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EVEREST RE GROUP LTD
Form 10-Q/A
August 14, 2002

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q/A

QUARTERLY REPORT UNDER SECTION 13 or 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended:
JUNE 30, 2002

Commission File Number:
1-15731

EVEREST RE GROUP, LTD.

(Exact name of Registrant as specified in its charter)

Bermuda

98-0365432

(State or other juris-
diction of incorpora-
tion or organization)

(IRS Employer Identification
Number)

c/o ABG Financial & Management Services, Inc.
Parker House
Wildey Business Park, Wildey Road
St. Michael, Barbados
(246) 228-7398

(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 the filing requirements for at least the past 90 days.

YES X NO

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 14, 2002
COMMON SHARES, \$.01 PAR VALUE	50,870,431

EVEREST RE GROUP, LTD.

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Part I - Item 1

EVEREST RE GROUP, LTD.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except par value per share)

	June 30, ----- 2002 ----- (unaudited)	December 31, ----- 2001 -----
ASSETS:		
Fixed maturities - available for sale, at market value (amortized cost: 2002, \$5,721,680; 2001, \$5,288,860)	\$ 5,861,756	\$ 5,461,584
Equity securities, at market value (cost: 2002, \$56,384; 2001, \$66,357)	52,641	67,311
Short-term investments	344,607	148,851
Other invested assets	34,639	33,899
Cash	124,931	71,878
 Total investments and cash	 6,418,574	 5,783,523
Accrued investment income	87,722	83,088
Premiums receivable	555,818	468,897
Reinsurance receivables	945,127	895,061
Funds held by reinsureds	129,416	149,969
Deferred acquisition costs	165,073	130,709
Prepaid reinsurance premiums	43,061	47,185
Deferred tax asset	192,709	178,507
Other assets	82,552	59,221
 TOTAL ASSETS	 \$ 8,620,052 =====	 \$ 7,796,160 =====
 LIABILITIES:		
Reserve for losses and adjustment expenses	\$ 4,438,562	\$ 4,278,267
Future policy benefit reserve	243,294	238,753
Unearned premium reserve	658,221	489,171
Funds held under reinsurance treaties	277,938	267,105
Losses in the course of payment	60,697	89,492
Contingent commissions	3,372	2,119
Other net payable to reinsurers	53,830	66,462
Current federal income taxes	(646)	(30,459)
8.5% Senior notes due 3/15/2005	249,736	249,694
8.75% Senior notes due 3/15/2010	199,117	199,077
Revolving credit agreement borrowings	105,000	105,000
Accrued interest on debt and borrowings	11,910	11,944
Other liabilities	173,039	109,013
 Total liabilities	 6,474,070 -----	 6,075,638 -----
 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		

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authorized; 51.3 million shares issued in 2002 and 46.3 million shares issued in 2001	513	463
Additional paid-in capital	617,880	269,945
Unearned compensation	(103)	(115)
Accumulated other comprehensive income, net of deferred income taxes of \$35.7 million in 2002 and \$40.8 million in 2001	85,082	113,880
Retained earnings	1,442,665	1,336,404
Treasury shares, at cost; 0.0 million shares in 2002 and 2001	(55)	(55)
	-----	-----
Total shareholders' equity	2,145,982	1,720,522
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 8,620,052	\$ 7,796,160
	=====	=====

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

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EVEREST RE GROUP, LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Dollars in thousands, except per share amounts)

	Three Months Ended June 30,	
	2002	2001
	----- (unaudited)	
REVENUES:		
Premiums earned	\$ 502,330	\$ 392,797
Net investment income	90,830	87,095
Net realized capital (loss) gain	(31,008)	3,936
Net derivative (expense) income	(4,890)	43
Other (expense) income	(2,908)	1,120
	-----	-----
Total revenues	554,354	484,991
	-----	-----
CLAIMS AND EXPENSES:		
Incurred loss and loss adjustment expenses	353,177	291,947
Commission, brokerage, taxes and fees	120,320	97,122
Other underwriting expenses	16,724	14,499
Interest expense on senior notes	9,728	9,726
Interest expense on credit facility	853	1,819
	-----	-----
Total claims and expenses	500,802	415,113
	-----	-----
INCOME BEFORE TAXES	53,552	69,878
	-----	-----
Income tax expense	145	12,587
	-----	-----

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NET INCOME	\$ 53,407	\$ 57,291
	=====	=====
Other comprehensive income (loss), net of tax	39,328	(30,726)
	-----	-----
COMPREHENSIVE INCOME	\$ 92,735	\$ 26,565
	=====	=====
PER SHARE DATA:		
Average shares outstanding (000's)	51,301	46,141
Net income per common share - basic	\$ 1.04	\$ 1.24
	=====	=====
Average diluted shares outstanding (000's)	52,177	47,088
Net income per common share - diluted	\$ 1.02	\$ 1.22
	=====	=====

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

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EVEREST RE GROUP, LTD.
CONSOLIDATED STATEMENTS OF CHANGES
IN SHAREHOLDERS' EQUITY
(Dollars in thousands, except per share amounts)

	Three Months Ended June 30,		Six
	2002	2001	200
	(unaudited)		
COMMON SHARES (shares outstanding):			
Balance, beginning of period	51,286,465	46,096,378	46,26
Issued during the period	33,074	109,255	5,05
	-----	-----	-----
Balance, end of period	51,319,539	46,205,633	51,31
	=====	=====	=====
COMMON SHARES (par value):			
Balance, beginning of period	\$ 513	\$ 461	\$
Issued during the period	-	1	
	-----	-----	-----
Balance, end of period	513	462	
	-----	-----	-----
ADDITIONAL PAID IN CAPITAL:			
Balance, beginning of period	616,508	262,905	26

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Common shares issued during the period	1,372	4,347	34
Balance, end of period	617,880	267,252	61
UNEARNED COMPENSATION:			
Balance, beginning of period	(115)	(153)	
Net increase during the period	12	17	
Balance, end of period	(103)	(136)	
ACCUMULATED OTHER COMPREHENSIVE INCOME, NET OF DEFERRED INCOME TAXES:			
Balance, beginning of period	45,754	119,918	11
Net increase (decrease) during the period	39,328	(30,726)	(2)
Balance, end of period	85,082	89,192	8
RETAINED EARNINGS:			
Balance, beginning of period	1,393,363	1,297,218	1,33
Net income	53,407	57,291	11
Dividends declared (\$0.08 and \$0.16 per share in 2002 and \$0.07 and \$0.14 per share in 2001)	(4,105)	(3,228)	(
Balance, end of period	1,442,665	1,351,281	1,44
TREASURY SHARES AT COST:			
Balance, beginning of period	(55)	(55)	
Balance, end of period	(55)	(55)	
TOTAL SHAREHOLDERS' EQUITY, END OF PERIOD	\$ 2,145,982	\$ 1,707,996	\$ 2,14

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,		Si
2002	2001	200

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CASH FLOWS FROM OPERATING ACTIVITIES:	(unaudited)		
Net income	\$ 53,407	\$ 57,291	\$ 11
Adjustments to reconcile net income to net cash provided by operating activities:			
(Increase) in premiums receivable	(19,091)	(26,118)	(8)
Decrease in funds held, net	12,931	21,969	3
(Increase) in reinsurance receivables	(13,370)	(50,382)	(4)
(Increase) in deferred tax asset	(34,238)	(35,018)	()
Increase in reserve for losses and loss adjustment expenses	70,680	65,484	13
(Decrease) increase in future policy benefit reserve	(171)	7,354	()
Increase in unearned premiums	93,237	37,183	16
(Increase) decrease in other assets and liabilities	(22,710)	8,387	(7)
Non cash compensation expense	12	17	()
Accrual of bond discount/amortization of bond premium	(2,157)	(1,938)	()
Amortization of underwriting discount on senior notes	41	37	()
Realized capital losses (gains)	31,008	(3,936)	3
	-----	-----	-----
Net cash provided by operating activities	169,579	80,330	27
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from fixed maturities matured/called - available for sale	128,401	225,087	27
Proceeds from fixed maturities sold - available for sale	629,259	136,881	1,04
Proceeds from equity securities sold	14,570	28,949	1
Proceeds from other invested assets sold	4	15	()
Cost of fixed maturities acquired - available for sale	(914,099)	(430,817)	(1,77
Cost of equity securities acquired	(71)	(20,027)	()
Cost of other invested assets acquired	(3,148)	(1,439)	()
Net (purchases) sales of short-term securities	(57,677)	(119,072)	(19
Net increase in unsettled securities transactions	49,919	47,690	6
	-----	-----	-----
Net cash (used in) investing activities	(152,842)	(132,733)	(56
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:			
Common shares issued during the period	1,372	4,348	34
Dividends paid to shareholders	(4,105)	(3,228)	()
Borrowing on revolving credit agreement	-	2,000	2
Repayments on revolving credit agreement	-	-	(2
	-----	-----	-----
Net cash (used in) provided by financing activities	(2,733)	3,120	33
	-----	-----	-----
EFFECT OF EXCHANGE RATE CHANGES ON CASH	9,174	(2,619)	()
	-----	-----	-----
Net increase (decrease) in cash	23,178	(51,902)	5
Cash, beginning of period	101,753	70,023	7
	-----	-----	-----
Cash, end of period	\$ 124,931	\$ 18,121	\$ 12
	=====	=====	=====
SUPPLEMENTAL CASH FLOW INFORMATION			
CASH TRANSACTIONS:			
Income taxes paid, net	\$ 10,804	\$ 51,914	\$ ()

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Interest paid	\$	871	\$	1,911	\$	2
NON-CASH FINANCING TRANSACTION:						
Issuance of common shares	\$	12	\$	17	\$	

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

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EVEREST RE GROUP, LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2002 AND 2001

1. GENERAL

As used in this document, "Group" means Everest Re Group, Ltd., "Holdings" means Everest Reinsurance Holdings, Inc., "Everest Re" means Everest Reinsurance Company and the "Company" means Everest Re Group, Ltd. and its subsidiaries.

The consolidated financial statements of the Company for the three and six months ended June 30, 2002 and 2001 include all adjustments, consisting of normal recurring accruals, which, in the opinion of management, are necessary for a fair presentation of the results on an interim basis. Certain financial information, which is normally included in annual financial statements prepared in accordance with generally accepted accounting principles in the United States of America, has been omitted since it is not required for interim reporting purposes. The year-end consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles in the United States of America. The results for the three and six months ended June 30, 2002 and 2001 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, 2001, 2000 and 1999 included in the Company's most recent Form 10-K filing.

2. SECONDARY COMMON SHARE ISSUANCE

On November 7, 2001, the Company filed a shelf registration statement on Form S-3 with the Securities and Exchange Commission, which provided for the issuance of up to \$575 million of common equity. On February 27, 2002, pursuant to this registration statement, the Company completed a secondary offering of 5,000,000 of its common shares at a price of \$69.25 per share, which resulted in \$346.3 million of proceeds, before expense of approximately \$0.5 million related to the offering. The Company has used the net proceeds for working capital and general corporate purposes. The remaining amount available under this shelf registration statement as of June 30, 2002 was \$228.7 million. See also Footnote 12B.

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EVEREST RE GROUP, LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2002 AND 2001

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3. EARNINGS PER SHARE

Net income per common share has been computed as follows:

(shares and dollar amounts in thousands except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	
Net income (numerator)	\$ 53,407	\$ 57,291	\$ 114,468	\$
Weighted average common and effect of dilutive shares used in the computation of net income per share:				
Average shares outstanding - basic (denominator)	51,301	46,141	49,713	
Effect of dilutive shares	876	947	920	
Average shares outstanding - diluted (denominator)	52,177	47,088	50,633	
Net income per common share:				
Basic	\$ 1.04	\$ 1.24	\$ 2.30	\$
Diluted	\$ 1.02	\$ 1.22	\$ 2.26	\$

Options to purchase 207,000 shares of common stock and 2,000 shares of common stock were outstanding for the three months and six months ended June 30, 2002, respectively, but were not included in the computation of diluted earnings per share for the three and six month periods ended on such dates, because the options' exercise price was greater than the average market price of the common shares during the period. As of June 30, 2001, all outstanding options to purchase common shares were included in the computation of diluted earnings per share for the three and six month periods ended on such dates, because the average market price of the common shares was greater than the exercise price of the options during these periods.

On May 22, 2002, shareholders of the Company approved the 2002 Stock Incentive Plan ("The 2002 Plan"), which replaces the 1995 stock incentive plan for key employees ("The 1995 Employee Plan"). The 2002 Plan provides for a maximum of 4,000,000 shares of common stock to be awarded to employees of the Company and with the adoption of the 2002 plan, no further awards will be granted under The 1995 Employee Plan. As of June 30, 2002, no awards had been granted under The 2002 Plan.

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4. CONTINGENCIES

The Company continues to receive claims under expired contracts which assert alleged injuries and/or damages relating to or resulting from toxic torts, toxic waste and other hazardous substances, such as asbestos. The Company's asbestos claims typically involve potential liability for bodily injury from exposure to asbestos or for property damage resulting from asbestos or products containing asbestos. The Company's environmental claims typically involve potential liability for (a) the mitigation or remediation of environmental contamination or (b) bodily injury or property damages caused by the release of hazardous substances into the land, air or water.

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

Management believes that these factors continue to render reserves for asbestos and environmental losses significantly less subject to traditional actuarial methods than are reserves on other types of losses. Given these uncertainties, management believes that no meaningful range for such ultimate losses can be established. The Company establishes reserves to the extent that, in the judgement of management, the facts and prevailing law reflect an exposure for the Company or its ceding companies. In connection with the acquisition of Mt. McKinley Insurance Company ("Mt. McKinley"), which has significant exposure to asbestos and environmental claims, Prudential Property and Casualty Insurance Company ("Prupac"), a subsidiary of The Prudential Insurance Company of America ("The Prudential"), provided reinsurance to Mt. McKinley covering 80% (\$160.0 million) of the first \$200.0 million of any adverse development of Mt. McKinley's reserves as of September 19, 2000 and The Prudential guaranteed Prupac's obligations to Mt. McKinley. Through June 30, 2002, cessions under this reinsurance agreement have reduced the available remaining limits to \$126.4 million net of coinsurance. Due to the uncertainties discussed above, the ultimate losses may vary materially from current loss reserves and, depending on coverage under the Company's various reinsurance arrangements, could have a material adverse effect on the Company's future financial condition, results of operations and cash flows.

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The following table shows the development of prior year asbestos and environmental reserves on both a gross and net of retrocessional basis for the three and six months ended June 30, 2002 and 2001:

(dollar amounts in thousands)	Three Months Ended June 30,		Six Months En June 30,
	2002	2001	2002

Gross basis:			
Beginning of period reserves	\$ 631,778	\$ 690,659	\$ 644,390
Incurred losses	20,000	5,000	30,000
Paid losses	(12,676)	(21,732)	(35,288)

End of period reserves	\$ 639,102	\$ 673,927	\$ 639,102
=====			
Net basis:			
Beginning of period reserves	\$ 550,576	\$ 616,753	\$ 568,592
Incurred losses	4,832	817	7,309
Paid losses	(11,209)	(11,074)	(31,702)

End of period reserves	\$ 544,199	\$ 606,496	\$ 544,199
=====			

At June 30, 2002, the gross reserves for asbestos and environmental losses were comprised of \$109.5 million representing case reserves reported by ceding companies, \$52.1 million representing additional case reserves established by the Company on assumed reinsurance claims, \$144.8 million representing case reserves established by the Company on direct excess insurance claims, including Mt. McKinley, and \$332.7 million representing incurred but not reported ("IBNR") reserves.

The Company is involved from time to time in ordinary routine litigation and arbitration proceedings incidental to its business. The Company does not believe that there are any other material pending legal proceedings to which it or any of its subsidiaries or their properties are subject.

The Prudential sells annuities which are purchased by property and casualty insurance companies to settle certain types of claim liabilities. In 1993 and prior years, the Company, for a fee, accepted the claim payment obligation of these property and casualty insurers, and, concurrently, became the owner of the annuity or assignee of the annuity proceeds. In these circumstances, the Company would be liable if The Prudential were unable to make the annuity payments. The estimated cost to replace all such annuities for which the Company was contingently liable at June 30, 2002 was \$148.7 million.

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The Company has purchased annuities from an unaffiliated life insurance company with an A+ (Superior) 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, 2002 was \$14.2 million.

5. OTHER COMPREHENSIVE INCOME

The Company's other comprehensive (loss) income is comprised as follows:

(dollar amounts in thousands)	Three Months Ended June 30,		Six Months E June 30
	2002	2001	2002
Net unrealized appreciation/(depreciation) of investments, net of deferred income taxes	\$ 36,196	(\$ 32,613)	(\$ 30,943)
Currency translation adjustments, net of deferred income taxes	3,132	1,887	2,145
Other comprehensive income/(loss), net of deferred income taxes	\$ 39,328	(\$ 30,726)	(\$ 28,798)

6. Credit Line

On December 21, 1999, Holdings entered into a three-year senior revolving credit facility with a syndicate of lenders (the "Credit Facility"). First Union National Bank is the administrative agent for the Credit Facility. The Credit Facility is used for liquidity and general corporate purposes. The Credit Facility provides for the borrowing of up to \$150.0 million with interest at a rate selected by the Company equal to either (i) the Base Rate (as defined below) or (ii) an adjusted London InterBank Offered Rate ("LIBOR") plus a margin. The Base Rate is the higher of the rate of interest established by First Union National Bank from time to time as its prime rate or the Federal Funds rate plus 0.5% per annum. On December 18, 2000, the Credit Facility was

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EVEREST RE GROUP, LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2002 AND 2001

amended to extend the borrowing limit to \$235.0 million for a period of 120 days. This 120-day period expired during the three months ended March 31, 2001, after which the limit reverted to \$150.0 million. The amount of margin and the fees payable for the Credit Facility depend upon Holdings' senior unsecured debt

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rating. Group has guaranteed Holdings' obligations under the Credit Facility.

The Credit Facility requires Group to maintain a debt to capital ratio of not greater than 0.35 to 1, Holdings to maintain a minimum interest coverage ratio of 2.5 to 1 and Everest Re to maintain its statutory surplus at \$850.0 million plus 25% of aggregate net income and 25% of aggregate capital contributions.

During the three and six months ended June 30, 2002, Holdings made payments on the Credit Facility of \$0.0 million and \$20.0 million, respectively, compared to \$0.0 million and \$123.0 million during the three and six months ended June 30, 2001. During the three and six months ended June 30, 2002, Holdings had Credit Facility borrowings of \$0.0 million and \$20.0 million, respectively, compared to \$2.0 million and \$22.0 million during the three and six months ended June 30, 2001. As of June 30, 2002 and 2001, Holdings had outstanding Credit Facility borrowings of \$105.0 million and \$134.0 million, respectively. Interest expense incurred in connection with these borrowings was \$0.9 million and \$1.8 million for the three months ended June 30, 2002 and 2001, respectively, and \$1.7 million and \$4.5 million for the six months ended June 30, 2002 and 2001, respectively.

7. SENIOR NOTES

During the first quarter of 2000, Holdings completed a public offering of \$200.0 million principal amount of 8.75% senior notes due March 15, 2010 and \$250.0 million principal amount of 8.5% senior notes due March 15, 2005.

Interest expense incurred in connection with these senior notes was \$9.7 million for the three months ended June 30, 2002 and 2001, and \$19.5 million for the six months ended June 30, 2002 and 2001.

8. SEGMENT REPORTING

The Company, through its subsidiaries, operates in five segments: U.S. Reinsurance, U.S. Insurance, Specialty Reinsurance, International Reinsurance and Bermuda. The U.S. Reinsurance operation writes property and casualty treaty reinsurance through reinsurance brokers as well as directly with ceding companies within the United States, in addition to property, casualty and specialty facultative reinsurance through brokers and directly with ceding companies within the United States. The U.S. Insurance operation writes property and casualty insurance primarily through general agent relationships and surplus lines brokers within the United States. The Specialty Reinsurance operation writes accident and health, marine, aviation and surety business within the United States and worldwide through brokers and directly with

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EVEREST RE GROUP, LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2002 AND 2001

ceding companies. The International Reinsurance operation writes property and casualty reinsurance through the Company's branches in London, Canada and Singapore, in addition to foreign "home-office" business. The Bermuda operation writes property, casualty, life and annuity business through brokers and directly with ceding companies.

The non-Bermuda segments are managed in a carefully coordinated fashion with strong elements of central control, including with respect to capital,

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investments and support operations. The Bermuda segment is managed independently with strong alignment with respect to capital, investment and support operation strategies. As a result, management monitors and evaluates the financial performance of all of the Company's operating segments principally based upon their underwriting gain or loss ("underwriting results"). The Company utilizes inter-affiliate reinsurance and such reinsurance does not impact segment results as business is reported in the unit responsible for the business as initially written with third parties, generally within the segment in which the business was first produced. Underwriting results include earned premium less incurred loss and loss adjustment expenses, commission and brokerage expenses and other underwriting expenses.

The following tables present the relevant underwriting results for the operating segments for the three and six months ended June 30, 2002 and 2001, with all dollar values presented in thousands.

U.S. REINSURANCE

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Earned premiums	\$ 140,628	\$ 138,554	\$ 317,186	\$ 317,186
Incurring losses and loss adjustment expenses	96,482	108,031	220,056	220,056
Commission and brokerage	37,145	37,322	83,134	83,134
Other underwriting expenses	4,474	4,095	8,643	8,643
Underwriting gain (loss)	\$ 2,527	(\$ 10,894)	\$ 5,353	(\$ 10,894)

U.S. INSURANCE

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Earned premiums	\$ 133,787	\$ 68,357	\$ 242,632	\$ 242,632
Incurring losses and loss adjustment expenses	99,259	49,065	179,956	179,956
Commission and brokerage	27,496	13,990	51,193	51,193
Other underwriting expenses	5,925	3,952	10,665	10,665
Underwriting gain (loss)	\$ 1,107	\$ 1,350	\$ 818	\$ 1,350

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FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2002 AND 2001

SPECIALTY REINSURANCE

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Earned premiums	\$ 116,280	\$ 99,070	\$ 230,649	\$ 200,000
Incurred losses and loss adjustment expenses	88,086	73,548	174,679	150,000
Commission and brokerage	33,504	23,630	66,746	50,000
Other underwriting expenses	1,526	1,577	2,892	2,000
Underwriting (loss) gain	(\$ 6,836)	\$ 315	(\$ 13,668)	(\$ 2,000)

INTERNATIONAL REINSURANCE

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Earned premiums	\$ 108,497	\$ 83,401	\$ 195,772	\$ 150,000
Incurred losses and loss adjustment expenses	66,270	57,897	123,562	100,000
Commission and brokerage	20,613	21,884	37,493	30,000
Other underwriting expenses	3,312	3,446	6,321	5,000
Underwriting gain (loss)	\$ 18,302	\$ 174	\$ 28,396	(\$ 5,000)

BERMUDA

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Earned premiums	\$ 3,138	\$ 3,415	\$ 7,299	\$ 7,000
Incurred losses and loss adjustment expenses	3,080	3,406	7,430	7,000
Commission and brokerage	1,562	296	2,763	2,000
Other underwriting expenses	453	(65)	827	2,000
Underwriting (loss)	(\$ 1,957)	(\$ 222)	(\$ 3,721)	(\$ 2,000)

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EVEREST RE GROUP, LTD.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
 (continued)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2002 AND 2001

The following table reconciles the underwriting results for the operating segments to income before tax as reported in the consolidated statements of operations and comprehensive income, with all dollar values presented in thousands:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Underwriting gain (loss)	\$ 13,143	(\$ 9,277)	\$ 17,178	(\$ 1,501)
Net investment income	90,830	87,095	176,370	176,370
Realized (loss) gain	(31,008)	3,936	(34,863)	(34,863)
Net derivative (expense) income	(4,890)	43	(5,140)	(5,140)
Corporate expenses	(1,034)	(1,494)	(1,501)	(1,501)
Interest expense	(10,581)	(11,545)	(21,218)	(21,218)
Other (expense) income	(2,908)	1,120	(1,571)	(1,571)
Income before taxes	\$ 53,552	\$ 69,878	\$ 129,255	\$ 129,255

The Company writes premium in the United States, Bermuda and international markets. The revenues, net income and identifiable assets of the individual foreign countries in which the Company writes business are not material to the Company's financial condition, results of operations and cash flows.

9. DERIVATIVES

The Company has in its product portfolio three credit default swaps, which it no longer offers, and five specialized equity put options. These products meet the definition of a derivative under Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133"). The Company's position in these contracts is unhedged and is accounted for as a derivative in accordance with FAS 133. Accordingly, these contracts are carried at fair value with changes in fair value recorded in the statement of operations.

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EVEREST RE GROUP, LTD.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
 (continued)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2002 AND 2001

10. NEW ACCOUNTING PRONOUNCEMENT

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In June 2001, the Financial Accounting Standards Board ("FASB") issued FAS 142, "Goodwill and Other Intangible Assets". FAS 142 established new accounting and reporting standards for acquired goodwill and other intangible assets. It requires that an entity determine if the goodwill or other intangible asset has an indefinite useful life or a finite useful life. Those with indefinite useful lives are not subject to amortization and must be tested annually for impairment. Those with finite useful lives are subject to amortization and must be tested annually for impairment. This statement is effective for all fiscal quarters of all fiscal years beginning after December 15, 2001. The Company adopted FAS 142 on January 1, 2002. The implementation of this statement has not had a material impact on the financial position, results of operations or cash flows of the Company.

11. RELATED-PARTY TRANSACTIONS

During the normal course of business, the Company, through its affiliates, engages in what management believes to be arm's-length reinsurance and brokerage and commission business transactions with companies controlled by or affiliated with its outside directors. Such transactions, individually and in the aggregate, are immaterial to the Company's financial condition, results of operations and cash flows.

12. SUBSEQUENT EVENTS

- A. Between July 1, 2002 and August 6, 2002, Holdings repurchased 450,000 shares of Group's common stock at an average price of \$50.86 per share. The Company has 1.73 million shares remaining under its existing repurchase authorization.
- B. On July 30, 2002, the Company filed a shelf registration statement on Form S-3 with the Securities and Exchange Commission, which provides for the issuance of up to \$475.0 million of securities. Generally, under this shelf registration statement, Group may issue common shares, preferred shares, debt, warrants and hybrid securities, Holdings may issue debt securities and warrants and Everest Re Capital Trust may issue trust preferred securities. This shelf registration statement, once effective, will replace the existing common equity shelf registration statement of the Company.

Part I - Item 2

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

RESULTS OF OPERATIONS

FINANCIAL STATEMENT CERTIFICATION

Pursuant to Section 21(a)(1) of the Securities Exchange Act of 1934 No. 4-460, the Staff of the Securities and Exchange Commission has issued an Order requiring the principal executive officer and the principal accounting officer of certain companies to issue sworn statements certifying that the financial

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statements are materially truthful and complete. Although the Company is not among those companies required to submit such statements, the Company intends to voluntarily file such certifications on Form 8-K on or before August 14, 2002.

INDUSTRY CONDITIONS

The worldwide reinsurance and insurance businesses are highly competitive yet cyclical by product and market. The terrorist attacks on September 11, 2001 resulted in losses which reduced industry capacity and were of sufficient magnitude to cause most individual companies to reassess their capital position, tolerance for risk, exposure control mechanisms and the pricing terms and conditions at which they are willing to take on risk. The gradual and variable improving trend that had been apparent through 2000 and earlier in 2001 firmed significantly. This firming generally took the form of immediate and significant upward pressure on prices, more restrictive terms and conditions and a reduction of coverage limits and capacity availability. Such pressures were widespread with variability depending on the product and markets involved, but mainly depending on the characteristics of the underlying risk exposures. The magnitude of the changes was sufficient to create temporary disequilibrium in some markets as individual buyers and sellers adapted to changes in both their internal and market dynamics. Thus far in 2002, our markets have generally continued to firm.

These changes reflect a reversal of the general trend from 1987 through 1999 toward increasingly competitive global market conditions across most lines of business as reflected by decreasing prices and broadening contract terms. The earlier trend resulted from a number of factors, including the emergence of significant reinsurance capacity in Bermuda, changes in the Lloyds market, consolidation and increased capital levels in the insurance and reinsurance industries, as well as the emergence of new reinsurance and financial products addressing traditional exposures in alternative fashions. Many of these factors continue to exist and may be amplified as the result of market changes since the September 11th attacks. As a result, although the Company is encouraged by the recent improvements, and more generally, current market conditions, the Company cannot predict with any reasonable certainty whether and to what extent these improvements will persist.

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SEGMENT INFORMATION

The Company, through its subsidiaries, operates in five segments: U.S. Reinsurance, U.S. Insurance, Specialty Reinsurance, International Reinsurance and Bermuda. The U.S. Reinsurance operation writes property and casualty treaty reinsurance through reinsurance brokers as well as directly with ceding companies within the United States, in addition to property, casualty and specialty facultative reinsurance through brokers and directly with ceding companies within the United States. The U.S. Insurance operation writes property and casualty insurance primarily through general agent relationships and surplus lines brokers within the United States. The Specialty Reinsurance operation writes accident and health ("A&H"), marine, aviation and surety business within the United States and worldwide through brokers and directly with ceding companies. The International Reinsurance operation writes property and casualty reinsurance through the Company's branches in London, Canada and Singapore, in addition to foreign "home-office" business. The Bermuda operation writes property, casualty, life and annuity business through brokers and directly with ceding companies.

The non-Bermuda segments are managed in a carefully coordinated fashion with strong elements of central control, including with respect to capital,

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investments and support operations. The Bermuda segment is managed independently with strong alignment with respect to capital, investment and support operation strategies. As a result, management monitors and evaluates the financial performance of all of the Company's operating segments principally based upon their underwriting results. The Company utilizes inter-affiliate reinsurance and such reinsurance does not impact segment results as business is reported in the unit responsible for the business as initially written with third parties, generally within the segment in which the business was first produced.

THREE MONTHS ENDED JUNE 30, 2002 COMPARED TO THREE MONTHS ENDED JUNE 30, 2001

PREMIUMS. Gross premiums written increased 30.1% to \$630.1 million in the three months ended June 30, 2002 from \$484.3 million in the three months ended June 30, 2001 as the Company took advantage of selected growth opportunities, while continuing to maintain a disciplined underwriting approach. Premium growth areas included a 78.0% (\$97.1 million) increase in the U.S. Insurance operation, principally attributable to growth in workers' compensation insurance, a 40.4% (\$35.9 million) increase in the International Reinsurance operation, mainly attributable to growth in the London, Canada and Latin American markets, a 15.3% (\$15.9 million) increase in the Specialty Reinsurance operation, principally attributable to growth in A&H medical stop loss business, and a \$6.7 million increase in the Bermuda operation. These increases were partially offset by a 5.9% (\$9.7 million) decrease in the U.S. Reinsurance operation principally attributable to the non-renewal of business during 2001 and early 2002. The Company continued to decline business that did not meet its objectives regarding underwriting profitability.

Ceded premiums decreased to \$29.4 million in the three months ended June 30, 2002 from \$65.8 million in the three months ended June 30, 2001. This decrease was principally attributable to a decrease in ceded premiums in the U.S. Insurance operation as a result of changes in this segment's specific reinsurance programs. Ceded premiums for the three months ended June 30, 2001 included \$15.4 million in adjustment premiums relating to claims made under the 1999 accident year aggregate excess of loss element of the Company's corporate retrocessional program.

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Net premiums written increased by 43.5% to \$600.7 million in the three months ended June 30, 2002 from \$418.5 million in the three months ended June 30, 2001. This increase was consistent with the increase in gross premiums written and the decrease in ceded premiums.

PREMIUM REVENUES. Net premiums earned increased by 27.9% to \$502.3 million in the three months ended June 30, 2002 from \$392.8 million in the three months ended June 30, 2001. Contributing to this increase was a 95.7% (\$65.4 million) increase in the U.S. Insurance operation, a 30.1% (\$25.1 million) increase in the International Reinsurance operation, a 17.4% (\$17.2 million) increase in the Specialty Reinsurance operation and a 1.5% (\$2.1 million) increase in the U.S. Reinsurance operation. These increases were partially offset by a \$0.3 million decrease in the Bermuda operation. All of these changes reflect period to period changes in net written premiums and business mix together with normal variability in earnings patterns. Business mix changes occur not only as the Company shifts emphasis between products, lines of business, distribution channels and markets but also as individual contracts renew or non-renew, almost always with changes in coverage, structure, prices and/or terms, and as new contracts are accepted with coverages, structures, prices and/or terms different from those of expiring contracts. As premium reporting and earnings and loss and commission characteristics derive from the provisions of individual contracts, the continuous turnover of individual contracts, arising from both strategic

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shifts and day to day underwriting, can and does introduce appreciable background variability in various underwriting line items.

EXPENSES. Incurred loss and loss adjustment expenses ("LAE") increased by 21.0% to \$353.2 million in the three months ended June 30, 2002 from \$291.9 million in the three months ended June 30, 2001. The increase in incurred losses and LAE was principally attributable to the increase in net premiums earned and also reflects the impact of changes in the Company's mix of business. Incurred losses and LAE include catastrophe losses, which include the impact of both current period events and favorable and unfavorable development on prior period events, and are net of reinsurance. A catastrophe is an event that causes a pre-tax loss on property exposures of at least \$5.0 million and has an event date of January 1, 1988 or later. Catastrophe losses, net of contract specific cessions but before cessions under the corporate retrocessional program, were \$0.3 million in the three months ended June 30, 2002 compared to net catastrophe losses of \$13.9 million in the three months ended June 30, 2001. Incurred losses and LAE for the three months ended June 30, 2002 reflected ceded losses and LAE of \$34.9 million compared to ceded losses and LAE in the three months ended June 30, 2001 of \$74.4 million. The ceded losses and LAE for the three months ended June 30, 2001 included \$29.0 million of losses ceded under the 1999 accident year aggregate excess of loss component of the Company's corporate retrocessional program.

Contributing to the increase in incurred losses and LAE in the three months ended June 30, 2002 from the three months ended June 30, 2001 were a 102.3% (\$50.2 million) increase in the U.S. Insurance operation principally reflecting increased premium volume coupled with changes in this segment's specific reinsurance programs, a 19.8% (\$14.5 million) increase in the Specialty Reinsurance operation principally attributable to increased premium volume in A&H business and a 14.5% (\$8.4 million) increase in the International operation reflecting increased premium volume, partially offset by lower catastrophe losses. These increases were partially offset by a 10.7% (\$11.5 million) decrease in the U.S. Reinsurance operation, principally reflecting lower catastrophe losses and a \$0.3 million decrease in the Bermuda operation.

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Incurred losses and LAE for each operation were also impacted by variability relating to changes in the level of premium volume and mix of business by class and type.

The Company's loss and LAE ratio ("loss ratio"), which is calculated by dividing incurred losses and LAE by premiums earned, decreased by 4.0 percentage points to 70.3% in the three months ended June 30, 2002 from 74.3% in the three months ended June 30, 2001 reflecting the incurred losses and LAE discussed above. The following table shows the loss ratios for each of the Company's operating segments for the three months ended June 30, 2002 and 2001. The loss ratios for all operations were impacted by the factors noted above.

Operating Segment Loss Ratios

Segment	2002	2001
U.S. Reinsurance	68.6%	78.0%
U.S. Insurance	74.2%	71.8%
Specialty Reinsurance	75.8%	74.2%
International Reinsurance	61.1%	69.4%
Bermuda	98.2%	99.7%

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Underwriting expenses increased by 22.8% to \$137.0 million in the three months ended June 30, 2002 from \$111.6 million in the three months ended June 30, 2001. Commission, brokerage, taxes and fees increased by \$23.2 million, principally reflecting increases in premium volume and changes in the mix of business. Other underwriting expenses increased by \$2.2 million as the Company expanded operations to support its increased business volume. Contributing to these underwriting expense increases were a 86.3% (\$15.5 million) increase in the U.S. Insurance operation, a 39.0% (\$9.8 million) increase in the Specialty Reinsurance operation and a \$1.8 million increase in the Bermuda operation. These increases were partially offset by a 5.5% (\$1.4 million) decrease in the International operation and a 0.5% (\$0.2 million) decrease in the U.S. Reinsurance operation. The changes for each operation's expenses principally resulted from changes in commission expenses related to changes in premium volume and business mix by class and type and, in some cases, changes in the use of specific reinsurance and the underwriting performance of the underlying business. The Company's expense ratio, which is calculated by dividing underwriting expenses by premiums earned, was 27.3 % for the three months ended June 30, 2002 compared to 28.4% for the three months ended June 30, 2001.

The Company's combined ratio, which is the sum of the loss and expense ratios, decreased by 5.1 percentage points to 97.6% in the three months ended June 30, 2002 compared to 102.7% in the three months ended June 30, 2001. The following table shows the combined ratios for each of the Company's operating segments for the three months ended June 30, 2002 and 2001. The combined ratios for all operations were impacted by the loss and expense ratio variability noted above.

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Operating Segment Combined Ratios

Segment	2002	2001
U.S. Reinsurance	98.2%	107.9%
U.S. Insurance	99.2%	98.0%
Specialty Reinsurance	105.9%	99.7%
International Reinsurance	83.1%	99.8%
Bermuda	162.4%	106.5%

INVESTMENT RESULTS. Net investment income increased 4.3% to \$90.8 million in the three months ended June 30, 2002 from \$87.1 million in the three months ended June 30, 2001, principally reflecting the effects of investing the \$537.3 million of cash flow from operations in the twelve months ended June 30, 2002, and \$345.8 million of net proceeds from a secondary stock offering in February 2002, partially offset by the effects of the lower interest rate environment. The following table shows a comparison of various investment yields as of June 30, 2002 and December 31, 2001, respectively, and for the periods ended June 30, 2002 and 2001, respectively.

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	2002	2001
Imbedded pre-tax yield of cash and invested assets at June 30, 2002 and December 31, 2001	5.8%	6.0%
Imbedded after-tax yield of cash and invested assets at June 30, 2002 and December 31, 2001	4.9%	5.0%
Annualized pre-tax yield on average cash and invested assets for the three months ended June 30, 2002 and 2001	5.9%	6.0%
Annualized after-tax yield on average cash and invested assets for the three months ended June 30, 2002 and 2001	4.9%	5.0%

Net realized capital losses were \$31.0 million in the three months ended June 30, 2002, reflecting realized capital losses on the Company's investments of \$65.8 million, which included \$61.2 million relating to write-downs in the value of securities, of which \$33.0 million were for WorldCom, deemed to be impaired on an other than temporary basis, partially offset by \$34.8 million of realized capital gains, compared to net realized capital gains of \$3.9 million in the three months ended June 30, 2001. The net realized capital gains in the three months ended June 30, 2001 reflected realized capital gains of \$20.8 million, partially offset by \$16.9 million of realized capital losses, which included \$12.0 million relating to write-downs in the value of securities deemed to be impaired on an other than temporary basis.

Interest expense for the three months ended June 30, 2002 was \$10.6 million compared to \$11.5 million for the three months ended June 30, 2001. Interest expense for the three months ended June 30, 2002 reflects \$9.7 million relating to Holdings' issuance of senior notes and \$0.9 million relating to Holdings' borrowings under its revolving credit facility. Interest expense for the three months ended June 30, 2001 reflects \$9.7 million relating to Holdings' issuance of senior notes and \$1.8 million relating to Holdings' borrowings under its revolving credit facility.

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Other expense for the three months ended June 30, 2002 was \$2.9 million compared to other income of \$1.1 million for the three months ended June 30, 2001. Significant contributors to other expense for the three months ended June 30, 2002 were foreign exchange losses, normal provision for uncollectible audit premium in the U.S. Insurance operation and the amortization of deferred expenses relating to Holdings' issuance of senior notes, partially offset by fee income. Other income for the three months ended June 30, 2001 principally included foreign exchange gains and fee income, partially offset by the amortization of deferred expenses relating to Holdings' issuance of senior notes. The foreign exchange gains and losses for both periods are attributable to fluctuations in foreign currency exchange rates.

The Company has a small number of credit default swaps, which it no longer offers, and specialized equity put options in its product portfolio. These products meet the definition of a derivative under FAS 133. Net derivative expense, essentially reflecting changes in fair value, from these transactions for the three months ended June 30, 2002 was \$4.9 million compared to \$0.0 million for the three months ended June 30, 2001. Net after tax exposure remaining on the credit default agreements is \$2.0 million.

INCOME TAXES. The Company recognized income tax expense of \$0.1 million in the

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three months ended June 30, 2002 compared to \$12.6 million in the three months ended June 30, 2001 principally reflecting increased taxable realized capital losses, offset by improved underwriting and investment results and decreased interest expense.

NET INCOME. Net income was \$53.4 million in the three months ended June 30, 2002 compared to \$57.3 million in the three months ended June 30, 2001. This decrease generally reflects the increase in realized capital losses, partially offset by improved underwriting and investment results and decreased interest expense.

SIX MONTHS ENDED JUNE 30, 2002 COMPARED TO SIX MONTHS ENDED JUNE 30, 2001

PREMIUMS. Gross premiums written increased 35.7% to \$1,226.4 million in the six months ended June 30, 2002 from \$903.7 million in the six months ended June 30, 2001 as the Company took advantage of selected growth opportunities, while continuing to maintain a disciplined underwriting approach. Premium growth areas included a 67.0% (\$168.7 million) increase in the U.S. Insurance operation, principally attributable to growth in workers' compensation insurance, a 33.9% (\$55.6 million) increase in the International Reinsurance operation, mainly attributable to growth in the London, Canada and Latin American markets, a 18.8% (\$37.5 million) increase in the Specialty Reinsurance operation, principally attributable to growth in A&H medical stop loss business, a 17.9% (\$51.1 million) increase in the U.S. Reinsurance operation primarily reflecting growth across property and casualty lines, and a \$9.7 million increase in the Bermuda operation. The Company continued to decline business that did not meet its objectives regarding underwriting profitability.

Ceded premiums decreased to \$60.7 million in the six months ended June 30, 2002 from \$97.9 million in the six months ended June 30, 2001. This decrease was principally attributable to a decrease in ceded premiums in the U.S. Insurance operation as a result of changes in this segment's specific reinsurance programs. Ceded premiums for the three months ended June 30, 2001 included \$15.4 million in adjustment premiums relating to claims made under the 1999 accident year aggregate excess of loss element of the Company's corporate retrocessional program.

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Net premiums written increased by 44.7% to \$1,165.7 million in the six months ended June 30, 2002 from \$805.8 million in the six months ended June 30, 2001. This increase was consistent with the increase in gross premiums written and the decrease in ceded premiums.

PREMIUM REVENUES. Net premiums earned increased by 37.7% to \$993.5 million in the six months ended June 30, 2002 from \$721.3 million in the six months ended June 30, 2001. Contributing to this increase were a 101.4% (\$122.1 million) increase in the U.S. Insurance operation, a 28.1% (\$69.5 million) increase in the U.S. Reinsurance operation, a 25.2% (\$39.4 million) increase in the International Reinsurance operation, a 19.6% (\$37.8 million) increase in the Specialty Reinsurance operation and a \$3.4 million increase in the Bermuda operation. All of these changes reflect period to period changes in net written premiums and business mix together with normal variability in earnings patterns.

EXPENSES. Incurred loss and LAE increased by 31.9% to \$705.7 million in the six months ended June 30, 2002 from \$535.1 million in the six months ended June 30, 2001. The increase in incurred losses and LAE was principally attributable to the increase in net premiums earned and also reflects the impact of changes in the Company's mix of business. Incurred losses and LAE include catastrophe losses, which include the impact of both current period events, and favorable and unfavorable development on prior period events and are net of reinsurance. A

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catastrophe is an event that causes a pre-tax loss on property exposures of at least \$5.0 million and has an event date of January 1, 1988 or later. Catastrophe losses, net of contract specific cessions but before cessions under the corporate retrocessional program, were \$1.6 million in the six months ended June 30, 2002 compared to net catastrophe losses of \$28.7 million in the six months ended June 30, 2001. Incurred losses and LAE for the six months ended June 30, 2002 reflected ceded losses and LAE of \$72.9 million compared to ceded losses and LAE in the six months ended June 30, 2001 of \$106.6 million. The ceded losses and LAE for the three months ended June 30, 2001 included \$29.0 million of losses ceded under the 1999 accident year aggregate excess of loss component of the Company's corporate retrocessional program.

Contributing to the increase in incurred losses and LAE in the six months ended June 30, 2002 from the six months ended June 30, 2001 were a 108.6% (\$93.7 million) increase in the U.S. Insurance operation principally reflecting increased premium volume coupled with changes in this segment's specific reinsurance programs, a 20.0% (\$36.7 million) increase in the U.S. Reinsurance operation and a 17.9% (\$26.6 million) increase in the Specialty Reinsurance operation, both principally attributable to increased premium volume, a 9.1% (\$10.3 million) increase in the International operation reflecting increased premium volume, partially offset by lower catastrophe losses and a \$3.3 million increase in the Bermuda operation. Incurred losses and LAE for each operation were also impacted by variability relating to changes in the level of premium volume and mix of business by class and type.

The Company's loss ratio decreased by 3.2 percentage points to 71.0% in the six months ended June 30, 2002 from 74.2% in the six months ended June 30, 2001 reflecting the incurred losses and LAE discussed above. The following table shows the loss ratios for each of the Company's operating segments for the six months ended June 30, 2002 and 2001. The loss ratios for all operations were impacted by the factors noted above.

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Operating Segment Loss Ratios

Segment	2002	2001
U.S. Reinsurance	69.4%	74.0%
U.S. Insurance	74.2%	71.6%
Specialty Reinsurance	75.7%	76.8%
International Reinsurance	63.1%	72.4%
Bermuda	101.8%	104.3%

Underwriting expenses increased by 31.7% to \$272.2 million in the six months ended June 30, 2002 from \$206.7 million in the six months ended June 30, 2001. Commission, brokerage, taxes and fees increased by \$62.3 million, principally reflecting increases in premium volume and changes in the mix of business. Other underwriting expenses increased by \$3.3 million as the Company expanded its operations to support its increased business volume. Contributing to these underwriting expense increases were a 74.5% (\$26.4 million) increase in the U.S. Insurance operation, a 37.9% (\$19.1 million) increase in the Specialty Reinsurance operation, a 28.9% (\$20.6 million) increase in the U.S. Reinsurance operation and a \$2.4 million increase in the Bermuda operation. These increases

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were partially offset by a 5.5% (\$2.5 million) decrease in the International operation. The changes for each operation's expenses principally resulted from changes in commission expenses related to changes in premium volume and business mix by class and type and, in some cases, changes in the use of specific reinsurance and the underwriting performance of the underlying business. The Company's expense ratio was 27.4% for the six months ended June 30, 2002 compared to 28.6% for the six months ended June 30, 2001.

The Company's combined ratio decreased by 4.4 percentage points to 98.4% in the six months ended June 30, 2002 compared to 102.8% in the six months ended June 30, 2001. The following table shows the combined ratios for each of the Company's operating segments for the six months ended June 30, 2002 and 2001. The combined ratios for all operations were impacted by the loss and expense ratio variability noted above.

Operating Segment Combined Ratios		
Segment	2002	2001
U.S. Reinsurance	98.3%	102.8%
U.S. Insurance	99.7%	101.0%
Specialty Reinsurance	105.9%	103.0%
International Reinsurance	85.5%	102.0%
Bermuda	151.0%	133.4%

INVESTMENT RESULTS. Net investment income increased 1.8% to \$176.4 million in the six months ended June 30, 2002 from \$173.3 million in the six months ended June 30, 2001, principally reflecting the effects of investing the \$537.3 million of cash flow from operations in the twelve months ended June 30, 2002, and \$345.8 million of net proceeds from a secondary stock offering in February 2002, partially offset by the effects of the lower interest rate environment. The following table shows a comparison of various investment yields as of June 30, 2002 and December 31, 2001, respectively, and for the periods ended June 30, 2002 and 2001, respectively.

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	2002	2001
Imbedded pre-tax yield of cash and invested assets at June 30, 2002 and December 31, 2001	5.8%	6.0%
Imbedded after-tax yield of cash and invested assets at June 30, 2002 and December 31, 2001	4.9%	5.0%
Annualized pre-tax yield on average cash and invested assets for the six months ended June 30, 2002 and 2001	5.9%	6.4%
Annualized after-tax yield on average cash and invested assets for the six months ended June 30, 2002 and 2001	4.9%	5.2%

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Net realized capital losses were \$34.9 million in the six months ended June 30, 2002, reflecting realized capital losses on the Company's investments of \$75.5 million, which included \$65.1 million relating to write-downs in the value of securities, of which \$33.0 million were for WorldCom, deemed to be impaired on an other than temporary basis, partially offset by \$40.6 million of realized capital gains, compared to net realized capital losses of \$1.1 million in the six months ended June 30, 2001. The net realized capital gains in the six months ended June 30, 2001 reflected realized capital losses of \$22.6 million, which included \$12.0 million relating to write-downs in the value of securities deemed to be impaired on an other than temporary basis, partially offset by \$21.5 million of realized capital gains.

Interest expense for the six months ended June 30, 2002 was \$21.2 million compared to \$24.0 million for the six months ended June 30, 2001. Interest expense for the six months ended June 30, 2002 reflects \$19.5 million relating to Holdings' issuance of senior notes and \$1.7 million relating to Holdings' borrowings under its revolving credit facility. Interest expense for the six months ended June 30, 2001 reflects \$19.5 million relating to Holdings' issuance of senior notes and \$4.5 million relating to Holdings' borrowings under its revolving credit facility.

Other expense for the six months ended June 30, 2002 was \$1.6 million compared to other income of \$2.0 million for the six months ended June 30, 2001. Significant contributors to other expense for the six months ended June 30, 2002 were foreign exchange losses, normal provision for uncollectible audit premium in the U.S. Insurance operation and the amortization of deferred expenses relating to Holdings' issuance of senior notes, partially offset by fee income. Other income for the six months ended June 30, 2001 principally included foreign exchange gains and fee income, partially offset by the amortization of deferred expenses relating to Holdings' issuance of senior notes. The foreign exchange gains and losses for both periods are attributable to fluctuations in foreign currency exchange rates.

The Company has a small number of credit default swaps, which it no longer offers, and specialized equity put options in its product portfolio. These products meet the definition of a derivative under FAS 133. Net derivative expense, essentially reflecting changes in fair value, from these transactions for the six months ended June 30, 2002 was \$5.1 million compared to \$0.7 million for the six months ended June 30, 2001. Net after tax exposure remaining on the credit default agreements is \$2.0 million.

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INCOME TAXES. The Company recognized income tax expense of \$14.8 million in the six months ended June 30, 2002 compared to \$21.6 million in the six months ended June 30, 2001 principally reflecting improved underwriting and investment results and decreased interest expense, offset by increased taxable realized capital losses.

NET INCOME. Net income was \$114.5 million in the six months ended June 30, 2002 compared to \$107.4 million in the six months ended June 30, 2001. This increase generally reflects the improved underwriting and investment results and decreased interest expense, partially offset by increased realized capital losses.

FINANCIAL CONDITION

INVESTED ASSETS. Aggregate invested assets, including cash and short-term investments, were \$6,418.6 million at June 30, 2002 and \$5,783.5 million at

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December 31, 2001. The increase in invested assets between December 31, 2001 and June 30, 2002 resulted primarily from \$346.3 million of proceeds from the Company's secondary offering of 5,000,000 common shares on February 27, 2002 and \$275.1 million in cash flows from operations generated during the six months ended June 30, 2002, partially offset by \$37.3 million in net unrealized depreciation of the Company's investments.

LOSS AND LAE RESERVES. Gross loss and LAE reserves totaled \$4,438.6 million at June 30, 2002 and \$4,278.3 million at December 31, 2001. The increase during the six months ended June 30, 2002 was primarily attributable to increased earned premiums and normal variability in claim settlements.

The Company's net loss and LAE reserves relating to asbestos and environmental exposures were \$544.2 million and \$568.6 million at June 30, 2002 and December 31, 2001, respectively. Industry analysts have developed a measurement, known as the survival ratio, to compare the asbestos and environmental reserves among companies with such liabilities. The survival ratio is typically calculated by dividing a company's current reserves by the three-year average of paid losses, and therefore measures the number of years that it would take to exhaust the current reserves based on historical payment patterns. Using this measurement, the Company's net three-year asbestos and environmental survival ratio was 8.7 years and 9.8 years at June 30, 2002 and December 31, 2001, respectively. Adjusting these to include the effect of \$126.4 million of available reinsurance on the next \$160.0 million of potential future reserve strengthening at June 30, 2002 and \$137.8 million of available reinsurance on the next \$160.0 million of potential future reserve strengthening at December 31, 2001, the measures rise to the equivalent of 10.8 years and 12.1 years respectively. Because the survival ratio was developed as a measure of reserve strength and not of absolute reserve adequacy, the Company considers, but does not rely on, the survival ratio when evaluating its reserves.

SHAREHOLDERS' EQUITY. The Company's shareholders' equity increased to \$2,146.0 million as of June 30, 2002, from \$1,720.5 million as of December 31, 2001, principally reflecting \$346.3 million of proceeds from the Company's secondary offering of 5,000,000 common shares on February 27, 2002 and net income of \$114.5 million for the six months ended June 30, 2002, partially offset by net unrealized depreciation of \$31.0 million on the Company's investments. Dividends of \$8.2 million were declared and paid by the Company in the six months ended June 30, 2002. At June 30, 2002, 2.180 million shares remained available for

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repurchase under the Company's existing repurchase authorization. Between July 1, 2002 and August 6, 2002, Holdings repurchased 450,000 shares of Group's common stock at an average price of \$50.86 per share. The Company has 1.73 million shares remaining under its existing repurchase authorization.

LIQUIDITY AND CAPITAL RESOURCES

CAPITAL. The Company's business operations are in part dependent on the Company's financial strength, and the market's perception thereof, as measured in part by shareholders' equity, which was \$2,146.0 million and \$1,720.5 million at June 30, 2002 and December 31, 2001, respectively. The Company has flexibility with respect to capitalization as the result of its perceived financial strength, including its financial strength ratings as assigned by independent rating agencies, and its access to the debt and equity markets. The Company continuously monitors its capital and financial position, as well as investment and security market conditions, in general and with respect to the Company's securities, and responds accordingly. On November 7, 2001, the Company filed a shelf registration statement on Form S-3 with the Securities and Exchange Commission, which provided for the issuance of up to \$575 million of

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common equity. On February 27, 2002, pursuant to this registration statement, the Company completed an offering of 5,000,000 of its common shares at a price of \$69.25 per share, which resulted in \$346.3 million of proceeds before expenses of approximately \$0.5 million related to the offering. The Company has used the net proceeds for working capital and general corporate purposes. The remaining amount available under this shelf registration statement as of June 30, 2002 was \$228.7 million.

On July 30, 2002, the Company filed a shelf registration statement on Form S-3 with the Securities and Exchange Commission, which provides for the issuance of up to \$475.0 million of securities. Generally, under this shelf registration statement, Group may issue common shares, preferred shares, debt, warrants and hybrid securities, Holdings may issue debt securities and warrants and Everest Re Capital Trust may issue trust preferred securities. This shelf registration statement, once effective, will replace the existing common equity shelf registration statement of the Company.

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

The Company's liquidity requirements are met on both a short- and long-term basis by funds provided by premiums collected, investment income, collected reinsurance receivables balances and from the sale and maturity of investments together with the availability of funds under the Company's revolving credit facility. The Company's net cash flows from operating activities were \$169.6 million and \$275.1 million in the three and six months ended June 30, 2002, respectively, compared to \$80.3 million and \$143.8 million in the three and six months ended June 30, 2001, respectively. The following table shows cash flows from operating activities, as well as the impacts of select transactions on those cash flows, for the three and six months ended June 30, 2002 and 2001.

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	Three Months Ended June 30,		Six Months E June 30,
	2002	2001	2002
Cash flow from operations	\$ 169.6	\$ 80.3	\$ 275.1
Catastrophe loss payments	15.7	10.0	31.5
Derivative settlement payments	0.0	0.0	23.8
Net tax payments *	10.8	51.9	(6.6)
Cash flow from operations, net of adjustments	\$ 195.8	\$ 142.2	\$ 323.3

* Net tax payments for the three and six months ended June 30, 2001 reflect a \$35.0 million payment to the Internal Revenue Service in connection with the Company's 1997 tax year liabilities. This one time payment effectively

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settled a deferred tax liability relating to the tax basis losses incurred for the 1997 tax year. This payment, which relates to a timing item, had no impact to the Company's results of operations for the period.

Management believes that net cash flows from operating activities are generally consistent with expectations given the Company's investment strategies, mix of business and the normal variability of premium collections and the payout of loss reserves.

Proceeds from sales, calls and maturities and investment asset acquisitions were \$1,413.8 million and \$1,980.8 million, respectively, in the six months ended June 30, 2002, compared to \$768.4 million and \$863.6 million, respectively, in the six months ended June 30, 2001. Proceeds from sales, calls and maturities and investment asset acquisitions were \$822.2 million and \$975.0 million, respectively, in the three months ended June 30, 2002, compared to \$438.6 million and \$571.4 million, respectively, in the three months ended June 30, 2001.

On December 21, 1999, Holdings entered into a three-year senior revolving credit facility with a syndicate of lenders (the "Credit Facility"). First Union National Bank is the administrative agent for the Credit Facility. The Credit Facility is used for liquidity and general corporate purposes. The Credit Facility provides for the borrowing of up to \$150.0 million with interest at a rate selected by Holdings equal to either (i) the Base Rate (as defined below) or (ii) an adjusted London InterBank Offered Rate ("LIBOR") plus a margin. The Base Rate is the higher of the rate of interest established by First Union National Bank from time to time as its prime rate or the Federal Funds rate plus 0.5% per annum. On December 18, 2000, the Credit Facility was amended to extend the borrowing limit to \$235.0 million for a period of 120 days. This 120-day period expired during the three months ended March 31, 2001 after which the limit reverted to \$150.0 million. The amount of margin and the fees payable for the Credit Facility depend upon Holdings' senior unsecured debt rating. Group has guaranteed Holdings' obligations under the Credit Facility.

The Credit Facility requires Group to maintain a debt to capital ratio of not greater than 0.35 to 1, Holdings to maintain a minimum interest coverage ratio of 2.5 to 1 and Everest Re to maintain its statutory surplus at \$850.0 million plus 25% of aggregate net income and 25% of aggregate capital contributions.

During the three and six months ended June 30, 2002, Holdings made payments on the Credit Facility of \$0.0 million and \$20.0 million, respectively, compared to \$0.0 million and \$123.0 million during the three and six months ended June 30, 2001. During the three and six months ended June 30, 2002, Holdings had Credit

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Facility borrowings of \$0.0 million and \$20.0 million, respectively, compared to \$2.0 million and \$22.0 million during the three and six months ended June 30, 2001. As of June 30, 2002 and 2001, Holdings had outstanding Credit Facility borrowings of \$105.0 million and \$134.0 million, respectively. Interest expense incurred in connection with these borrowings was \$0.9 million and \$1.8 million for the three months ended June 30, 2002 and 2001, respectively, and \$1.7 million and \$4.5 million for the six months ended June 30, 2002 and 2001, respectively.

During the first quarter of 2000, Holdings completed a public offering of \$200.0 million principal amount of 8.75% senior notes due March 15, 2010 and \$250.0 million principal amount of 8.5% senior notes due March 15, 2005. Interest expense incurred in connection with these senior notes was \$9.7 million for the three months ended June 30, 2002 and 2001, and \$19.5 million for the six months

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ended June 30, 2002 and 2001.

MARKET SENSITIVE INSTRUMENTS. The Company's risks associated with market sensitive instruments have not changed materially since the period ended December 31, 2001.

SAFE HARBOR DISCLOSURE. This report contains forward-looking statements within the meaning of the U.S. federal securities laws. The Company intends these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in the federal securities laws. In some cases, these statements can be identified by the use of forward-looking words such as "may", "will", "should", "could", "anticipate", "estimate", "expect", "plan", "believe", "predict", "potential" and "intend". Forward-looking statements contained in this report include information regarding the Company's reserves for losses and LAE, including estimates of the Company's catastrophe exposure. Forward-looking statements only reflect the Company's expectations and are not guarantees of performance. These statements involve risks, uncertainties and assumptions. Actual events or results may differ materially from the Company's expectations. Important factors that could cause the Company's actual results to be materially different from its expectations include the uncertainties that surround the estimating of reserves for losses and LAE, those discussed in Note 4 to the Financial Statements included in this report and the risks described under the caption "Risk Factors" in the Company's most recent Report on Form 10-K. The Company undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

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Part I - Item 3

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

MARKET RISK INSTRUMENTS. The Company's risks associated with market sensitive instruments have not changed materially since the period ended December 31, 2001.

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EVEREST RE GROUP, LTD.

OTHER INFORMATION

Part II - ITEM 1. LEGAL PROCEEDINGS

The Company is involved from time to time in ordinary routine litigation and arbitration proceedings incidental to its business. The Company does not believe that there are any other material pending legal proceedings to which it or any of its subsidiaries or their properties are subject.

Part II - ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibit Index:

Exhibit No.	Description	Location
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- | | | |
|------|---|----------------|
| 11.1 | Statement regarding computation of per share earnings | Filed herewith |
| 99.1 | CEO and CFO certification of Form 10-Q/A | Filed herewith |
- b) A report on Form 8-K dated August 13, 2002 was filed on August 13, 2002, reporting the voluntary certification by Joseph V. Taranto, the Company's Chief Executive Officer, and Stephen L. Limauro, the Company's Chief Financial Officer, of the Company's 2001 annual report on Form 10-K and all subsequent reports filed prior to such date.

Omitted from this Part II are items which are inapplicable or to which the answer is negative for the period covered.

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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/ STEPHEN L. LIMAURO

Stephen L. Limauro
Executive Vice President and Chief
Financial Officer

(Duly Authorized Officer and Principal
Financial Officer)

Dated: August 13, 2002

