ 956.9	3.4%	$ 1,917.2	$ 1,889.2	1.5%
Net investment income	165.7	167.2	-0.9%	327.2	236.0	38.7%
Net realized capital gains (losses)	(41.7)	23.5	NM	31.0	(41.7)	-174.4%
Realized gain on debt repurchase	-	-	NA	-	78.3	NA
Net derivative gain (loss)	(22.3)	21.4	-204.5%	(19.3)	1.6	NM
Other income (expense)	7.8	2.4	226.3%	13.1	(2.8)	NM
Total revenues	1,099.4	1,171.3	-6.1%	2,269.3	2,160.6	5.0%
CLAIMS AND EXPENSES:						
Incurred losses and loss adjustment expenses	643.9	566.8	13.6%	1,550.8	1,136.7	36.4%
Commission, brokerage, taxes and fees	236.5	229.2	3.2%	449.2	455.3	-1.3%
Other underwriting expenses	41.7	41.0	1.9%	80.7	77.3	4.4%
Corporate expenses	3.9	4.4	-11.0%	8.5	8.1	3.9%
Interest, fees and bond issue cost amortization expense	13.0	17.1	-24.0%	29.7	37.3	-20.4%
Total claims and expenses	939.1	858.5	9.4%	2,118.8	1,714.7	23.6%
INCOME (LOSS) BEFORE TAXES	160.3	312.9	-48.8%	150.6	445.9	-66.2%
Income tax expense (benefit)	3.7	40.3	-90.9%	16.6	64.8	-74.5%
NET INCOME (LOSS)	$ 156.7	$ 272.6	-42.5%	$ 134.0	$ 381.1	-64.8%
RATIOS:			Point Change			Point Change
Loss ratio	65.1%	59.2%	5.9	80.9%	60.2%	20.7
Commission and brokerage ratio	23.9%	24.0%	(0.1)	23.4%	24.1%	(0.7)
Other underwriting expense ratio	4.2%	4.3%	(0.1)	4.2%	4.1%	0.1
Combined ratio	93.2%	87.5%	5.7	108.5%	88.4%	20.1

(Dollars in millions, except per share amounts)	At June 30, 2010	At December 31, 2009	Percentage Increase/ (Decrease)
Balance sheet data:			
Total investments and cash	$ 15,102.1	$ 14,918.8	1.2%
Total assets	18,206.9	18,001.3	1.1%
Loss and loss adjustment expense reserves	9,237.8	8,937.9	3.4%
Total debt	951.0	1,018.0	-6.6%
Total liabilities	12,171.3	11,899.6	2.3%
Shareholders' equity	6,035.6	6,101.7	-1.1%
Book value per share	107.31	102.87	

(NA, not applicable)
(NM, not meaningful)
(Some amounts may not reconcile due to rounding.)

Revenues.

Premiums. Gross written premiums increased by $39.7 million, or 4.1%, for the three months ended June 30, 2010, compared to the three months ended June 30, 2009, reflecting an increase of $48.3 million in our reinsurance business partially offset by an $8.6 million decrease in our insurance business. Gross written premiums increased by $62.9 million, or 3.2%, for the six months ended June 30, 2010, compared to the six months ended June 30, 2009, reflecting a $48.0 million increase in our reinsurance business and a $15.0 million increase in our insurance business. The increase in reinsurance premium was the result of increased writings from our Brazil, Asia and Canadian locations. The increase in insurance premiums were primarily in the workers' compensation, Florida property and financial institution D&O and E&O lines of business.

Net written premiums increased $22.2 million, or 2.4%, for the three months ended June 30, 2010 compared to the three months ended June 30, 2009 and increased $20.7 million, or 1.1%, for the six months ended June 30, 2010 compared to the six months ended June 30, 2009. The increase in net written premiums was less in proportion than the increase in gross written premiums as a result of increased reinsurance on the newer insurance program business as well as increased cessions on an existing insurance program. Premiums earned increased $33.0 million, or 3.4%, for the three months ended June 30, 2010, compared to the three months ended June 30, 2009, and increased $28.0 million, or 1.5%, for the six months ended June 30, 2010, compared to the six months ended June 30, 2009. The change in net 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 was relatively flat for the three months ended June 30, 2010, compared to the three months ended June 30, 2009, in contrast to a 38.7% increase for the six months ended June 30, 2010, compared to the six months ended June 30, 2009. The increase was primarily due to net investment gains from our limited partnerships of $31.5 million for the six months ended June 30, 2010, compared with losses of $52.7 million for the comparable period in 2009. Net pre-tax investment income, as a percentage of average invested assets, was at 4.6% for the three months ended June 30, 2010 compared to 4.8% for the three months ended June 30, 2009 and up at 4.5% for the six months ended June 30, 2010 compared to 3.4% for the six months ended June 30, 2009. The variances in these yields were primarily due to the fluctuations in limited partnership income.

Net Realized Capital Gains (Losses). Net realized capital losses were $41.7 million for the three months ended June 30, 2010. Of the $41.7 million, we recorded a $36.9 million loss in fair value re-measurements and $4.8 million of net realized capital losses from sales on our available for sale fixed maturity and equity securities. Net realized capital gains were $23.5 million for the three months ended June 30, 2009. Of the $23.5 million, we recorded $19.3 million of gains in fair value re-measurements and $9.2 million of net realized capital gains from the sale of fixed maturity and equity securities, partially offset by $4.9 million of other-than-temporary impairments.

Net realized capital gains were $31.0 million for the six months ended June 30, 2010. Of the $31.0 million, we recorded $50.2 million of net realized capital gains from sales on our available for sale fixed maturity and equity securities, which was partially offset by $19.1 million of losses in fair value re-measurements. Net realized capital losses were $41.7 million for the six months ended June 30, 2009. Of the $41.7 million, we recorded $30.9 million of net realized capital losses from the sale of fixed maturity and equity securities and $13.2 million of other-than-temporary impairments, which were partially offset by $2.4 million of gains in fair value re-measurements.

Realized Gain on Debt Repurchase. On March 19, 2009, we commenced a cash tender offer for any and all of the 6.60% fixed to floating rate long term subordinated notes due 2067. Upon expiration of the tender offer, we had reduced our outstanding debt by $161.4 million, which resulted in a pre-tax gain on debt repurchase of $78.3 million.

Net Derivative Gain (Loss). In 2005 and prior, we sold seven equity index put option contracts, which are outstanding. These contracts meet the definition of a derivative in accordance with FASB guidance and as such, are fair valued each quarter with the change recorded as net derivative gain or loss in the consolidated statements of operations and comprehensive income (loss). As a result of these adjustments in value, we recognized net derivative losses of $22.3 million and 19.3 million for the three and six months ended June 30, 2010, respectively, and net derivative gains of $21.4 million and $1.6 million for the three and six months ended June 30, 2009, respectively. The change in the fair value of these equity index put option contracts is indicative of the change in the financial markets over the same periods.

Other Income (Expense). We recorded other income of $7.8 million and $2.4 million for the three months ended June 30, 2010 and 2009, respectively, and other income of $13.1 million and other expense of $2.8 million for the six months ended June 30, 2010 and 2009, respectively. The changes were primarily the result of fluctuations in foreign currency exchange rates for the corresponding periods.

Claims and Expenses.
Incurred Losses and LAE. The following tables present our incurred losses and LAE for the periods indicated.

	Three Months Ended June 30,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2010						
Attritional (a)	$ 584.0	59.0%	$ (9.8)	-0.9%	$ 574.3	58.0%
Catastrophes (b)	80.5	8.1%	(10.8)	-1.1%	69.7	7.0%
A&E	-	0.0%	-	0.0%	-	0.0%
Total	$ 664.5	67.1%	$ (20.6)	-2.1%	$ 643.9	65.1%
2009						
Attritional (a)	$ 552.5	57.7%	$ 6.0	0.6%	$ 558.5	58.4%
Catastrophes	7.0	0.7%	1.3	0.1%	8.3	0.9%
A&E	-	0.0%	-	0.0%	-	0.0%
Total	$ 559.5	58.5%	$ 7.3	0.8%	$ 566.8	59.2%
Variance 2010/2009						
Attritional (a)	$ 31.5	1.3 pts	$ (15.8)	(1.5) pts	$ 15.8	(0.4) pts
Catastrophes	73.5	7.4 pts	(12.1)	(1.2) pts	61.4	6.1 pts
A&E	-	- pts	-	- pts	-	- pts
Total	$ 105.0	8.6 pts	$ (27.9)	(2.9) pts	$ 77.1	5.9 pts

	Six Months Ended June 30,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2010						
Attritional (a)	$ 1,135.7	59.2%	$ (9.0)	-0.4%	$ 1,126.7	58.8%
Catastrophes (b)	435.5	22.7%	(11.4)	-0.6%	424.1	22.1%
A&E	-	0.0%	-	0.0%	-	0.0%
Total	$ 1,571.2	82.0%	$ (20.4)	-1.1%	$ 1,550.8	80.9%
2009						
Attritional (a)	$ 1,071.3	56.7%	$ 24.0	1.3%	$ 1,095.3	58.0%
Catastrophes	35.9	1.9%	5.5	0.3%	41.4	2.2%
A&E	-	0.0%	-	0.0%	-	0.0%
Total	$ 1,107.3	58.6%	$ 29.4	1.6%	$ 1,136.7	60.2%
Variance 2010/2009						
Attritional (a)	$ 64.4	2.5 pts	$ (33.0)	(1.7) pts	$ 31.4	0.8 pts
Catastrophes	399.6	20.8 pts	(16.9)	(0.9) pts	382.7	19.9 pts
A&E	-	- pts	-	- pts	-	- pts
Total	$ 463.9	23.4 pts	$ (49.8)	(2.7) pts	$ 414.1	20.7 pts

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

(b) Effective with the June 30, 2010 reporting period, which includes June 30, 2010 year-to-date and the quarter results, a catastrophe is a property event with expected reported losses of at least $10.0 million. All prior periods reflect a catastrophe as a property event with expected reported losses of at least $5.0 million.

(Some amounts may not reconcile due to rounding.)

Incurred losses and LAE increased by $77.1 million, or 13.6%, for the three months ended June 30, 2010 compared to the same period in 2009. Of the $77.1 million increase, current year catastrophe losses increased $73.5 million, or 7.4 points, period over period, primarily due to the Chilean earthquake, partially offset by the takedown of $30.0 million for Windstorm Xynthia as this catastrophe loss was less than we anticipated.

Incurred losses and LAE increased by $414.1 million, or 36.4%, for the six months ended June 30, 2010 compared to the same period in 2009. Of the $414.1 million increase, current year catastrophe losses increased $399.6 million, or 20.8 points, period over period, primarily due to the Chilean earthquake and Australian hailstorms.

Commission, Brokerage, Taxes and Fees. Commission, brokerage, taxes and fees increased by $7.3 million, or 3.2%, for the three months ended June 30, 2010 compared to the same period in 2009, in line with the increase in premiums earned. Commission, brokerage, taxes and fees decreased by $6.1 million, or 1.3%, for the six months ended June 30, 2010 compared to the same period in 2009, primarily the result of the increase in reinstatement premiums resulting from first quarter 2010 catastrophes, which have no commission expense.

Other Underwriting Expenses. Other underwriting expenses were $41.7 million and $41.0 million for the three months ended June 30, 2010 and 2009, respectively, and $80.7 million and $77.3 million for the six months ended June 30, 2010 and 2009, respectively. Other underwriting expense increase was relatively consistent across our reinsurance business, and decreased for our insurance business due to cost containment measures for the three and six months ended June 30, 2010 and 2009.

Corporate Expenses. Corporate expenses, which are expenses that are not allocated to segments, were $3.9 million and $4.4 million for the three months ended June 30, 2010 and 2009, respectively, and $8.5 million and $8.1 million for the six months ended June 30, 2010 and 2009, respectively. These expenses were previously included as underwriting expenses and therefore included in the other underwriting expense ratio. Effective January 1, 2010, these expenses were removed from the calculation of the other underwriting expense ratio and prior periods were recalculated to conform.

Interest, Fees and Bond Issue Cost Amortization Expense. Interest and other expense was $13.0 million and $17.1 million for the three months ended June 30, 2010 and 2009, respectively, and $29.7 million and $37.3 million for the six months ended June 30, 2010 and 2009, respectively. These decreases were primarily due to the combination of the repurchase of debt in March 2009 and the maturing of debt in 2010.

Income Tax Expense (Benefit). We had income tax expense of $3.7 million and $16.6 million for the three and six months ended June 30, 2010, respectively, and $40.3 million and $64.8 million for the three and six months ended June 30, 2009, respectively. Our income tax is primarily a function of the statutory tax rates and corresponding pre-tax income in the jurisdictions where we operate, 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 among jurisdictions with different tax rates.

Net Income (Loss).

Our net income was $156.7 million and $272.6 million for the three months ended June 30, 2010 and 2009, respectively, and $134.0 million and $381.1 million for the six months ended June 30, 2010 and 2009, respectively. These decreases were primarily driven by a very large catastrophe loss in 2010 compared to no major catastrophe event in 2009 and the other components as discussed above.

Ratios.

Our combined ratio increased by 5.7 points to 93.2% for the three months ended June 30, 2010 compared to 87.5% for the three months ended June 30, 2009, and increased by 20.1 points to 108.5% for the six months ended June 30, 2010 compared to 88.4% for the six months ended June 30, 2009. The loss ratio component increased 5.9 points and 20.7 points for the three and six months ended June 30, 2010, respectively, over the same period last year, principally due to the increase in current year catastrophe losses as a result of the Chilean earthquake and Australian hailstorms. The other underwriting expense ratio component was relatively flat over the same period last year, while the commission and brokerage ratio component decreased by 0.1 points and 0.7 points for the three and six months ended June 30, 2010, respectively, over the same period last year, primarily as a result of fully earned reinstatement premiums which have no commission expense.

Shareholders' Equity.
Shareholders' equity decreased by $66.1 million to $6,035.6 million at June 30, 2010 from $6,101.7 million at December 31, 2009, principally as a result of repurchasing 3,242,798 common shares for $247.1 million, $55.8 million of shareholder dividends and $53.8 million of foreign currency translation adjustments, partially offset by $147.8 million of unrealized appreciation, net of tax, on investments, $134.0 million of net income and share-based compensation transactions of $8.0 million.

Consolidated Investment Results

Net Investment Income.
Net investment income was relatively flat at $165.7 million for the three months ended June 30, 2010 compared to $167.2 million for the three months ended June 30, 2009 and increased by 38.7% to $327.2 million for the six months ended June 30, 2010 from $236.0 million for the six months ended June 30, 2009. The variance for the six months was primarily due to an increase in reported gains in 2010 as opposed to reported losses in 2009 from our limited partnership investments. The losses in 2009 were the result of 2008 fourth quarter losses from those limited partnerships that invested in non-public securities and were on a quarter reporting lag.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in millions)	2010	2009	2010	2009
Fixed maturities	$ 149.0	$ 144.3	$ 294.2	$ 289.0
Equity securities	2.9	0.7	5.4	1.4
Short-term investments and cash	(0.1)	1.7	(0.4)	5.2
Other invested assets				
Limited partnerships	15.6	20.3	31.5	(52.7)
Other	0.3	0.3	0.7	1.0
Total gross investment income	167.7	167.3	331.4	244.0
Interest (credited) debited and other expense	(2.0)	(0.1)	(4.2)	(8.0)
Total net investment income	$ 165.7	$ 167.2	$ 327.2	$ 236.0

(Some amounts may not reconcile due to rounding.)

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

	At June 30, 2010	At December 31, 2009
Imbedded pre-tax yield of cash and invested assets	4.2%	4.1%
Imbedded after-tax yield of cash and invested assets	3.8%	3.6%

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Annualized pre-tax yield on average cash and invested assets	4.6%	4.8%	4.5%	3.4%
Annualized after-tax yield on average cash and invested assets	4.0%	4.3%	4.0%	3.1%

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

(Dollars in millions)	Three Months Ended June 30, 2010	2009	Variance	Six Months Ended June 30, 2010	2009	Variance
Gains (losses) from sales:						
Fixed maturity securities, market value						
Gains	$ 7.5	$ 5.3	$ 2.2	$ 66.1	$ 8.0	$ 58.1
Losses	(9.7)	(1.9)	(7.8)	(15.3)	(44.2)	28.9
Total	(2.2)	3.4	(5.6)	50.8	(36.2)	87.0
Fixed maturity securities, fair value						
Gains	0.2	0.1	0.1	0.3	0.3	-
Losses	-	-	-	-	(0.1)	0.1
Total	0.2	0.1	0.1	0.3	0.2	0.1
Equity securities, market value						
Gains	0.1	-	0.1	0.1	-	0.1
Losses	-	-	-	-	-	-
Total	0.1	-	0.1	0.1	-	0.1
Equity securities, fair value						
Gains	1.2	5.7	(4.5)	3.6	5.9	(2.3)
Losses	(4.1)	-	(4.1)	(4.6)	(0.7)	(3.9)
Total	(2.9)	5.7	(8.6)	(1.0)	5.2	(6.2)
Total net realized capital gains (losses) from sales						
Gains	9.0	11.1	(2.1)	70.1	14.1	56.0
Losses	(13.8)	(1.9)	(11.9)	(19.9)	(45.0)	25.1
Total	(4.8)	9.2	(14.0)	50.2	(30.9)	81.1
Other-than-temporary impairments:	-	(4.9)	4.9	-	(13.2)	13.2
Gains (losses) from fair value adjustments:						
Fixed maturities, fair value	(2.5)	2.0	(4.5)	0.5	2.0	(1.5)
Equity securities, fair value	(34.3)	17.3	(51.6)	(19.6)	0.4	(20.0)
Total	(36.9)	19.3	(56.1)	(19.1)	2.4	(21.5)
Total net realized capital gains (losses)	$ (41.7)	$ 23.5	$ (65.2)	$ 31.0	$ (41.7)	$ 72.7

(Some amounts may not reconcile due to rounding.)

Net realized capital losses were $41.7 million and net realized capital gains were $23.5 million for the three months ended June 30, 2010 and 2009, respectively. We recorded $4.8 million of net realized capital losses and $9.2 million of net realized capital gains from sales of fixed maturity and equity securities, and $36.9 million of losses and $19.3 million of gains due to fair value re-measurements on fixed maturity and equity securities for the three months ended June 30, 2010 and 2009, respectively. In addition, we did not record any other-than-temporary impairments for the three months ended June 30, 2010 compared to $4.9 million recorded for the three months ended June 30, 2009.

Net realized capital gains were $31.0 million and net realized capital losses were $41.7 million for the six months ended June 30, 2010 and 2009, respectively. We recorded $50.2 million of net realized capital gains and $30.9 million of net realized capital losses from sales of fixed maturity and equity securities, and $19.1 million of losses and $2.4 million of gains due to fair value re-measurements on fixed maturity and equity securities for the six months ended June 30, 2010 and 2009, respectively. The gains on the sales of fixed maturity securities were primarily the result of selling securities in foreign currencies, which will reduce our exposure to currency fluctuations in the future. We did not record any other-than-temporary impairments for the six months ended June 30, 2010 compared to $13.2 million recorded for the six months ended June 30, 2009.

Segment Results.

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

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. We utilize inter-affiliate reinsurance, although such reinsurance does not materially impact segment results, as business is generally reported within the segment in which the business was first produced.

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 re-evaluation is made.

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

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

	Three Months Ended June 30,				Six Months Ended June 30,			
(Dollars in millions)	2010	2009	Variance	% Change	2010	2009	Variance	% Change
Gross written premiums	$ 268.2	$ 266.2	$ 2.1	0.8%	$ 512.2	$ 530.5	$ (18.3)	-3.4%
Net written premiums	268.6	266.3	2.3	0.8%	512.8	526.8	(14.0)	-2.7%
Premiums earned	$ 286.9	$ 295.9	$ (9.0)	-3.0%	$ 523.6	$ 559.0	$ (35.4)	-6.3%
Incurred losses and LAE	146.2	158.9	(12.7)	-8.0%	300.0	296.7	3.3	1.1%
Commission and brokerage	71.2	70.1	1.1	1.6%	128.4	135.4	(7.0)	-5.2%
Other underwriting expenses	9.4	8.0	1.4	16.9%	17.2	15.6	1.6	10.3%
Underwriting gain (loss)	$ 60.1	$ 58.9	$ 1.2	2.1%	$ 78.1	$ 111.4	$ (33.3)	-29.9%
				Point Chg				Point Chg
Loss ratio	51.0%	53.7%		(2.7)	57.3%	53.1%		4.2
Commission and brokerage ratio	24.8%	23.7%		1.1	24.5%	24.2%		0.3
Other underwriting expense ratio	3.2%	2.7%		0.5	3.3%	2.8%		0.5
Combined ratio	79.0%	80.1%		(1.1)	85.1%	80.1%		5.0

(Some amounts may not reconcile due to rounding.)

Premiums. Gross written premiums increased by 0.8% to $268.2 million for the three months ended June 30, 2010 from $266.2 million for the three months ended June 30, 2009, primarily due to an $11.3 million (14.1%) increase in U.S. treaty casualty volume and an $8.4 million (6.3%) increase in treaty property volume, partially offset by a $13.9 million (57.1%) decrease in the crop hail quota share treaties and a $3.5 million (12.2%) decrease in facultative volume. Net written premiums increased 0.8% to $268.6 million for the three months ended June 30, 2010 compared to $266.3 million for the three months ended June 30, 2009, in line with the increase in gross written premiums. Premiums earned decreased 3.0% to $286.9 million for the three months ended June 30, 2010 compared to $295.9 million for the three months ended June 30, 2009. The change in premiums earned relative to net written premiums is the result of timing on proportional contracts where premiums are earned ratably over the coverage period whereas written premiums are recorded at the initiation of the coverage period.

Gross written premiums decreased by 3.4% to $512.2 million for the six months ended June 30, 2010 from $530.5 million for the six months ended June 30, 2009, primarily due to a $19.2 million (46.0%) decrease in the crop hail quota share treaties, a $16.9 million (33.9%) decrease in facultative volume and a $9.0 million (5.4%) decrease in U.S. treaty casualty volume, partially offset by a $27.0 million (10.0%) increase in treaty property volume. Net written premiums decreased 2.7% to $512.8 million for the six months ended June 30, 2010 compared to $526.8 million for the six months ended June 30, 2009. Premiums earned decreased 6.3% to $523.6 million for the six months ended June 30, 2010 compared to $559.0 million for the six months ended June 30, 2009. Variances for net written premiums and premiums earned for the six months were driven by similar factors as those discussed above for the three months.

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

	Three Months Ended June 30,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2010						
Attritional	$ 148.0	51.6%	$ 5.6	2.0%	$ 153.6	53.5%
Catastrophes	(5.0)	-1.7%	(2.4)	-0.8%	(7.4)	-2.6%
A&E	-	0.0%	-	0.0%	-	0.0%
Total segment	$ 143.0	49.8%	$ 3.2	1.1%	$ 146.2	51.0%
2009						
Attritional	$ 160.5	54.3%	$ 0.5	0.2%	$ 161.0	54.4%
Catastrophes	-	0.0%	(2.1)	-0.7%	(2.1)	-0.7%
A&E	-	0.0%	-	0.0%	-	0.0%
Total segment	$ 160.5	54.3%	$ (1.6)	-0.5%	$ 158.9	53.7%
Variance 2010/2009						
Attritional	$ (12.5)	(2.7) pts	$ 5.1	1.8 pts	$ (7.4)	(0.9) pts
Catastrophes	(5.0)	(1.7) pts	(0.3)	(0.1) pts	(5.3)	(1.9) pts
A&E	-	- pts	-	- pts	-	- pts
Total segment	$ (17.5)	(4.5) pts	$ 4.8	1.6 pts	$ (12.7)	(2.7) pts

	Six Months Ended June 30,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2010						
Attritional	$ 270.7	51.7%	$ 5.8	1.1%	$ 276.5	52.8%
Catastrophes	23.0	4.4%	0.5	0.1%	23.5	4.5%
A&E	-	0.0%	-	0.0%	-	0.0%
Total segment	$ 293.7	56.1%	$ 6.3	1.2%	$ 300.0	57.3%
2009						
Attritional	$ 286.1	51.2%	$ 12.5	2.2%	$ 298.6	53.4%
Catastrophes	-	0.0%	(1.9)	-0.3%	(1.9)	-0.3%
A&E	-	0.0%	-	0.0%	-	0.0%
Total segment	$ 286.1	51.2%	$ 10.6	1.9%	$ 296.7	53.1%
Variance 2010/2009						
Attritional	$ (15.4)	0.5 pts	$ (6.7)	(1.1) pts	$ (22.1)	(0.6) pts
Catastrophes	23.0	4.4 pts	2.4	0.4 pts	25.4	4.8 pts
A&E	-	- pts	-	- pts	-	- pts
Total segment	$ 7.6	4.9 pts	$ (4.3)	(0.7) pts	$ 3.3	4.2 pts

(Some amounts may not reconcile due to rounding.)

Incurred losses were $12.7 million (2.7 points) lower at $146.2 million for the three months ended June 30, 2010 compared to $158.9 million for the three months ended June 30, 2009, primarily as a result of the $7.4 million decrease in attritional losses primarily due to an adjustment in the second quarter of 2009 to the Crop Hail expected loss ratio and $5.0 million decrease in current year catastrophe losses from the reversal of the first quarter estimate of Windstorm Xynthia.

Incurred losses were $3.3 million (4.2 points) higher at $300.0 million for the six months ended June 30, 2010 compared to $296.7 million for the six months ended June 30, 2009, primarily as a result of the $25.4 million (4.8 points) increase in catastrophe losses primarily due to the Chilean earthquake, partially offset by a $22.1 million decrease in attritional losses, principally the Crop Hail business.

Segment Expenses. Commission and brokerage expenses increased by 1.6% to $71.2 million for the three months ended June 30, 2010 compared to $70.1 million for the three months ended June 30, 2009. Commission and brokerage expenses decreased by 5.2% to $128.4 million for the six months ended June 30, 2010 compared to $135.4 million for the six months ended June 30, 2009. These variances were due to the changes in premiums and the mix of business.

Segment other underwriting expenses for the three months ended June 30, 2010 increased to $9.4 million from $8.0 million for the three months ended June 30, 2009. Segment other underwriting expenses for the six months ended June 30, 2010 increased to $17.2 million from $15.6 million for the six months ended June 30, 2009. These increases were due to normal growth in operating expenses.

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

	Three Months Ended June 30,				Six Months Ended June 30,			
(Dollars in millions)	2010	2009	Variance	% Change	2010	2009	Variance	% Change
Gross written premiums	$ 204.9	$ 213.5	$ (8.6)	-4.0%	$ 433.2	$ 418.2	$ 15.0	3.6%
Net written premiums	141.5	169.1	(27.5)	-16.3%	318.5	351.5	(33.0)	-9.4%
Premiums earned	$ 155.3	$ 168.6	$ (13.3)	-7.9%	$ 317.1	$ 334.6	$ (17.5)	-5.2%
Incurred losses and LAE	118.6	120.3	(1.7)	-1.4%	230.7	236.3	(5.7)	-2.4%
Commission and brokerage	29.3	33.2	(3.9)	-11.8%	61.1	64.7	(3.6)	-5.6%
Other underwriting expenses	16.3	19.2	(2.9)	-15.0%	32.9	36.4	(3.6)	-9.8%
Underwriting gain (loss)	$ (8.8)	$ (4.0)	$ (4.8)	118.4%	$ (7.4)	$ (2.8)	$ (4.6)	161.9%
				Point Chg				Point Chg
Loss ratio	76.3%	71.4%		4.9	72.7%	70.6%		2.1
Commission and brokerage ratio	18.8%	19.7%		(0.9)	19.3%	19.3%		-
Other underwriting expense ratio	10.6%	11.3%		(0.7)	10.3%	10.9%		(0.6)
Combined ratio	105.7%	102.4%		3.3	102.3%	100.8%		1.5

(Some amounts may not reconcile due to rounding.)

Premiums. Gross written premiums decreased by 4.0% to $204.9 million for the three months ended June 30, 2010 compared to $213.5 million for the three months ended June 30, 2009, as we continue to adjust our book of business to achieve an appropriate underwriting margin. Net written premiums decreased by 16.3% to $141.5 million for the three months ended June 30, 2010 compared to $169.1 million for the three months ended June 30, 2009, due to increased cessions on the newer business and one older program. Ceded premiums generally relate to specific reinsurance purchased and fluctuate based upon the level of premiums written in the individual reinsured programs. Premiums earned decreased 7.9% to $155.3 million for the three months ended June 30, 2010 compared to $168.6 million for the three months ended June 30, 2009. The change in premiums earned relative to net written premiums is the result of timing; premiums are earned ratably over the coverage period whereas written premiums are recorded at the initiation of the coverage period.

Gross written premiums increased by 3.6% to $433.2 million for the six months ended June 30, 2010 compared to $418.2 million for the six months ended June 30, 2009. Growth was derived from our direct specialty lines and increased rates on the workers' compensation business. Net written premiums decreased by 9.4% to $318.5 million for the six months ended June 30, 2010 compared to $351.5 million for the six months ended June 30, 2009, once again due to increased reinsurance on some new programs and one older program. Premiums earned decreased 5.2% to $317.1 million for the six months ended June 30, 2010 compared to $334.6 million for the six months ended June 30, 2009 due to timing as explained above.

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

	Three Months Ended June 30,								
(Dollars in millions)	Current Year		Ratio %/ Pt Change	Prior Years		Ratio %/ Pt Change	Total Incurred		Ratio %/ Pt Change
2010									
Attritional	$	113.1	72.8%	$	5.5	3.5%	$	118.6	76.3%
Catastrophes		-	0.0%		-	0.0%		-	0.0%
Total segment	$	113.1	72.8%	$	5.5	3.5%	$	118.6	76.3%
2009									
Attritional	$	119.8	71.1%	$	0.5	0.3%	$	120.3	71.4%
Catastrophes		-	0.0%		-	0.0%		-	0.0%
Total segment	$	119.8	71.1%	$	0.5	0.3%	$	120.3	71.4%
Variance 2010/2009									
Attritional	$	(6.7)	1.7 pts	$	5.0	3.2 pts	$	(1.7)	4.9 pts
Catastrophes		-	- pts		-	- pts		-	- pts
Total segment	$	(6.7)	1.7 pts	$	5.0	3.2 pts	$	(1.7)	4.9 pts

	Six Months Ended June 30,								
(Dollars in millions)	Current Year		Ratio %/ Pt Change	Prior Years		Ratio %/ Pt Change	Total Incurred		Ratio %/ Pt Change
2010									
Attritional	$	228.4	72.0%	$	2.2	0.7%	$	230.7	72.7%
Catastrophes		-	0.0%		-	0.0%		-	0.0%
Total segment	$	228.4	72.0%	$	2.2	0.7%	$	230.7	72.7%
2009									
Attritional	$	235.8	70.5%	$	0.5	0.2%	$	236.3	70.6%
Catastrophes		-	0.0%		-	0.0%		-	0.0%
Total segment	$	235.8	70.5%	$	0.5	0.1%	$	236.3	70.6%
Variance 2010/2009									
Attritional	$	(7.4)	1.5 pts	$	1.7	0.5 pts	$	(5.6)	2.1 pts
Catastrophes		-	- pts		-	- pts		-	- pts
Total segment	$	(7.4)	1.5 pts	$	1.7	0.6 pts	$	(5.6)	2.1 pts

(Some amounts may not reconcile due to rounding.)

Incurred losses and LAE decreased by 1.4% to $118.6 million for the three months ended June 30, 2010 compared to $120.3 million for the three months ended June 30, 2009. The decrease was due to the lower current year attritional losses in 2010, partially offset by an increase in prior years' attritional losses due to two large claims for a run-off professional liability program.

Incurred losses and LAE decreased by 2.4% to $230.7 million for the six months ended June 30, 2010 compared to $236.3 million for the six months ended June 30, 2009. The decrease was due to similar factors as discussed above for the three months.

Segment Expenses. Commission and brokerage decreased by 11.8% to $29.3 million for the three months ended June 30, 2010 compared to $33.2 million for the three months ended June 30, 2009. Commission and brokerage decreased by 5.6% to $61.1 million for the six months ended June 30, 2010 compared to $64.7 million for the six months ended June 30, 2009. These decreases were primarily the result of a decrease in net earned premiums in conjunction with the additional reinsurance and the mix of business.

Segment other underwriting expenses for the three months ended June 30, 2010 decreased to $16.3 million compared to $19.2 million for the three months ended June 30, 2009. Segment other underwriting expenses for the six months ended June 30, 2010 decreased to $32.9 million compared to $36.4 million for the six months ended June 30, 2009. These decreases were the result of management's direct actions to reduce operating expenses.

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

	Three Months Ended June 30,				Six Months Ended June 30,			
(Dollars in millions)	2010	2009	Variance	% Change	2010	2009	Variance	% Change
Gross written premiums	$ 65.9	$ 57.2	$ 8.7	15.2%	$ 131.7	$ 116.1	$ 15.6	13.5%
Net written premiums	64.5	55.7	8.7	15.6%	129.6	113.7	15.9	14.0%
Premiums earned	$ 68.8	$ 54.9	$ 13.9	25.3%	$ 136.2	$ 118.1	$ 18.2	15.4%
Incurred losses and LAE	62.4	42.7	19.8	46.3%	108.2	82.7	25.5	30.8%
Commission and brokerage	16.8	14.9	1.9	12.7%	33.6	33.5	0.1	0.3%
Other underwriting expenses	2.4	2.0	0.4	20.4%	4.4	3.8	0.5	13.4%
Underwriting gain (loss)	$ (12.8)	$ (4.7)	$ (8.2)	174.7%	$ (9.9)	$ (2.0)	$ (7.9)	NM
				Point Chg				Point Chg
Loss ratio	90.7%	77.7%		13.0	79.4%	70.1%		9.3
Commission and brokerage ratio	24.4%	27.2%		(2.8)	24.7%	28.4%		(3.7)
Other underwriting expense ratio	3.5%	3.6%		(0.1)	3.2%	3.2%		-
Combined ratio	118.6%	108.5%		10.1	107.3%	101.7%		5.6

(NM, not meaningful)

(Some amounts may not reconcile due to rounding.)

<u>Premiums.</u> Gross written premiums increased by 15.2% to $65.9 million for the three months ended June 30, 2010 compared to $57.2 million for the three months ended June 30, 2009. This was driven by strong growth in our A&H business, both the travel accident business as well as several new self-funded medical accounts, partially offset by a decrease in marine business. Net written premiums increased 15.6% to $64.5 million for the three months ended June 30, 2010 compared to $55.7 million for the three months ended June 30, 2009, in line with the increase in gross writings. Premiums earned increased 25.3% to $68.8 million for the three months ended June 30, 2010 compared to $54.9 million for the three months ended June 30, 2009. The change in premiums earned relative to net written premiums is the result of timing; premiums are earned ratably over the coverage period whereas written premiums are recorded at the initiation of the coverage period.

Gross written premiums increased by 13.5% to $131.7 million for the six months ended June 30, 2010 compared to $116.1 million for the six months ended June 30, 2009. Net written premiums increased 14.0% to $129.6 million for the six months ended June 30, 2010 compared to $113.7 million for the six months ended June 30, 2009. Premiums earned increased 15.4% to $136.2 million for the six months ended June 30, 2010 compared to $118.1 million for the six months ended June 30, 2009. Variances for the six months were driven by similar factors as those discussed above for the three months.

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

	Three Months Ended June 30,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2010						
Attritional	$ 60.0	87.1%	$ -	0.0%	$ 60.0	87.1%
Catastrophes	-	0.0%	2.5	3.6%	2.5	3.6%
Total segment	$ 60.0	87.1%	$ 2.5	3.6%	$ 62.4	90.7%
2009						
Attritional	$ 40.4	73.5%	$ -	0.0%	$ 40.4	73.5%
Catastrophes	-	0.0%	2.3	4.2%	2.3	4.2%
Total segment	$ 40.4	73.5%	$ 2.3	4.2%	$ 42.7	77.7%
Variance 2010/2009						
Attritional	$ 19.6	13.6 pts	$ -	- pts	$ 19.6	13.6 pts
Catastrophes	-	- pts	0.2	(0.6) pts	0.2	(0.6) pts
Total segment	$ 19.6	13.6 pts	$ 0.2	(0.6) pts	$ 19.7	13.0 pts

	Six Months Ended June 30,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2010						
Attritional	$ 104.1	76.4%	$ -	0.0%	$ 104.1	76.4%
Catastrophes	-	0.0%	4.1	3.0%	4.1	3.0%
Total segment	$ 104.1	76.4%	$ 4.0	3.0%	$ 108.2	79.4%
2009						
Attritional	$ 78.1	66.1%	$ -	0.0%	$ 78.1	66.1%
Catastrophes	-	0.0%	4.6	3.9%	4.6	3.9%
Total segment	$ 78.1	66.1%	$ 4.6	3.9%	$ 82.7	70.1%
Variance 2010/2009						
Attritional	$ 26.0	10.3 pts	$ -	- pts	$ 26.0	10.3 pts
Catastrophes	-	- pts	(0.5)	(0.9) pts	(0.5)	(0.9) pts
Total segment	$ 26.0	10.3 pts	$ (0.6)	(0.9) pts	$ 25.5	9.3 pts

(Some amounts may not reconcile due to rounding.)

Incurred losses and LAE increased by 46.3% to $62.4 million for the three months ended June 30, 2010 compared to $42.7 million for the three months ended June 30, 2009, primarily the result of an increase in current year attritional reserves for the offshore oil rig in the Gulf.

Incurred losses and LAE increased by 30.8% to $108.2 million for the six months ended June 30, 2010 compared to $82.7 million for the six months ended June 30, 2009. This increase was driven by the same factors as discussed above for the three months.

Segment Expenses. Commission and brokerage increased 12.7% to $16.8 million for the three months ended June 30, 2010 compared to $14.9 million for the three months ended June 30, 2009. Commission and brokerage increased 0.3% to $33.6 million for the six months ended June 30, 2010 compared to $33.5 million for the six months ended June 30, 2009. These variance increases were not proportional to the variance increases in premiums earned due to lower commissions on an increased A&H book and a change in the mix of business on the marine book to excess of loss business, which carries a lower commission rate.

Segment other underwriting expenses for the three months ended June 30, 2010 increased to $2.4 million compared to $2.0 million for the three months ended June 30, 2009. Segment other underwriting expenses for the six months ended June 30, 2010 increased to $4.4 million compared to $3.8 million for the six months ended June 30, 2009. These increases were due to the growth in the overall infrastructure.

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

(Dollars in millions)	Three Months Ended June 30, 2010	2009	Variance	% Change	Six Months Ended June 30, 2010	2009	Variance	% Change
Gross written premiums	$ 307.0	$ 274.3	$ 32.7	11.9%	$ 582.3	$ 525.0	$ 57.3	10.9%
Net written premiums	307.0	272.9	34.1	12.5%	582.3	523.6	58.6	11.2%
Premiums earned	$ 292.0	$ 254.3	$ 37.6	14.8%	$ 568.6	$ 508.9	$ 59.7	11.7%
Incurred losses and LAE	224.1	133.5	90.6	67.8%	651.7	288.9	362.8	125.6%
Commission and brokerage	77.8	63.0	14.9	23.6%	142.8	129.3	13.5	10.4%
Other underwriting expenses	7.3	5.7	1.6	28.6%	13.7	10.3	3.4	32.8%
Underwriting gain (loss)	$ (17.3)	$ 52.2	$ (69.5)	-133.2%	$ (239.6)	$ 80.4	$ (320.0)	NM
				Point Chg				Point Chg
Loss ratio	76.8%	52.5%		24.3	114.6%	56.8%		57.8
Commission and brokerage ratio	26.7%	24.8%		1.9	25.1%	25.4%		(0.3)
Other underwriting expense ratio	2.4%	2.2%		0.2	2.4%	2.0%		0.4
Combined ratio	105.9%	79.5%		26.4	142.1%	84.2%		57.9

(NM, not meaningful)

(Some amounts may not reconcile due to rounding.)

Premiums. Gross written premiums increased by 11.9% to $307.0 million for the three months ended June 30, 2010 compared to $274.3 million for the three months ended June 30, 2009, due to continued strong growth in Asia, a $23.5 million increase; Canada, a $19.4 million increase; and Brazil, a $5.2 million increase. Net written premiums increased by 12.5% to $307.0 million for the three months ended June 30, 2010 compared to $272.9 million for the three months ended June 30, 2009, principally as a result of the increase in gross written premiums. Premiums earned increased 14.8% to $292.0 million for the three months ended June 30, 2010 compared to $254.3 million for the three months ended June 30, 2009, relatively consistent with the increase in net written premiums.

Gross written premiums increased by 10.9% to $582.3 million for the six months ended June 30, 2010 compared to $525.0 million for the six months ended June 30, 2009, due to continued strong growth in Asia, a $33.8 million increase; Canada, a $17.1 million increase; and Brazil, a $15.1 million increase. Also contributing to the increase was $13.4 million in reinstatement premiums from the Chilean earthquake. Net written premiums increased by 11.2% to $582.3 million for the six months ended June 30, 2010 compared to $523.6 million for the six months ended June 30, 2009. Premiums earned increased 11.7% to $568.6 million for the six months ended June 30, 2010 compared to $508.9 million for the six months ended June 30, 2009. Variance explanations for net written premiums and premiums earned for the six months were similar to those discussed above for the three months.

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

	Three Months Ended June 30,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2010						
Attritional	$ 153.5	52.6%	$ (5.8)	-2.0%	$ 147.7	50.6%
Catastrophes	86.9	29.8%	(10.5)	-3.6%	76.4	26.2%
Total segment	$ 240.4	82.3%	$ (16.2)	-5.6%	$ 224.1	76.8%
2009						
Attritional	$ 135.3	53.2%	$ -	0.0%	$ 135.3	53.2%
Catastrophes	-	0.0%	(1.7)	-0.7%	(1.7)	-0.7%
Total segment	$ 135.3	53.2%	$ (1.7)	-0.7%	$ 133.5	52.5%
Variance 2010/2009						
Attritional	$ 18.2	(0.6) pts	$ (5.8)	(2.0) pts	$ 12.4	(2.6) pts
Catastrophes	86.9	29.8 pts	(8.8)	(2.9) pts	78.1	26.9 pts
Total segment	$ 105.1	29.1 pts	$ (14.5)	(4.9) pts	$ 90.6	24.3 pts

	Six Months Ended June 30,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2010						
Attritional	$ 315.5	55.5%	$ (6.0)	-1.1%	$ 309.5	54.4%
Catastrophes	353.9	62.2%	(11.6)	-2.0%	342.3	60.2%
Total segment	$ 669.4	117.7%	$ (17.6)	-3.1%	$ 651.7	114.6%
2009						
Attritional	$ 272.7	53.6%	$ 0.9	0.2%	$ 273.7	53.8%
Catastrophes	16.2	3.2%	(1.0)	-0.2%	15.2	3.0%
Total segment	$ 288.9	56.8%	$ (0.1)	0.0%	$ 288.9	56.8%
Variance 2010/2009						
Attritional	$ 42.8	1.9 pts	$ (6.9)	(1.3) pts	$ 35.8	0.6 pts
Catastrophes	337.7	59.0 pts	(10.6)	(1.8) pts	327.1	57.2 pts
Total segment	$ 380.5	60.9 pts	$ (17.5)	(3.1) pts	$ 362.8	57.8 pts

(Some amounts may not reconcile due to rounding.)

Incurred losses and LAE increased 67.8% to $224.1 million for the three months ended June 30, 2010 compared to $133.5 million for the three months ended June 30, 2009. The increase was principally due to an $87.0 million increase in current year catastrophes for the Chilean earthquake. Attritional losses also increased primarily due to the increased premiums earned.

Incurred losses and LAE increased 125.6% to $651.7 million for the six months ended June 30, 2010 compared to $288.9 million for the six months ended June 30, 2009. The increase was principally due to the large current year catastrophes of $319.0 million for the Chilean earthquake and $34.9 million for the Australian hailstorms in 2010 compared to the absence in 2009 of similar large events.

Segment Expenses. Commission and brokerage increased 23.6% to $77.8 million for the three months ended June 30, 2010 compared to $63.0 million for the three months ended June 30, 2009. Commission and brokerage increased 10.4% to $142.8 million for the six months ended June 30, 2010 compared to $129.3 million for the six months ended June 30, 2009. The increases were primarily due to an increase in premiums earned, an increase in contingent commission on the International U.S. business and an increase in commission ratio on the Brazil book.

Segment other underwriting expenses for the three months ended June 30, 2010 increased to $7.3 million compared to $5.7 million for the three months ended June 30, 2009. Segment other underwriting expenses for the six months ended June 30, 2010 increased to $13.7 million compared to $10.3 million for the six months ended June 30, 2009. These increases were due to normal growth in operating expenses.

Bermuda.

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

	Three Months Ended June 30,				Six Months Ended June 30,			
(Dollars in millions)	2010	2009	Variance	% Change	2010	2009	Variance	% Change
Gross written premiums	$ 167.5	$ 162.7	$ 4.8	2.9%	$ 375.0	$ 381.8	$ (6.7)	-1.8%
Net written premiums	167.5	162.7	4.7	2.9%	375.0	381.8	(6.8)	-1.8%
Premiums earned	$ 186.9	$ 183.1	$ 3.8	2.1%	$ 371.6	$ 368.6	$ 3.0	0.8%
Incurred losses and LAE	92.6	111.3	(18.7)	-16.8%	260.3	232.1	28.2	12.2%
Commission and brokerage	41.4	48.1	(6.7)	-13.9%	83.3	92.3	(9.0)	-9.8%
Other underwriting expenses	6.4	6.1	0.3	4.3%	12.6	11.2	1.4	13.0%
Underwriting gain (loss)	$ 46.6	$ 17.6	$ 28.9	164.4%	$ 15.4	$ 33.0	$ (17.6)	-53.3%
				Point Chg				Point Chg
Loss ratio	49.5%	60.8%		(11.3)	70.0%	63.0%		7.0
Commission and brokerage ratio	22.1%	26.3%		(4.2)	22.4%	25.1%		(2.7)
Other underwriting expense ratio	3.5%	3.3%		0.2	3.4%	2.9%		0.5
Combined ratio	75.1%	90.4%		(15.3)	95.8%	91.0%		4.8

(Some amounts may not reconcile due to rounding.)

Premiums. Gross written premiums increased 2.9% to $167.5 million for the three months ended June 30, 2010 compared to $162.7 million for the three months ended June 30, 2009. Premiums written out of the U.K. branch and Ireland increased $3.6 million, or 3.5%. Bermuda home office business was up 2.1%, or $1.3 million, due to a shift in the book of business. Net written premiums also increased 2.9% to $167.5 million for the three months ended June 30, 2010 compared to $162.7 million for the three months ended June 30, 2009. Premiums earned increased 2.1% to $186.9 million for the three months ended June 30, 2010 compared to $183.1 million for the three months ended June 30, 2009.

Gross written premiums decreased 1.8% to $375.0 million for the six months ended June 30, 2010 compared to $381.8 million for the six months ended June 30, 2009. Bermuda home office business was down 5.5%, or $8.3 million, due to lower property catastrophe excess of loss business. Premiums written out of the U.K. branch and Ireland increased $1.6 million, or 0.7%. Net written premiums also decreased 1.8% to $375.0 million for the six months ended June 30, 2010 compared to $381.8 million for the six months ended June 30, 2009. Premiums earned increased 0.8% to $371.6 million for the six months ended June 30, 2010 compared to $368.6 million for the six months ended June 30, 2009. The change in premiums earned relative to net written premiums is the result of timing; premiums are earned ratably over the coverage period whereas written premiums are recorded at the initiation of the coverage period.

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

(Dollars in millions)	Three Months Ended June 30, Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2010						
Attritional	$ 109.6	58.6%	$ (15.2)	-8.1%	$ 94.4	50.5%
Catastrophes	(1.4)	-0.8%	(0.4)	-0.2%	(1.8)	-1.0%
A&E	-	0.0%	-	0.0%	-	0.0%
Total segment	$ 108.2	57.9%	$ (15.6)	-8.3%	$ 92.6	49.5%
2009						
Attritional	$ 96.5	52.7%	$ 5.0	2.7%	$ 101.5	55.4%
Catastrophes	7.0	3.8%	2.8	1.5%	9.8	5.4%
A&E	-	0.0%	-	0.0%	-	0.0%
Total segment	$ 103.5	56.5%	$ 7.8	4.3%	$ 111.3	60.8%
Variance 2010/2009						
Attritional	$ 13.1	5.9 pts	$ (20.2)	(10.8) pts	$ (7.1)	(4.9) pts
Catastrophes	(8.4)	(4.6) pts	(3.2)	(1.7) pts	(11.6)	(6.4) pts
A&E	-	- pts	-	- pts	-	- pts
Total segment	$ 4.7	1.4 pts	$ (23.4)	(12.6) pts	$ (18.7)	(11.3) pts

(Dollars in millions)	Six Months Ended June 30, Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2010						
Attritional	$ 216.9	58.4%	$ (11.0)	-3.0%	$ 205.9	55.4%
Catastrophes	58.6	15.8%	(4.2)	-1.1%	54.4	14.6%
A&E	-	0.0%	-	0.0%	-	0.0%
Total segment	$ 275.5	74.1%	$ (15.2)	-4.1%	$ 260.3	70.0%
2009						
Attritional	$ 198.6	53.9%	$ 10.0	2.7%	$ 208.6	56.6%
Catastrophes	19.7	5.4%	3.7	1.0%	23.5	6.4%
A&E	-	0.0%	-	0.0%	-	0.0%
Total segment	$ 218.3	59.2%	$ 13.7	3.7%	$ 232.1	63.0%
Variance 2010/2009						
Attritional	$ 18.3	4.5 pts	$ (21.0)	(5.7) pts	$ (2.7)	(1.2) pts
Catastrophes	38.9	10.4 pts	(7.9)	(2.1) pts	30.9	8.2 pts
A&E	-	- pts	-	- pts	-	- pts
Total segment	$ 57.2	14.9 pts	$ (28.9)	(7.8) pts	$ 28.2	7.0 pts

(Some amounts may not reconcile due to rounding.)

Incurred losses and LAE decreased 16.8% to $92.6 million for the three months ended June 30, 2010 compared to $111.3 million for the three months ended June 30, 2009. The decrease was primarily due to $20.2 million of favorable development variance of prior years' attritional losses. The decrease in 2010 current year catastrophe losses was due to the takedown of reserves for the Windstorm Xynthia of $25.0 million, partially offset by the increase in current year catastrophe reserves of $23.5 million from the Chilean earthquake.

Incurred losses and LAE increased 12.2% to $260.3 million for the six months ended June 30, 2010 compared to $232.1 million for the six months ended June 30, 2009. The increase was primarily due to current year catastrophe losses, the Chilean earthquake and the Australian hailstorms. In addition, higher expected loss ratios for current year attritional losses also contributed to the increase.

Segment Expenses. Commission and brokerage decreased 13.9% to $41.4 million for the three months ended June 30, 2010 compared to $48.1 million for the three months ended June 30, 2009. Commission and brokerage decreased 9.8% to $83.3 million for the six months ended June 30, 2010 compared to $92.3 million for the six months ended June 30, 2009. These decreases were primarily due to lower commission on covers in London and Bermuda property pro rata, a higher level of excess of loss business, which carries a lower commission, and higher reinstatement premiums, which have no commission expense.

Segment other underwriting expenses for the three months ended June 30, 2010 increased to $6.4 million from $6.1 million for the three months ended June 30, 2009. Segment other underwriting expenses for the six months ended June 30, 2010 increased to $12.6 million from $11.2 million for the six months ended June 30, 2009, in line with expectations.

FINANCIAL CONDITION

Cash and Invested Assets. Aggregate invested assets, including cash and short-term investments, were $15,102.1 million at June 30, 2010, an increase of $183.3 million compared to $14,918.8 million at December 31, 2009. This increase was the result of $492.8 million of cash flows from operations, $153.1 million of unrealized appreciation, $133.0 million revolving credit borrowings, $35.3 million in equity adjustments of our limited partnership investments and $31.0 million of realized capital gains, partially offset by $247.1 million of share repurchases, $200.0 million payoff of debt that matured, $127.3 million of change in foreign currencies, $55.8 million paid out in dividends to shareholders and $31.7 million of miscellaneous items.

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

For the portion needed to satisfy outstanding liabilities, we invest in taxable and tax-preferenced fixed income securities with an average credit quality of Aa2, as rated by Moody's Investors Service, Inc. 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. This fixed maturity portfolio is externally managed by an independent, professional investment manager using portfolio guidelines approved by us.

Over the past few years, we have allocated our equity investment portfolio to include: 1) publicly traded equity securities and 2) private equity limited partnership investments. The objective of this portfolio diversification is to enhance the risk-adjusted total return of the investment portfolio by allocating a prudent portion of the portfolio to higher return asset classes. We limit our allocation to these asset classes because of 1) the potential for volatility in their values and 2) the impact of these investments on regulatory and rating agency capital adequacy models. We adjust our allocation to these investments based upon market conditions. As a result of the dramatic slowdown in the global economy and the liquidity crisis affecting the financial markets, we significantly reduced our exposure to public equities during the fourth quarter of 2008 and have increased our exposure to equities in the latter part of 2009 and now into 2010, as financial markets improved. At June 30, 2010 and December 31, 2009, the market value of investments in equity and limited partnership securities, carried at both market and fair value, approximated 15% of shareholders' equity.

The Company's limited partnership investments are comprised of limited partnerships that invest in public equities and limited partnerships that invest in private equities. Generally, the public equity limited partnerships are reported on a one month lag while the private equity partnerships are included in the financials on a quarter lag. All of the limited partnerships are required to report using fair value accounting in accordance with FASB guidance. We receive annual audited financial statements for all of the limited partnerships. For the quarterly reports, the Company's staff performs reviews of the financial reports for any unusual changes in carrying value. If the Company becomes aware of a significant decline in value during the lag reporting period, the loss will be recorded in the period in which the Company identifies the decline.

The tables below summarize the composition and characteristics of our investment portfolio as of the dates indicated:

	At June 30, 2010		At December 31, 2009	
Fixed maturities, market value	$ 13,499.1	89.4%	$ 13,005.9	87.2%
Fixed maturities, fair value	66.4	0.4%	50.5	0.3%
Equity securities, market value	15.2	0.1%	16.3	0.1%
Equity securities, fair value	367.1	2.4%	380.0	2.5%
Short-term investments	381.9	2.5%	673.1	4.5%
Other invested assets	581.0	3.9%	545.3	3.7%
Cash	191.5	1.3%	247.6	1.7%
Total investments and cash	$ 15,102.1	100.0%	$ 14,918.8	100.0%

(Some amounts may not reconcile due to rounding.)

	At June 30, 2010	At December 31, 2009
Fixed income portfolio duration (years)	3.7	3.8
Fixed income composite credit quality	Aa2	Aa2
Imbedded end of period yield, pre-tax	4.2%	4.1%
Imbedded end of period yield, after-tax	3.8%	3.6%

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

	Six Months Ended June 30, 2010	Twelve Months Ended December 31, 2009
Fixed income portfolio total return	4.1%	9.4%
Barclay's Capital - U.S. aggregate index	5.3%	5.9%
Common equity portfolio total return	-3.2%	28.9%
S&P 500 index	-6.7%	26.5%
Other invested asset portfolio total return	6.2%	-1.8%

Reinsurance Receivables. Reinsurance receivables for both paid and unpaid losses totaled $652.9 million at June 30, 2010 and $636.4 million at December 31, 2009. At June 30, 2010, $126.5 million, or 19.4% was receivable from C.V. Starr (Bermuda); $103.5 million, or 15.9%, was receivable from Transatlantic Reinsurance Company; $100.0 million, or 15.3%, was receivable from Continental Insurance Company; $55.0 million, or 8.4%, was receivable from Munich Reinsurance Company and $47.9 million, or 7.3%, was receivable from Berkley Insurance Company. The receivable from Continental Insurance Company is collateralized by a funds held arrangement under which we have retained the premiums earned by the retrocessionaire to secure obligations of the retrocessionaire, recorded them as a liability, credited interest on the balances at a stated contractual rate and reduced the liability account as payments become due. No other retrocessionaire accounted for more than 5% of our receivables.

Loss and LAE Reserves. Gross loss and LAE reserves totaled $9,237.8 million at June 30, 2010 and $8,937.9 million at December 31, 2009.

The following tables summarize gross outstanding loss and LAE reserves by segment, classified by case reserves and IBNR reserves, for the periods indicated:

	At June 30, 2010			
(Dollars in millions)	Case Reserves	IBNR Reserves	Total Reserves	% of Total
U.S. Reinsurance	$ 1,318.5	$ 1,635.7	$ 2,954.2	32.0%
U.S. Insurance	806.1	1,105.6	1,911.7	20.7%
Specialty Underwriting	231.3	192.9	424.2	4.6%
International	1,008.8	628.9	1,637.7	17.7%
Bermuda	710.0	986.0	1,695.9	18.4%
Total excluding A&E	4,074.6	4,549.1	8,623.7	93.4%
A&E	329.4	284.8	614.1	6.6%
Total including A&E	$ 4,403.9	$ 4,833.9	$ 9,237.8	100.0%

(Some amounts may not reconcile due to rounding.)

	At December 31, 2009			
(Dollars in millions)	Case Reserves	IBNR Reserves	Total Reserves	% of Total
U.S. Reinsurance	$ 1,382.0	$ 1,652.3	$ 3,034.3	34.0%
U.S. Insurance	716.2	1,157.1	1,873.4	21.0%
Specialty Underwriting	238.5	175.8	414.4	4.6%
International	752.1	545.7	1,297.7	14.5%
Bermuda	718.8	960.5	1,679.4	18.8%
Total excluding A&E	3,807.7	4,491.5	8,299.2	92.9%
A&E	354.7	283.9	638.7	7.1%
Total including A&E	$ 4,162.4	$ 4,775.4	$ 8,937.9	100.0%

(Some amounts may not reconcile due to rounding.)

Changes in premiums earned and business mix, reserve re-estimations, catastrophe losses and changes in catastrophe loss reserves and claim settlement activity all impact loss and LAE reserves by segment and in total.

Our loss and LAE reserves represent our best estimate of our ultimate liability for unpaid claims. We continuously re-evaluate our reserves, including re-estimates of prior period reserves, taking into consideration all available information and, in particular, newly reported loss and claim experience. Changes in reserves resulting from such re-evaluations are reflected in incurred losses in the period when the re-evaluation is made. Our analytical methods and processes operate at multiple levels including individual contracts, groupings of like contracts, classes and lines of business, internal business units, segments, legal entities, and in the aggregate. In order to set appropriate reserves, we make qualitative and quantitative analyses and judgments at these various levels. Additionally, the attribution of reserves, changes in reserves and incurred losses among accident years requires qualitative and quantitative adjustments and allocations at these various levels. We utilize actuarial science, business expertise and management judgment in a manner intended to assure the accuracy and consistency of our reserving practices. Nevertheless, our reserves are estimates, which are subject to variation, which may be significant.

There can be no assurance that reserves for, and losses from, claim obligations will not increase in the future, possibly by a material amount. However, we believe that our existing reserves and reserving methodologies lessen the probability that any such increase would have a material adverse effect on our financial condition, results of operations or cash flows. In this context, we note that over the past 10 years, our calendar year operations have been affected by effects from prior period reserve re-estimates, ranging from a favorable $26.4 million in 2005, representing 0.5% of the net prior period reserves for the year in which the adjustment was made, to an unfavorable $249.4 million in 2004, representing 3.7% of the net prior period reserves for the year in which the adjustment was made.

Asbestos and Environmental Exposures. Asbestos and Environmental ("A&E") exposures represent a separate exposure group for monitoring and evaluating reserve adequacy. The following table summarizes incurred losses and outstanding loss reserves with respect to A&E reserves on both a gross and net of retrocessions basis for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in millions)	2010	2009	2010	2009
Gross Basis:				
Beginning of period reserves	$ 625.2	$ 768.8	$ 638.7	$ 786.8
Incurred losses	-	-	-	-
Paid losses	(11.1)	(64.3)	(24.5)	(82.3)
End of period reserves	$ 614.1	$ 704.5	$ 614.1	$ 704.5
Net Basis:				
Beginning of period reserves	$ 600.2	$ 731.9	$ 613.1	$ 749.1
Incurred losses	-	-	-	-
Paid losses	(10.7)	(57.9)	(23.6)	(75.1)
End of period reserves	$ 589.5	$ 673.9	$ 589.5	$ 673.9

(Some amounts may not reconcile due to rounding.)

At June 30, 2010, the gross reserves for A&E losses were comprised of $133.9 million representing case reserves reported by ceding companies, $136.8 million representing additional case reserves established by us on assumed reinsurance claims, $58.7 million representing case reserves established by us on direct excess insurance claims, including Mt. McKinley, and $284.8 million representing IBNR reserves.

With respect to asbestos only, at June 30, 2010, we had gross asbestos loss reserves of $586.1 million, or 95.4%, of total A&E reserves, of which $459.3 million was for assumed business and $126.8 million was for direct business.

Industry analysts use the "survival ratio" to compare the A&E reserves among companies with such liabilities. The survival ratio is typically calculated by dividing a company's current net reserves by the three year average of annual paid losses. Hence, the survival ratio equals the number of years that it would take to exhaust the current reserves if future loss payments were to continue at historical levels. Using this measurement, our net three year asbestos survival ratio was 6.7 years at June 30, 2010. These metrics can be skewed by individual large settlements occurring in the prior three years and therefore, may not be indicative of the timing of future payments.

Shareholders' Equity. Our shareholders' equity decreased to $6,035.6 million as of June 30, 2010 from $6,101.7 million as of December 31, 2009. This decrease was the result of repurchasing 3,242,798 common shares for $247.1 million, $55.8 million of shareholder dividends and $53.8 million of foreign currency translation adjustments, partially offset by the unrealized appreciation on investments, net of tax, of $147.8 million, $134.0 million in net income and share-based compensation transactions of $8.0 million.

LIQUIDITY AND CAPITAL RESOURCES

Capital. Our business operations are in part dependent on our financial strength and financial strength ratings, and the market's perception of our financial strength, as measured by shareholders' equity, which was $6,035.6 million at June 30, 2010 and $6,101.7 million at December 31, 2009. On March 13, 2009, Everest Re and Everest National, wholly owned indirect subsidiaries of the Company, received notification of a one level ratings downgrade by Standard & Poor's. On April 7, 2010, Standard & Poor's upgraded the Company's debt ratings one level. We continue to possess significant financial flexibility and access to the debt and equity markets as a result of our perceived financial strength, as evidenced by the financial strength ratings as assigned by independent rating agencies. During the last six months of 2008 and into 2009, the capital markets were illiquid in reaction to the deepening credit crisis which led to bank and other financial institution failures and effective failures. Credit spreads widened and the equity markets declined significantly during this period making access to the capital markets, for even highly rated companies, difficult and costly. Our capital position remains strong, commensurate with our financial ratings. We have ample liquidity to meet our financial obligations for the foreseeable future. Therefore, we have no foreseeable need to enter the capital markets in the near term.

From time to time, we have used open market share repurchases to adjust our capital position and enhance long term expected returns to our shareholders. On July 21, 2008, our existing authorization to purchase up to 5 million of our shares was amended to authorize the purchase of up to 10 million shares. On February 24, 2010, our existing authorization to purchase up to 10 million of our shares was amended to authorize the purchase of up to 15 million shares. As of June 30, 2010, we had repurchased 9.8 million shares under this authorization.

On December 17, 2008, we renewed our shelf registration statement on Form S-3ASR with the Securities and Exchange Commission ("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.

Liquidity. Our principal investment objectives are to ensure funds are available to meet our insurance and reinsurance obligations and to maximize after-tax investment income while maintaining a high quality diversified investment portfolio. Considering these objectives, we view our investment portfolio as having two components: 1) the investments needed to satisfy outstanding liabilities and 2) investments funded by our shareholders' equity.

For the portion needed to satisfy outstanding liabilities, we invest in taxable and tax-preferenced fixed income securities with an average credit quality of Aa2, as rated by Moody's. 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. This fixed maturity securities portfolio is externally managed by an independent, professional investment manager using portfolio guidelines approved by us.

Over the past few years, we have allocated our equity portfolio to include: 1) publicly traded equity securities and 2) private equity limited partnership investments. The objective of this portfolio diversification is to enhance the risk-adjusted total return of the investment portfolio by allocating a prudent portion of the portfolio to higher return asset classes. We limit our allocation to these asset classes because of 1) the potential for volatility in their values and 2) the impact of these investments on regulatory and rating agency capital adequacy models. We adjust our allocation to these investments based upon market conditions. As a result of the dramatic slowdown in the global economy and the liquidity crisis affecting the financial markets, we significantly reduced our exposure to public equities during the fourth quarter of 2008 and have increased our exposure to equities in the latter part of 2009 and now into 2010, as financial markets improved. At June 30, 2010, the market value of investments in equity and limited partnership securities, carried at both market and fair value, approximated 15% of shareholders' equity.

Our liquidity requirements are generally met from positive cash flow from operations. Positive cash flow results from reinsurance and insurance premiums being collected prior to disbursements for claims, which disbursements generally take place over an extended period after the collection of premiums, sometimes a period of many years. Collected premiums are generally invested, prior to their use in such disbursements, and investment income provides additional funding for loss payments. Our net cash flows from operating activities were $492.8 million and $283.9 million for the six months ended June 30, 2010 and 2009, respectively. Additionally, these cash flows reflected a net tax refund of $35.8 million and a net tax payment of $67.8 million for the six months ended June 30, 2010 and 2009, respectively; net catastrophe loss payments of $143.5 million and $126.6 million for the six months ended June 30, 2010 and 2009, respectively; and net A&E payments of $23.6 million and $75.1 million for the six months ended June 30, 2010 and 2009, respectively.

If disbursements for claims and benefits, policy acquisition costs and other operating expenses were to exceed premium inflows, cash flow from reinsurance and insurance operations would be negative. The effect on cash flow from insurance operations would be partially offset by cash flow from investment income. Additionally, cash inflows from investment maturities and dispositions, both short-term investments and longer term maturities are available to supplement other operating cash flows.

As the timing of payments for claims and benefits cannot be predicted with certainty, we maintain portfolios of long term invested assets with varying maturities, along with short-term investments that provide additional liquidity for payment of claims. At June 30, 2010 and December 31, 2009, we held cash and short-term investments of $573.4 million and $920.7 million, respectively. All of our short-term investments are readily marketable and can be converted to cash. In addition to these cash and short-term investments, at June 30, 2010, we had $637.8 million of available for sale fixed maturity securities maturing within one year or less, $3,747.9 million maturing within one to five years and $5,746.2 million maturing after five years. Our $382.3 million of equity securities are comprised primarily of publicly traded securities that can be easily liquidated. We believe that these fixed maturity and equity securities, in conjunction with the short-term investments and positive cash flow from operations, provide ample sources of liquidity for the expected payment of losses in the near future. We do not anticipate selling securities or using available credit facilities to pay losses and LAE but have the ability to do so. Sales of securities might result in realized capital gains or losses. At June 30, 2010 we had $545.7 million of net pre-tax unrealized appreciation, comprised of $660.4 million of pre-tax unrealized appreciation and $114.7 million of pre-tax unrealized depreciation.

Management expects annual positive cash flow from operations, which in general reflects the strength of overall pricing, to persist over the near term, absent any unusual catastrophe activity. In the intermediate and long term, our cash flow from operations will be impacted to the extent by which competitive pressures affect overall pricing in our markets and by which our premium receipts are impacted from our strategy of emphasizing underwriting profitability over premium volume.

Effective July 27, 2007, Group, Everest Reinsurance (Bermuda), Ltd. (“Bermuda Re”) and Everest International Reinsurance, Ltd. (“Everest International”) entered into a five year, $850.0 million senior credit facility with a syndicate of lenders referred to as the “Group Credit Facility”. Wachovia Bank, a subsidiary of Wells Fargo Corporation (“Wachovia Bank”) is the administrative agent for the Group Credit Facility, which consists of two tranches. Tranche one provides up to $350.0 million of unsecured revolving credit for liquidity and general corporate purposes, and for the issuance of unsecured standby letters of credit. The interest on the revolving loans shall, at the Company’s option, be either (1) the Base Rate (as defined below) or (2) an adjusted London Interbank Offered Rate (“LIBOR”) plus a margin. The Base Rate is the higher of (a) the prime commercial lending rate established by Wachovia Bank or (b) the Federal Funds Rate plus 0.5% per annum. The amount of margin and the fees payable for the Group Credit Facility depends on Group’s senior unsecured debt rating. Tranche two exclusively provides up to $500.0 million for the issuance of standby letters of credit on a collateralized basis.

The Group Credit Facility requires Group to maintain a debt to capital ratio of not greater than 0.35 to 1 and to maintain a minimum net worth. Minimum net worth is an amount equal to the sum of $3,575.4 million plus 25% of consolidated net income for each of Group’s fiscal quarters, for which statements are available ending on or after January 1, 2007 and for which consolidated net income is positive, plus 25% of any increase in consolidated net worth during such period attributable to the issuance of ordinary and preferred shares, which at June 30, 2010, was $4,104.5 million. As of June 30, 2010, the Company was in compliance with all Group Credit Facility covenants.

At June 30, 2010, the Group Credit Facility had no outstanding letters of credit under tranche one and $359.9 million outstanding letters of credit under tranche two. At December 31, 2009, the Group Credit Facility had no outstanding letters of credit under tranche one and $386.5 million outstanding letters of credit under tranche two.

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

The Holdings Credit Facility requires Holdings to maintain a debt to capital ratio of not greater than 0.35 to 1 and Everest Reinsurance Company ("Everest Re") to maintain its statutory surplus at $1.5 billion plus 25% of future aggregate net income and 25% of future aggregate capital contributions after December 31, 2005, which at June 30, 2010, was $1,954.2 million. As of June 30, 2010, Holdings was in compliance with all Holdings Credit Facility covenants.

At June 30, 2010, the Company had outstanding $133.0 million of short-term borrowings from the Holdings Credit Facility revolving credit line, with maturity dates between August 9, 2010 and September 15, 2010. These short-term borrowings can be paid either through renewal with a one, two, three or six month term; or out of cash flows from operations. In addition, at June 30, 2010 and December 31, 2009, the Holdings Credit Facility had outstanding letters of credit of $17.0 million and $28.0 million, respectively.

Costs incurred in connection with the Group Credit Facility and the Holdings Credit Facility were $0.4 million and $0.3 million for the three months ended June 30, 2010 and 2009, respectively, and $0.8 million and $0.7 million for the six months ended June 30, 2010 and 2009, respectively.

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. We have also written a small number of equity index put option contracts.

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 $15.1 billion investment portfolio, at June 30, 2010, is principally comprised of fixed maturity securities, which are generally subject to interest rate risk and some foreign currency exchange rate risk, and some equity securities, which are subject to price fluctuations and some foreign exchange rate risk. The impact of the foreign exchange risks on the investment portfolio is partially mitigated by changes in the dollar value of foreign currency denominated liabilities and their associated income statement impact.

Interest rate risk is the potential change in value of the fixed maturity securities portfolio, including short-term investments, from a change in market interest rates. In a declining interest rate environment, it includes prepayment risk on the $3,084.3 million of mortgage-backed securities in the $13,565.5 million fixed maturity portfolio. Prepayment risk results from potential accelerated principal payments that shorten the average life and thus the expected yield of the security.

The table below displays the potential impact of market value fluctuations and after-tax unrealized appreciation on our fixed maturity securities portfolio (including $381.9 million of short-term investments) for the period 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 on mortgage-backed securities, changes in prepayment expectations under different interest rate environments were taken into account. For legal entities with a non-U.S. dollar functional currency, the effective duration of the involved portfolio of securities was used as a proxy for the market value change under the various interest rate change scenarios.

	Impact of Interest Rate Shift in Basis Points At June 30, 2010				
(Dollars in millions)	-200	-100	0	100	200
Total Market/Fair Value	$ 14,944.4	$ 14,472.5	$ 13,947.4	$ 13,371.7	$ 12,784.5
Market/Fair Value Change from Base (%)	7.1%	3.8%	0.0%	-4.1%	-8.3%
Change in Unrealized Appreciation After-tax from Base ($)	$ 781.9	$ 410.2	$ -	$ (448.1)	$ (912.3)

We had $9,237.8 million and $8,937.9 million of gross reserves for losses and LAE as of June 30, 2010 and December 31, 2009, 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 of approximately 4.1 years, which is reasonably consistent with our fixed income portfolio. If we were to discount our loss and LAE reserves, net of $0.7 billion of reinsurance receivables on unpaid losses, the discount would be approximately $1.6 billion resulting in a discounted reserve balance of approximately $7.0 billion, representing approximately 50.5% of the market value of the fixed maturity investment portfolio funds.

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 equity prices. Our equity investments consist of a diversified portfolio of individual securities and mutual funds, which invest principally in high quality common and preferred stocks that are traded on the major exchanges. The primary objective of the equity portfolio is to obtain greater total return relative to bonds over time through market appreciation and income.

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

	Impact of Percentage Change in Equity Fair/Market Values At June 30, 2010				
(Dollars in millions)	-20%	-10%	0%	10%	20%
Fair/Market Value of the Equity Portfolio	$ 305.8	$ 344.0	$ 382.3	$ 420.5	$ 458.7
After-tax Change in Fair/Market Value	(49.9)	(25.0)	-	25.0	49.9

Foreign Currency 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./Bermuda ("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 Canadian Dollar, the British Pound Sterling and the Euro. We mitigate foreign exchange exposure by generally matching the currency and duration of our assets to our corresponding operating liabilities. In accordance with FASB guidance, we translate the assets, liabilities and income of non-U.S. dollar functional currency legal entities to the U.S. dollar. This translation amount is reported as a component of other comprehensive income. As of June 30, 2010 there has been no material change in exposure to foreign exchange rates as compared to December, 31, 2009.

Equity Index Put Option Contracts. Although not considered material in the context of our aggregate exposure to market sensitive instruments, we have issued six equity index put option contracts based on the Standard & Poor's 500 ("S&P 500") index and one equity index put option contract based on the FTSE 100 index, that are market sensitive and sufficiently unique to warrant supplemental disclosure.

The Company sold six equity index put option contracts, based on the S&P 500 index, for total consideration, net of commissions, of $22.5 million. At June 30, 2010, fair value for these equity index put option contracts was $69.3 million. These equity index put option contracts each have a single exercise date, with maturities ranging from 12 to 30 years and strike prices ranging from $1,141.21 to $1,540.63. No amounts will be payable under these equity index put option contracts if the S&P 500 index is at, or above, the strike prices on the exercise dates, which fall between June 2017 and March 2031. If the S&P 500 index is lower than the strike price on the applicable exercise date, the amount due would vary proportionately with the percentage by which the index is below the strike price. Based on historical index volatilities and trends and the June 30, 2010 S&P 500 index value, the Company estimates the probability that each equity index put option contract of the S&P 500 index falling below the strike price on the exercise date to be less than 52%. The theoretical maximum payouts under the equity index put option contracts would occur if on each of the exercise dates the S&P 500 index value were zero. At June 30, 2010, the present value of these theoretical maximum payouts using a 6% discount factor was $261.4 million.

The Company sold one equity index put option contract based on the FTSE 100 index for total consideration, net of commissions, of $6.7 million. At June 30, 2010, fair value for this equity index put option contract was $7.3 million. This equity index put option contract has an exercise date of July 2020 and a strike price of ₤5,989.75. No amount will be payable under this equity index put option contract if the FTSE 100 index is at, or above, the strike price on the exercise date. If the FTSE 100 index is lower than the strike price on the exercise date, the amount due will vary proportionately with the percentage by which the index is below the strike price. Based on historical index volatilities and trends and the June 30, 2010 FTSE 100 index value, the Company estimates the probability that the equity index put option contract of the FTSE 100 index will fall below the strike price on the exercise date to be less than 46%. The theoretical maximum payout under the equity index put option contract would occur if on the exercise date the FTSE 100 index value was zero. At June 30, 2010, the present value of the theoretical maximum payout using a 6% discount factor and current exchange rate was $26.6 million.

Because the equity index put option contracts meet the definition of a derivative, we report the fair value of these instruments in our consolidated balance sheets as a liability and record any changes to fair value in our consolidated statements of operations and comprehensive income (loss) as a net derivative gain (loss). Our financial statements reflect fair values for our obligations on these equity index put option contracts at June 30, 2010, of $76.6 million and at December 31, 2009, of $57.3 million; however, we do not believe that the ultimate settlement of these transactions is likely to require a payment that would exceed the initial consideration received, or any payment at all.

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

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

(Dollars in millions)	Equity Indices Put Options Obligation – Sensitivity Analysis At June 30, 2010				
Interest Rate Shift in Basis Points:	-200	-100	0	100	200
Total Fair Value	$ 126.7	$ 98.7	$ 76.6	$ 59.2	$ 45.5
Fair Value Change from Base (%)	-65.5%	-28.9%	0.0%	22.7%	40.5%
Equity Indices Shift in Points (S&P 500/FTSE 100):	-500/-2000	-250/-1000	0	250/1000	500/2000
Total Fair Value	$ 153.8	$ 107.6	$ 76.6	$ 55.6	$ 41.1
Fair Value Change from Base (%)	-100.8%	-40.5%	0.0%	27.4%	46.3%
Combined Interest Rate / Equity Indices Shift (S&P 500/FTSE 100):	-200/ -500/-2000	-100/ -250/-1000	0/0	100/ 250/1000	200/ 500/2000
Total Fair Value	$ 225.8	$ 134.8	$ 76.6	$ 41.8	$ 22.0
Fair Value Change from Base (%)	-194.8%	-76.0%	0.0%	45.4%	71.2%

Safe Harbor Disclosure.

This report contains forward-looking statements within the meaning of the U.S. federal securities laws. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in the federal securities laws. In some cases, these statements can be identified by the use of forward-looking words such as “may”, “will”, “should”, “could”, “anticipate”, “estimate”, “expect”, “plan”, “believe”, “predict”, “potential” and “intend”. Forward-looking statements contained in this report include information regarding our reserves for losses and LAE, the adequacy of our provision for uncollectible balances, estimates of our catastrophe exposure, the effects of catastrophic events on our financial statements, the ability of Everest Re, Holdings, Everest Underwriting Group (Ireland) Limited and Bermuda Re to pay dividends and the settlement costs of our specialized equity index put option contracts. Forward-looking statements only reflect our expectations and are not guarantees of performance. These statements involve risks, uncertainties and assumptions. Actual events or results may differ materially from our expectations. Important factors that could cause our actual events or results to be materially different from our expectations include the uncertainties that surround the impact on our financial statements and liquidity resulting from changes in the global economy and credit markets, the estimating of reserves for losses and LAE, those discussed in Note 8 of the Notes to Consolidated Financial Statements (unaudited) included in this report and the risks described under the caption “Risk Factors” in our most recently filed Annual Report on Form 10-K, PART 1, ITEM 1A. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk Instruments. See "Liquidity and Capital Resources - 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 it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission's rules and forms. Our management, with the participation of the Chief Executive Officer and Chief Financial Officer, also conducted an evaluation of our internal control over financial reporting to determine whether any changes occurred during the quarter covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, there has been no such change during the quarter covered by this report.

PART II

ITEM 1. LEGAL PROCEEDINGS

In the ordinary course of business, we are involved in lawsuits, arbitrations and other formal and informal dispute resolution procedures, the outcomes of which will determine our rights and obligations under insurance, reinsurance and other contractual agreements. These disputes arise from time to time and are ultimately resolved through both informal and formal means, including negotiated resolution, arbitration and litigation. In all such matters, we believe that our positions are legally and commercially reasonable, and we vigorously seek to preserve, enforce and defend our legal rights under various agreements. While the final outcome of these matters cannot be predicted with certainty, we do not believe that any of these matters, when finally resolved, will have a material adverse effect on our financial position or liquidity. However, an adverse resolution of one or more of these items in any one quarter or fiscal year could have a material adverse effect on our results of operations in that period.

ITEM 1A. RISK FACTORS

No material changes.

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

Issuer Purchases of Equity Securities.

Issuer Purchases of Equity Securities				
	(a)	(b)	(c)	(d)
Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (1)
April 1 - 30, 2010	0	$ -	0	7,908,257
May 1 - 31, 2010	1,365,724	$ 76.3182	1,365,724	6,542,533
June 1 - 30, 2010	1,314,768	$ 72.9026	1,314,768	5,227,765
Total	2,680,492	$ 74.6429	2,680,492	5,227,765

(1) On September 21, 2004, the Company's board of directors approved an amended share repurchase program authorizing the Company and/or its subsidiary Holdings to purchase up to an aggregate of 5,000,000 of the Company's common shares through open market transactions, privately negotiated transactions or both. On July 21, 2008, the Company's executive committee of the board of directors approved an amendment to the September 21, 2004 share repurchase program authorizing the Company and/or its subsidiary Holdings to purchase up to an aggregate of 10,000,000 of the Company's common shares (recognizing that the number of shares authorized for repurchase has been reduced by those shares that have already been purchased) in open market transactions, privately negotiated transactions or both. On February 24, 2010, the Company's executive committee of the board of directors approved an amendment to the September 21, 2004, share repurchase program and the July 21, 2008, amendment authorizing the Company and/or its subsidiary Holdings, to purchase up to 15,000,000 of the Company's common shares (recognizing that the number of shares authorized for repurchase has been reduced by those shares that have already been purchased) in open market transactions, privately negotiated transactions or both.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. RESERVED

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Index:

Exhibit No.	Description
31.1	Section 302 Certification of Joseph V. Taranto
31.2	Section 302 Certification of Dominic J. Addesso
32.1	Section 906 Certification of Joseph V. Taranto and Dominic J. Addesso

Everest Re Group, Ltd.

Signatures

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

Everest Re Group, Ltd.
(Registrant)

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

(Duly Authorized Officer and Principal Financial Officer)

Dated: August 9, 2010