

EVEREST REINSURANCE HOLDINGS INC

Form 424B2

October 07, 2004

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Filed pursuant to rule 424(b)(2)

Registration Number 333-106595-03

Prospectus Supplement to Prospectus dated December 22, 2003.

\$250,000,000

Everest Reinsurance Holdings, Inc.

5.40% Senior Notes due 2014

Everest Reinsurance Holdings, Inc., which we refer to in this prospectus supplement as Everest Holdings, will pay interest on the notes on April 15 and October 15 of each year. The first interest payment will be made on April 15, 2005. The notes will be issued only in denominations of \$2,000 and integral multiples of \$1,000 in excess of \$2,000.

Everest Holdings has the option to redeem all or a part of the notes at any time at the redemption prices set forth in this prospectus supplement under the caption Description of the Notes Optional Redemption.

The notes will be unsecured and rank equally with all of Everest Holdings other unsecured senior indebtedness.

See Risk Factors beginning on page S-5 to read about important factors you should consider before buying the notes.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus.

Any representation to the contrary is a criminal offense.

	Per Note	Total
Initial public offering price	99.831%	\$ 249,577,500
Underwriting discount	0.650%	\$ 1,625,000
Proceeds, before expenses, to Everest Holdings	99.181%	\$ 247,952,500

The initial public offering price set forth above does not include accrued interest, if any. Interest on the notes will accrue from October 12, 2004 and must be paid by the purchaser if the notes are delivered after October 12, 2004.

The underwriters expect to deliver the notes through the facilities of The Depository Trust Company against payment in New York, New York on October 12, 2004.

Goldman, Sachs & Co.

Wachovia Securities

Citigroup

Deutsche Bank Securities

JPMorgan

Prospectus Supplement dated October 6, 2004.

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ABOUT THIS PROSPECTUS

This document consists of two parts. The first part is this prospectus supplement, which describes the terms of the offering of the notes and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to the offering of the senior notes.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. Incorporated by reference means that Everest Holdings can disclose important information to you by referring you to another document filed separately with the SEC. Everest Holdings has not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. Everest Holdings is not making, nor will it make, an offer to sell securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus is current only as of the dates on their covers. Everest Holdings' business, financial condition, results of operations and prospects may have changed since that date.

Unless the context otherwise requires, references in this prospectus supplement to Everest Group refer to Everest Re Group, Ltd. and its subsidiaries, collectively. References to Everest Holdings refer to Everest Reinsurance Holdings, Inc. and its subsidiaries, collectively. References to Everest Bermuda refer to Everest Reinsurance (Bermuda), Ltd. References to \$ are to United States currency, and the terms United States and U.S. mean the United States of America, its states, its territories, its possessions and all areas subject to its jurisdiction.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement and the information incorporated by reference in this prospectus supplement may contain forward-looking statements within the meaning of the U.S. federal securities laws. These forward-looking statements are intended to be covered by the safe harbor provisions for forward-looking statements in the federal securities laws. In some cases, you can identify these statements by the use of forward-looking words such as may, will, should, anticipate, estimate, expect, plan, predict, potential and intend. You should be aware that these statements and any other forward-looking statements in these documents only reflect expectations and are not guarantees of performance. These statements involve risks, uncertainties and assumptions. Actual events or results may differ materially from expectations. Important factors that could cause actual results to be materially different from expectations include those discussed under the captions Risk Factors on page S-5 of this prospectus supplement and on page 4 of the accompanying prospectus. Everest Holdings does not undertake any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

CERTAIN PERSONS PARTICIPATING IN THE OFFERING MADE HEREBY MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE SECURITIES, INCLUDING OVER-ALLOTMENT, STABILIZING AND SHORT-COVERING TRANSACTIONS IN THE SECURITIES AND THE IMPOSITION OF A PENALTY BID, IN CONNECTION WITH THE OFFERING MADE HEREBY.

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SUMMARY INFORMATION Q&A

*The following information supplements, and should be read together with, the information contained in other parts of this prospectus supplement and in the accompanying prospectus. This summary highlights selected information from this prospectus supplement and the accompanying prospectus to help you understand the notes. You should carefully read this prospectus supplement and the accompanying prospectus to understand fully the terms of the notes, as well as the tax and other considerations that are important to you in making a decision about whether to invest in the notes. You should pay special attention to the *Risk Factors* section in this prospectus supplement to determine whether an investment in the notes is appropriate for you.*

Who is Everest Holdings?

Everest Holdings' principal business, conducted through its operating subsidiaries, is the underwriting of reinsurance and insurance in the United States and international markets. Reinsurance is a form of insurance purchased by an insurance company to indemnify it for all or part of the loss that it may sustain under insurance contracts it has written. Insurance companies purchasing reinsurance are often referred to as ceding companies or reinsureds. Everest Holdings underwrites reinsurance both through brokers and directly with ceding companies, giving it the flexibility to pursue business regardless of the ceding company's preferred reinsurance purchasing method.

Everest Holdings was established in 1993 in Delaware to serve as the parent holding company of Everest Reinsurance Company, referred to in this prospectus supplement as Everest Re. Until October 6, 1995, Everest Holdings was an indirect, wholly-owned subsidiary of The Prudential Insurance Company of America, referred to in this prospectus supplement as The Prudential. On October 6, 1995, The Prudential sold its entire interest in Everest Holdings' shares of common stock in an initial public offering. Effective February 24, 2000, Everest Holdings completed a restructuring pursuant to which Everest Holdings became the wholly-owned subsidiary of Everest Group, and each outstanding share of common stock of Everest Holdings automatically converted into one common share of Everest Group. Everest Holdings continues to act as the holding company for the subsidiaries of Everest Group in the United States and Canada, the most significant of which are listed below:

Everest Reinsurance Company, a Delaware insurance company, underwrites property and casualty reinsurance for insurance and reinsurance companies in the United States and international markets.

Everest National Insurance Company, an Arizona insurance company, writes property and casualty insurance in the United States.

Everest Indemnity Insurance Company, a Delaware insurance company, engages in the excess and surplus lines insurance business in the United States. Excess and surplus lines insurance is specialty property and liability coverage that an insurer not licensed to write insurance in a particular state is permitted to provide when the specific specialty coverage is unavailable from licensed insurers.

Mt. McKinley Insurance Company, formerly known as Gibraltar Casualty Company, a Delaware insurance company, engaged in the excess and surplus lines insurance business in the United States from 1978 to 1985. In 1985, it ceased writing new and renewal insurance, and now its ongoing operations relate to servicing claims arising from its previously

written business.

Everest Security Insurance Company, formerly known as Southeastern Security Insurance Company, a Georgia insurance company, writes property and casualty insurance in Georgia and Alabama.

Everest Holdings principal executive offices are located at 477 Martinsville Road, P.O. Box 830, Liberty Corner, New Jersey 07938-0830, and its telephone number is (908) 604-3000.

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Who is Everest Group?

Everest Group was established in 1999 as a Bermuda company to serve as the parent holding company of Everest Holdings. Everest Group's principal business is the underwriting of reinsurance and insurance in the United States and international markets through Everest Holdings' operating subsidiaries and through Everest Group's subsidiary, Everest Bermuda. Everest Bermuda is a Bermuda insurance company that writes property and casualty business and life and annuity business from its offices in Bermuda. All of Everest Group's insurance company subsidiaries, except Mt. McKinley Insurance Company, are rated A+ (Superior) by A.M. Best Company, an independent insurance industry rating organization that rates insurance companies on factors of concern to policyholders.

Everest Group is *not* issuing or guaranteeing the notes described in this prospectus supplement and will not have any liability for any of the notes described in this prospectus supplement.

Everest Group's principal executive offices are located at c/o ABG Financial & Management Services Inc., Parker House, Wildey Business Park, Wildey Road, St. Michael, Barbados.

When will you receive semi-annual interest payments?

You will be entitled to receive semi-annual interest payments at an annual rate of 5.40% of the aggregate principal amount of the notes held by you. Interest will accrue from October 12, 2004, the date Everest Holdings issues the notes, and will be paid semi-annually in arrears on the 15th day of April and October of each year, beginning April 15, 2005.

When can Everest Holdings redeem the notes?

The notes will be redeemable, in whole or in part, at the option of Everest Holdings at any time at a redemption price equal to the greater of:

100% of the principal amount of the notes; or

the sum of the present values of the remaining scheduled payments of principal and interest on the notes, not including any portion of the payments of interest accrued as of the date of redemption, discounted to the redemption date on a semi-annual basis at the Treasury Rate, plus 20 basis points;

plus, in each case, accrued and unpaid interest on the notes to the date of redemption. The manner in which the Treasury Rate is determined is explained on page S-9 of this prospectus supplement.

In what form will the notes be issued?

The notes will be represented by one or more global securities that will be deposited with, or on behalf of, and registered in the name of The Depository Trust Company, New York, New York, referred to in this prospectus supplement as DTC, or its nominee. This means that you will not receive a certificate for your notes. Instead, you will hold your interest in your notes through DTC's book-entry-only system. Everest Holdings expects that the notes offered under this prospectus supplement will be ready for delivery through DTC on or about October 12, 2004.

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RECENT DEVELOPMENTS

Everest Holdings announced on October 6, 2004 that, based on its initial assessment of potential exposures, it expects aggregate losses from Hurricanes Charley, Frances, Ivan and Jeanne, and the third quarter's Pacific typhoons, to approximate \$120 million, net of tax.

Everest Group announced on October 1, 2004 that, based on its initial assessment of potential exposures, it expects aggregate losses from Hurricanes Charley, Frances, Ivan and Jeanne, and the third quarter's Pacific typhoons, to approximate \$190 million, net of tax.

Everest Group announced on September 21, 2004 that its Board of Directors had approved an amended share repurchase program whereby Everest Group and/or its subsidiary, Everest Holdings could purchase up to an aggregate of 5,000,000 of Everest Group's common shares. Also announced on September 21, 2004 was the authorization by Everest Group's board of directors to change the location of Everest Group's principal executive office from Barbados to Bermuda.

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RISK FACTORS

You should carefully consider the following risk factors regarding the notes, in addition to the other information set forth in this prospectus supplement and accompanying prospectus, before you purchase any notes.

Everest Holdings obligations under the notes are unsecured and subordinated in right of payment to all of Everest Holdings secured debt.

The notes are unsecured obligations of Everest Holdings, subordinated in right of payment to the prior payment in full of all secured indebtedness of Everest Holdings to the extent of the security and rank equal in priority with Everest Holdings outstanding senior debt. As a result, in the event of the bankruptcy, liquidation or reorganization of Everest Holdings, or upon acceleration of the notes due to an event of default, Everest Holdings assets will be available to pay its obligations on the notes only after all secured indebtedness has been paid in full. There may not be sufficient assets remaining to pay amounts due on any or all of the notes then outstanding. As of June 30, 2004, Everest Holdings had no secured indebtedness and approximately \$519.2 million of unsecured senior debt outstanding.

Everest Holdings obligations under the notes are effectively subordinated to all of the indebtedness and other liabilities of Everest Holdings subsidiaries.

Everest Holdings is a holding company that conducts substantially all of its business through its subsidiaries. The notes are effectively subordinated to the indebtedness and other liabilities of Everest Holdings subsidiaries. As a result, in the event of the bankruptcy, liquidation or reorganization of Everest Holdings, or upon acceleration of the notes due to an event of default, assets of Everest Holdings subsidiaries will be available to pay obligations under the notes only after all creditors of the subsidiaries have been paid in full. Accordingly, holders of the notes should look only to the assets of Everest Holdings for payments on the notes. As of June 30, 2004, Everest Holdings subsidiaries had approximately \$8.7 billion of indebtedness and other liabilities, including insurance reserves, which would rank structurally senior to the notes issued by Everest Holdings.

Everest Holdings may incur additional indebtedness that could limit the amount of funds available to make payments on the notes.

Neither the notes nor the indenture prohibit or limit the incurrence of secured or senior indebtedness or the incurrence of other indebtedness and liabilities by Everest Holdings or its subsidiaries. Any additional indebtedness or liabilities so incurred would reduce the amount of funds Everest Holdings would have available to pay its obligations under the notes.

Everest Holdings is a holding company that relies on payments from its subsidiaries to make payments under the notes.

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Everest Holdings is a holding company that has no significant operations or assets other than its ownership of the capital stock of Everest Re. Dividends and other permitted payments from Everest Re are expected to be the sole source of funds to meet the financial obligations of Everest Holdings and to make payments on the notes. The payment of dividends by Everest Re to Everest Holdings is limited by the Delaware Insurance Code and the Delaware General Corporation Law. Accordingly, Everest Re may not be able to pay dividends to Everest Holdings in the future, which would prevent Everest Holdings from making payments on the notes.

Everest Group, which owns Everest Holdings, is *not* issuing or guaranteeing the notes described in this prospectus supplement and will not have any liability for any of the notes described in this prospectus supplement.

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You have limited rights to enforce Everest Holdings obligations under the indenture and the notes.

Events of default under the indenture are limited to payment defaults, breach of covenants, cross defaults on indebtedness in excess of \$25,000,000 and events of bankruptcy, insolvency and reorganization of Everest Holdings. The holders of 33% in aggregate principal amount of the outstanding notes may accelerate payment of the principal and accrued and unpaid interest on the notes only upon the occurrence and continuation of an event of default under the indenture.

An active trading market for the notes may not develop and may not afford sufficient liquidity to allow timely disposition of the notes.

The notes constitute a new issue of securities with no established trading market and will not be listed on any stock exchange. You should be aware that an active trading market may not develop or be sustained for the notes. A lack of liquidity in the trading of the notes could prevent you from selling the notes in the amount and at the time you desire. Additionally, an illiquid trading market for the notes could result in trading prices that are substantially below the value of the principal of and the accrued but unpaid interest on the notes.

The notes may be redeemed prior to maturity; you may be taxed on the proceeds and you may not be able to reinvest the proceeds at the same or a higher rate of return.

The notes may be redeemed in whole or in part on one or more occasions at any time. If redeemed, the redemption price for the notes would be equal to the greater of:

100% of the principal amount of the notes; or

the sum of the present values of the remaining scheduled payments of principal and interest on the notes, not including any portion of the payments of interest accrued as of the date of redemption, discounted to the redemption date on a semi-annual basis at the Treasury Rate, plus 20 basis points;

plus, in each case, accrued and unpaid interest on the notes to the date of redemption.

The redemption of the notes would be a taxable event to you for U.S. federal income tax purposes. In addition, you may not be able to reinvest the money that you receive in the redemption at a rate that is equal to or higher than the rate of return on the notes.

If you sell notes between record dates for interest payments, you may incur an adverse tax effect.

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If you dispose of notes between record dates for payments of interest, you will not receive an interest payment for the period prior to the disposition. Nevertheless, you will be required to include accrued but unpaid interest through the date of disposition as ordinary income. In addition, the amount of the accrued but unpaid interest will be subtracted from the proceeds of the disposed notes. Because the notes may trade at prices that do not fully reflect the value of accrued but unpaid interest, if you sell notes between record dates for interest payments, you may recognize a capital loss for tax purposes as a result of subtracting from the proceeds of the notes the amount of the accrued but unpaid interest. This capital loss may not be available to offset the ordinary income recognized as a result of the accrued but unpaid interest because, subject to limited exceptions, capital losses cannot be applied to offset ordinary income for U.S. federal income tax purposes.

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The net proceeds will be approximately \$247,952,500 from the sale of the notes, less expenses incurred by Everest Holdings in connection with this offering. Everest Holdings intends to use the proceeds from its sale of the notes for general corporate purposes, including contributing to the retirement of its outstanding 8.50% Senior Notes due March 15, 2005 and contributing to the repayment of amounts outstanding under its credit facility. Pending application of the proceeds, Everest Holdings may invest the net proceeds in short-term investments.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the ratio of our earnings to fixed charges for each of the periods indicated:

	<u>Period Ended June 30, 2004</u>	<u>Year Ended December 31,</u>				
		<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Ratio of Earnings to Fixed Charges(1)	7.8	5.5	4.0	1.6	6.0	73.4

- (1) For purposes of determining this ratio, earnings consist of consolidated net income before federal income taxes plus fixed charges. Fixed charges consist of interest expense on senior and subordinated debt and the revolving credit agreement and that portion of operating leases that are representative of the interest factor.

CAPITALIZATION

The following table sets forth as of June 30, 2004 (1) our actual capitalization and (2) our capitalization as adjusted to give effect to the sale of the notes. You should read this table together with our consolidated financial statements, including the notes to the financial statements, which are incorporated by reference in this prospectus supplement and the accompanying prospectus.

	<u>As of June 30, 2004</u>	
	<u>Actual</u>	<u>As Adjusted</u>
	(dollars in millions, except per share amounts) (unaudited)	
Debt		
8.50% Senior Notes due 3/15/2005	\$ 249.9	\$ 249.9
8.75% Senior Notes due 3/15/2010	199.3	199.3
Junior subordinated debt securities payable	546.4	546.4
Revolving credit agreement borrowings	70.0	70.0
Notes offered hereby		250.0

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Total debt	1,065.6	1,315.6
Stockholders' equity		
Common stock, par value \$0.01; 3,000 shares authorized; 1,000 shares issued		
Additional paid-in capital	271.0	271.0
Accumulated other comprehensive income, net of deferred income taxes	86.9	86.9
Retained earnings	1,239.0	1,239.0
Treasury stock of Group	(22.9)	(22.9)
Total stockholders' equity	1,574.0	1,574.0
Total capitalization	\$ 2,639.6	\$ 2,889.6

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DESCRIPTION OF THE NOTES

The following description of the particular terms of the notes offered hereby supplements, and to the extent inconsistent therewith replaces, the description of the general terms and provisions of our debt securities set forth in the accompanying prospectus.

General

The notes will be issued as a series of debt securities under the indenture, dated as of March 14, 2000, as supplemented by the third supplemental indenture, to be dated as of October 12, 2004, relating to the notes, in each case between Everest Holdings and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as trustee. For a description of the rights attaching to different series of notes under the indenture, see *Description of the Debt Securities* in the accompanying prospectus.

The notes will be issued as unsecured obligations of Everest Holdings. The notes will be offered in an initial aggregate principal amount of \$250,000,000, although we may reopen this series of notes in the future and issue additional notes of this series. The notes will be issued only in book-entry form through the facilities of The Depository Trust Company, and will be issued in denominations of \$2,000 and integral multiples of \$1,000 in excess of \$2,000. Transfers or exchanges of beneficial interests in the notes in book-entry form may be effected only through a participating member of the depository. See *Global Securities* below. The notes will mature on October 15, 2014.

The notes will bear interest from October 12, 2004, payable in arrears on each April 15 and October 15, commencing April 15, 2005 at the rate set forth on the cover page of this prospectus supplement, to the persons in whose names the notes are registered on the preceding April 1 and October 1, respectively. The amount of interest payable for any full interest period shall be computed by dividing the rate per annum by two. The amount of interest payable for any partial interest period shall be computed on the basis of the number of days elapsed in a 360-day year of twelve 30-day months and the actual number of days elapsed in a partial month in an interest period.

Optional Redemption

The notes will be redeemable, in whole or in part, at the option of Everest Holdings at any time at a redemption price equal to the greater of:

100% of the principal amount of the notes; or

the sum of the present values of the remaining scheduled payments of principal and interest on the notes, not including any portion of the payments of interest accrued as of the date of redemption, discounted to the redemption date on a semi-annual basis at the Treasury Rate, plus 20 basis points;

plus, in each case, accrued and unpaid interest on the notes to the date of redemption.

Comparable Treasury Issue means the United States Treasury security selected by the Independent Investment Banker as having a maturity comparable to the remaining term of the notes that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the notes.

Comparable Treasury Price means, with respect to any redemption date, the average of the Reference Treasury Dealer Quotations for the redemption date.

Independent Investment Banker means either Goldman, Sachs & Co. or Wachovia Capital Markets, LLC as selected by us and any successor firm or, if each firm is unwilling or unable to select the Comparable Treasury Issue, an independent investment banking institution of national standing appointed by the trustee after consultation with Everest Holdings.

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Reference Treasury Dealer means Goldman, Sachs & Co. and any two of the following as determined by us: Citigroup Global Markets Inc., Deutsche Bank Securities Inc. and J.P. Morgan Securities Inc.; provided, that (i) if any of the foregoing shall cease to be a primary treasury dealer in U.S. Government securities, we will substitute another primary treasury dealer in its place and (ii) if we fail to select a substitute within a reasonable period of time, then the substitute will be any other primary treasury dealer selected by the trustee after consultation with us.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the trustee, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the trustee by the Reference Treasury Dealer at 5:00 p.m. on the third business day preceding the redemption date.

Treasury Rate means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue, expressed as a percentage of its principal amount, equal to the Comparable Treasury Price for the redemption date.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each holder of the notes to be redeemed.

Unless Everest Holdings defaults in payment of the redemption price, on or after the redemption date, interest will cease to accrue on the notes or portions of the notes called for redemption.

The notes will not be entitled to any sinking fund.

Global Securities

The notes will be represented by one or more global securities registered in the name of the nominee of the depository, and will be available for purchase in denominations of \$2,000 and any integral multiple of \$1,000 in excess thereof. Each global security will be deposited with the depository, its nominee or custodian and will bear a legend regarding the restrictions on exchanges and registration of transfer of the notes referred to below and any other matters as may be provided for pursuant to the indenture.

Ownership of beneficial interests in a global security will be limited to institutions that have accounts with the depository or its nominee, often called participants, or persons that may hold beneficial interests through participants. In addition, ownership of beneficial interests by participants in a global security will be evidenced only by, and the transfer of that ownership interest will be effected only through, records maintained by the depository or its nominee. Ownership of beneficial interests in the global security by persons that hold through participants will be evidenced only by, and the transfer of that ownership interest within the participant will be effected only through, records maintained by the participant. Some insurance companies and other institutions are required by law to hold their investment securities in definitive form, so an investor may not be able to sell its notes to those entities.

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Payment of principal of and any premium and interest on the notes represented by any global security will be made to the depositary's nominee as the registered owner and holder of the global security. None of Everest Holdings, the trustee or any agent of Everest Holdings or the trustee will have any responsibility or liability for any aspect of the depositary's or its nominee's records or any participant's records relating to or payments made on account of the beneficial ownership interests in a global security or for maintaining, supervising or reviewing any of the depositary's or its nominee's records or any participant's records relating to the beneficial ownership interests.

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A global security is exchangeable for definitive notes registered in the name of, and a transfer of a global security may be registered to, any person other than the depository or its nominee, only if:

the depository notifies us and the trustee that it is unwilling or unable to continue as depository for the global security and a successor depository is not appointed by us within 90 days;

if, at any time, the depository ceases to be a clearing agency registered under the Securities Exchange Act of 1934 and a successor depository is not appointed by us within 90 days;

if an event of default has occurred and is continuing; or

we determine, in our sole discretion, that the global security shall be exchangeable for definitive notes in registered form. Everest Holdings understands, however, that under current industry practices, the depository would notify its direct and indirect participants of Everest Holdings' decision, but will only withdraw beneficial interests from a global security at the request of the related direct or indirect participant. In that event, certificates for the notes will be printed and delivered to the applicable direct or indirect participant.

The depository is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. The depository was created to hold securities of its participants and to facilitate the clearance and settlement of securities transactions, such as transfers and pledges, among its participants in securities through electronic computerized book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. Participants include brokers, dealers, banks, trust companies, clearing corporations and other organizations, some of whom own the depository. Access to the depository's book-entry system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly. Persons who are not participants may beneficially own securities held by the depository only through participants.

Certain Covenants in the Supplemental Indenture

Limitations on Sales of Restricted Subsidiaries Capital Stock

We will not sell, transfer or otherwise dispose of any shares of capital stock of a restricted subsidiary, and we will not permit any restricted subsidiary to sell, transfer or otherwise dispose of any shares of capital stock of any other restricted subsidiary, unless the entire capital stock of the restricted subsidiary at the time owned by us and our restricted subsidiaries is disposed of at the same time for a consideration consisting of cash or other property, which, in the opinion of our board of directors, is at least equal to the fair value of the restricted subsidiary. These restrictions do not apply to the sale, transfer or disposition of directors' qualifying shares or sales or transfers to us or to other restricted subsidiaries.

For purposes of the supplemental indenture, restricted subsidiary means a subsidiary that is a regulated insurance company principally engaged in one or more of the life, annuity, property and casualty insurance or reinsurance businesses and whose total assets and total revenues are 10% or more of the total assets and total revenues, respectively, of Everest Holdings and its

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consolidated subsidiaries, including the restricted subsidiary, unless our board of directors determines that the subsidiary is not material to the financial condition of Everest Holdings and its subsidiaries taken as a whole. As of the date of this prospectus supplement, our only restricted subsidiary is Everest Re. Everest Re accounted for approximately 96% of our consolidated revenues during 2003 and approximately 94% of our consolidated assets at June 30, 2004.

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Limitations on Liens on Restricted Subsidiaries Capital Stock

We will not, and will not permit any restricted subsidiary at any time directly or indirectly to, create, assume, incur or permit to exist any indebtedness secured by a pledge, lien or other encumbrance on the capital stock of any restricted subsidiary without making effective provision whereby the notes then outstanding, and, if we elect, any other indebtedness ranking on a parity with the notes, will be equally and ratably secured with that other indebtedness so long as that other indebtedness is secured.

Defeasance

The indenture provisions relating to satisfaction and discharge and legal and covenant defeasance that are described in the accompanying prospectus under the caption Description of the Debt Securities Defeasance and Covenant Defeasance will apply to the notes.

Concerning the Trustee

Everest Holdings and certain of its affiliates maintain banking relationships in the ordinary course of business with JPMorgan Chase Bank. In particular, J.P. Morgan Securities Inc., an affiliate of the Trustee, is one of the underwriters of the notes.

Paying Agent and Registrar

JPMorgan Chase Bank will act as paying agent and registrar for the notes.

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CERTAIN TAX CONSEQUENCES

United States

The following summary describes, in the case of U.S. holders, the material U.S. federal income tax consequences and, in the case of non-U.S. holders, the material U.S. federal income and estate tax consequences of the acquisition, ownership and disposition of the notes but does not purport to be a complete analysis of all the potential tax considerations relating thereto. We have based this summary on the provisions of the Internal Revenue Code of 1986, as amended, which we refer to as the Code, the applicable Treasury Regulations promulgated or proposed under the Code, judicial authority and current administrative rulings and practice, all of which are subject to change, possibly on a retroactive basis, or to different interpretation. This summary applies to you only if you are an initial purchaser of the notes who acquires the notes at their original issue price within the meaning of Section 1273 of the Code and holds the notes as capital assets. A capital asset is generally an asset held for investment rather than as inventory or as property used in a trade or business. This summary does not discuss all of the aspects of U.S. federal income and estate taxation that may be relevant to investors in light of their particular investment or other circumstances. This summary also does not discuss the particular tax consequences that might be relevant to you if you are subject to special rules under the U.S. federal income tax laws. Special rules apply, for example, if you are:

a bank, thrift, insurance company, regulated investment company, or other financial institution or financial service company;

a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings;

a broker or dealer in securities or foreign currency;

a U.S. holder that has a functional currency other than the U.S. dollar;

a partnership or other flow-through entity;

a subchapter S corporation;

a person subject to alternative minimum tax;

a person who owns the notes as part of a straddle, hedging transaction, constructive sale transaction or other risk-reduction transaction;

a tax-exempt entity;

a person who has ceased to be a U.S. citizen or to be taxed as a resident alien; or

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a person who acquires the notes in connection with his employment or other performance of services.

In addition, the following summary does not address all possible tax consequences. In particular, except as specifically provided, it does not discuss any estate, gift, generation-skipping, transfer, state, local or foreign tax consequences. Everest Holdings has not sought a ruling from the Internal Revenue Service with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS will agree with such statements and conclusions. For all these reasons, you are urged to consult with your tax advisor about the U.S. federal income tax and other tax consequences of the acquisition, ownership and disposition of the notes.

INVESTORS CONSIDERING THE PURCHASE OF THE NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS, AS WELL AS ANY CONSEQUENCES ARISING UNDER THE LAWS OF ANY STATE, LOCAL OR FOREIGN TAXING JURISDICTIONS OR UNDER ANY APPLICABLE TAX TREATY.

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U.S. Holders

As explained below, the U.S. federal income tax consequences of acquiring, owning and disposing of the notes depend on whether or not you are a U.S. holder. For purposes of this summary, you are a U.S. holder if you are a beneficial owner of the notes and for U.S. federal income tax purposes are:

(a) a citizen or resident of the United States, including an alien individual who is a lawful permanent resident of the United States or who meets the substantial presence residency test under the U.S. federal income tax laws;

(b) a corporation or other entity treated as a corporation for U.S. federal income tax purposes that is created or organized in or under the laws of the United States, any of the fifty states or the District of Columbia;

(c) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

(d) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust;

and if your status as a U.S. holder is not overridden under the provisions of an applicable tax treaty. Notwithstanding clause (d) of the preceding sentence, to the extent provided in Treasury Regulations, certain trusts in existence on August 20, 1996, and treated as United States persons prior to that date that elect to continue to be treated as United States persons also will be U.S. holders.

If a partnership holds the notes, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner in such a partnership, you should consult your tax advisor.

Payment of Interest. All of the notes bear interest at a stated fixed rate. You generally must include this stated interest in your gross income as ordinary interest income:

when you receive it, if you use the cash method of accounting for U.S. federal income tax purposes; or

when it accrues, if you use the accrual method of accounting for U.S. federal income tax purposes.

Sale, Exchange or Redemption of Notes. You generally will recognize gain or loss upon the sale, exchange, redemption, retirement or other disposition of the notes measured by the difference between (i) the amount of cash proceeds and the fair market value of any property you receive (except to the extent attributable to accrued interest income not previously included in income, which will generally be taxable as ordinary interest income, or attributable to accrued interest previously included in

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income, which amount may be received without generating further income), and (ii) your adjusted tax basis in the notes. Your adjusted tax basis in a note generally will equal your cost of the note, less any principal payments you receive. Gain or loss on the disposition of a note will generally be capital gain or loss and will be long-term capital gain or loss if you have held the note for more than one year at the time of such disposition. Your ability to offset capital losses against ordinary income is subject to certain limitations. You should consult your tax advisor regarding the treatment of capital gains and losses.

Information Reporting and Backup Withholding Tax. In general, information reporting requirements will apply to payments of principal and interest on a note and the proceeds of the sale of a note made to certain non-corporate U.S. holders. If you are a U.S. holder, you may be subject to backup withholding at the applicable statutory rate when you receive interest with respect to the notes,

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or when you receive proceeds upon the sale, exchange, redemption, retirement or other disposition of the notes. In general, you can avoid this backup withholding by properly executing under penalties of perjury an IRS Form W-9 or substantially similar form that provides:

your correct taxpayer identification number;

a certification that (a) you are exempt from backup withholding because you are a corporation or come within another enumerated exempt category, (b) you have not been notified by the IRS that you are subject to backup withholding, or (c) you have been notified by the IRS that you are no longer subject to backup withholding; and

you are a U.S. person.

If you do not provide your correct taxpayer identification number on the IRS Form W-9 or substantially similar form, you may be subject to penalties imposed by the IRS.

Backup withholding will not apply, however, with respect to payments made to certain holders, including corporations, certain tax exempt organizations and certain foreign persons, provided their exemptions from backup withholding are properly established.

Amounts withheld are generally not an additional tax and may be refunded or credited against your U.S. federal income tax liability, provided you furnish the required information to the IRS.

Everest Holdings will report to the U.S. holders of notes and to the IRS the amount of any reportable payments for each calendar year and the amount of tax withheld, if any, with respect to such payments.

Non-U.S. Holders

As used in this section, the term non-U.S. holder means any beneficial owner of a note that is not a U.S. holder.

Payment of Interest. Generally, subject to the discussion of backup withholding below, if you are a non-U.S. holder, interest income that is not effectively connected with a United States trade or business will not be subject to a U.S. withholding tax under the portfolio interest exemption provided that:

you do not actually or constructively own 10% or more of the combined voting power of all of Everest Holdings classes of stock entitled to vote;

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you are not a controlled foreign corporation related to Everest Holdings actually or constructively through stock ownership;

you are not a bank which acquired the notes in consideration for an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business; and

either (a) you provide an IRS Form W-8BEN (or a suitable substitute form) signed under penalties of perjury that includes your name and address and certifies as to your non-U.S. holder status, or (b) a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business, provides a statement to us or our agent under penalties of perjury in which it certifies that an IRS Form W-8BEN or W-8IMY (or a suitable substitute form) has been received by it from you or a qualifying intermediary and furnishes us or our agent with a copy of such form.

Treasury Regulations provide alternative methods for satisfying the certification requirement described in the paragraph above.

Interest on notes not exempted from U.S. withholding tax as described above and not effectively connected with a United States trade or business generally will be subject to U.S. withholding tax at a

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30% rate, except where an applicable tax treaty provides for the reduction or elimination of this withholding tax. Everest Holdings may be required to report annually to the IRS and to each non-U.S. holder the amount of interest paid to, and the tax withheld, if any, with respect to, each non-U.S. holder.

Except to the extent that an applicable treaty otherwise provides, generally you will be taxed in the same manner as a U.S. holder with respect to interest if the interest income is effectively connected with your conduct of a United States trade or business. If you are a corporate non-U.S. holder, you may also, under certain circumstances, be subject to an additional branch profits tax at a 30% rate (or, if applicable, a lower treaty rate). Even though such effectively connected interest is subject to U.S. federal income tax, and may be subject to the branch profits tax, it will not be subject to U.S. withholding tax if you deliver proper documentation (e.g., IRS Form W-8ECI).

To claim the benefit of a tax treaty or to claim exemption from U.S. withholding because the income is U.S. trade or business income, the non-U.S. holder must provide a properly executed IRS Form W-8BEN or W-8ECI. Under the Treasury Regulations, a non-U.S. holder may under certain circumstances be required to obtain a U.S. taxpayer identification number and make certain certifications to us. Special procedures are provided in the Treasury Regulations for payments through qualified intermediaries. Prospective investors should consult their tax advisors regarding the effect, if any, of the Treasury Regulations.

Sale, Exchange or Redemption of Notes. If you are a non-U.S. holder of a note, generally you will not be subject to U.S. federal income tax or U.S. withholding tax on any gain realized on the sale, exchange, redemption, retirement or other disposition of the note, unless:

the gain is effectively connected with your conduct of a United States trade or business;

you are an individual and are present in the United States for a period or periods aggregating 183 days or more during the taxable year (as determined under the Code) of the disposition and certain other conditions are met; or

you are subject to tax pursuant to the provisions of the Code applicable to certain United States expatriates.

Death of a Non-U.S. Holder. If you are an individual non-U.S. holder and you hold a note at the time of your death, it will not be includable in your gross estate for U.S. estate tax purposes, provided that you do not at the time of death actually or constructively own 10% or more of the combined voting power of all of our classes of stock entitled to vote, and provided that, at the time of death, payments with respect to such note would not have been effectively connected with your conduct of a trade or business within the United States.

Information Reporting and Backup Withholding Tax. If you are a non-U.S. holder, U.S. information reporting requirements and backup withholding tax generally will not apply to payments of interest on a note if you provide the statement described in Non-U.S. Holders Payment of Interest, provided that the payor does not have actual knowledge that you are a United States person. However, income allocable to non-U.S. holders generally will be subject to annual tax reporting on IRS Form 1042-S.

Information reporting will not apply to any payment of the proceeds of the sale of a note effected outside the United States by a foreign office of a broker (as defined in applicable Treasury Regulations), unless such broker:

(i) is a United States person;

(ii) is a foreign person that derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the United States;

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(iii) is a controlled foreign corporation for U.S. federal income tax purposes; or

(iv) is a foreign partnership, if at any time during its tax year, one or more of its partners are United States persons (as defined in the applicable Treasury Regulations) who in the aggregate hold more than 50% of the income or capital interests in the partnership or if, at any time during its tax year, such foreign partnership is engaged in a United States trade or business.

Payment of the proceeds of any such sale effected outside the United States by a foreign office of any broker that is described in (i), (ii), (iii) or (iv) of the preceding sentence will be subject to information reporting requirements unless such broker has documentary evidence in its records that you are a non-U.S. holder and certain other conditions are met, or you otherwise establish an exemption. Payment of the proceeds of any such sale to or through the United States office of a broker is subject to information reporting and backup withholding requirements, unless you provide the statement describe in Non-U.S. Holders Payment of Interest or otherwise establish an exemption.

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ERISA CONSIDERATIONS

This section is relevant to you if you are proposing to use plan assets of a pension plan or another employee benefit plan to invest in the notes.

Before authorizing an investment in the notes, a fiduciary of a pension, profit-sharing or other employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974 (ERISA) should consider the fiduciary standards of ERISA in the context of the plan's particular circumstances. Among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the plan.

Section 406 of ERISA and Section 4975 of the Code prohibit the following types of investors, which we refer to as plan investors, from engaging in certain transactions involving plan assets with persons who are parties in interest under ERISA or disqualified persons under the Code with respect to the plan investor:

an employee benefit plan;

individual retirement accounts;

Keogh plans;

other pension and profit sharing plans subject to Section 4975 of the Code; and

entities deemed to hold plan assets of the foregoing.

A violation of these prohibited transaction rules may result in excise tax or other liabilities under ERISA and Section 4975 of the Code for such persons, unless exemptive relief is available under an applicable statutory or administrative exemption. Therefore, a plan investor should also consider whether an investment in notes might constitute or give rise to a non-exempt prohibited transaction under ERISA or Section 4975 of the Code. Employee benefit plans which are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA), and foreign plans (as described in Section 4(b)(4) of ERISA) generally are not subject to the requirements of ERISA or Section 4975 of the Code, but may be subject to substantially similar applicable law.

Everest Holdings and certain of its affiliates may each be considered a party in interest or disqualified person with respect to many employee benefit plans. This could be the case, for example, if one of these companies is a service provider to a plan. Special caution should be exercised, therefore, before notes are purchased by a plan investor. In particular, the fiduciary of the plan investor should consider whether exemptive relief is available under an applicable administrative exemption. The Department of Labor has issued five prohibited transaction class exemptions that could apply to exempt the purchase, sale and holding of notes from the prohibited transaction provisions of ERISA and Section 4975 of the Code. Those class exemptions are Prohibited Transaction Exemption 96-23 (for transactions determined by in-house asset managers), Prohibited Transaction Exemption 95-60

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(for certain transactions involving insurance company general accounts), Prohibited Transaction Exemption 91-38 (for certain transactions involving bank investment funds), Prohibited Transaction Exemption 90-1 (for certain transactions involving insurance company separate accounts), and Prohibited Transaction Exemption 84-14 (for certain transactions determined by independent qualified professional asset managers).

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering the purchase of notes on behalf of or with plan assets of any plan investor consult with their counsel regarding the consequences under ERISA and the Code of the acquisition of notes and the availability of exemptive relief under Prohibited Transaction Exemption 96-23, 95-60, 91-38, 90-1 or 84-14.

By its acquisition of a note, each investor will be deemed to represent, warrant and covenant that either it is not a plan investor or its acquisition, holding and disposition of notes will not result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code.

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Goldman, Sachs & Co. and Wachovia Capital Markets, LLC are acting as co-lead managers of the offering and as representatives of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement, which will be incorporated by reference into the registration statement of which this prospectus supplement forms a part, each underwriter named below has severally agreed to purchase, and we have agreed to sell to that underwriter, the principal amount of notes set forth opposite the underwriter's name.

Underwriters	Principal Amount of Notes
Goldman, Sachs & Co.	\$ 100,001,000
Wachovia Capital Markets, LLC	\$ 100,001,000
Citigroup Global Markets Inc.	\$ 16,666,000
Deutsche Bank Securities Inc.	\$ 16,666,000
J.P. Morgan Securities Inc.	\$ 16,666,000
Total	\$ 250,000,000

The underwriting agreement provides that the obligations of the underwriters to purchase the notes included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all the notes if they purchase any of the notes. In the event of default by any underwriter, the underwriting agreement provides that, in specified circumstances, purchase commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated.

The underwriters initially propose to offer some of the notes directly to the public at the initial public offering price set forth on the cover page of this prospectus supplement and some of the notes to dealers at the initial public offering price less a concession per note not to exceed 0.40% of the principal amount of the note. The underwriters may allow, and dealers may re-allow, a concession per note not to exceed 0.25% of the principal amount of the note on sales to other dealers. If all of the notes are not sold at the initial public offering price, the representatives may change the initial public offering price and the other selling terms.

Everest Holdings has agreed that, for a period beginning on the date of this prospectus supplement and continuing to, and including, the later of (1) the date 30 days after the closing date for the purchase of the notes and (2) the completion of the distribution of the notes by the underwriters, they will not offer, sell or contract to sell or otherwise dispose of any notes or any other securities of Everest Holdings that are substantially similar to the notes or any securities convertible into or exchangeable for or representing the right to receive notes, without the prior written consent of Goldman, Sachs & Co. and Wachovia Capital Markets, LLC, except for the notes offered in connection with this offering.

Prior to this offering, there has been no public market for the notes and the notes will not be listed on any stock exchange. The underwriters have advised Everest Holdings that they intend to make a market in the notes, but are not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the notes.

In connection with this offering, the underwriters may purchase and sell notes in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing

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transactions. An over-allotment involves syndicate sales of notes in excess of the number of notes to be purchased by the underwriters in the offering, which creates a syndicate short position. Syndicate covering transactions involve purchases of notes in the open market after the distribution has been completed in order to cover syndicate short positions.

Stabilizing transactions consist of some bids or purchases of notes made for the purpose of preventing or slowing a decline in the market price of the notes while the offering is in progress.

In addition, the underwriters may impose penalty bids, under which they may reclaim the selling concession from a syndicate member when the notes originally sold by that syndicate member are purchased in a stabilizing transaction or syndicate covering transaction to cover syndicate short positions.

Similar to other purchase transactions, these activities may have the effect of raising or maintaining the market price of the notes or preventing or slowing a decline in the market price of the notes. As a result, the price of the notes may be higher than the price that might otherwise exist in the open market.

Neither we nor the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the market price of the notes. The underwriters may conduct these transactions in the over-the-counter market, or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time without notice. The expenses associated with the offer and sale of the notes to be paid by Everest Holdings, are estimated to be approximately \$200,000.

Some of the underwriters and their affiliates have performed commercial banking, investment banking and advisory services for Everest Holdings and its affiliates from time to time for which they have received customary fees and expenses. Affiliates of Wachovia Capital Markets, LLC and the other underwriters are parties to a credit facility of Everest Holdings and its affiliates, and affiliates of Deutsche Bank Securities Inc. perform investment advisory services for Everest Holdings and its affiliates. The underwriters and their affiliates may, from time to time, engage in transactions with and perform services for Everest Holdings and its affiliates in the ordinary course of their business.

As noted above, an affiliate of each of the underwriters is a party to a credit facility of Everest Holdings. More than 10% of the proceeds of the offering of the notes may be used by Everest Holdings to reduce outstanding borrowings under this credit facility. Therefore, this offering will be made in compliance with Rule 2710(h) of the NASD.

A prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters. The representatives may agree to allocate a number of notes to underwriters for sale to their online brokerage account holders. The representatives will allocate notes to underwriters that may make Internet distributions on the same basis as other allocations. In addition, notes may be sold by the underwriters to securities dealers who resell shares to online brokerage account holders.

Everest Holdings has agreed to indemnify the underwriters against specified liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

Each underwriter has represented, warranted and agreed that:

it has not offered or sold, and, prior to the expiry of a period of six months from the date of initial issuance of the notes, will not offer or sell, any notes to persons in the UK except to

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persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments, as principal or agent, for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the UK within the meaning of the Public Offers of Securities Regulations 1995;

it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity within the meaning of section 21 of the Financial Services and Markets Act 2000, which we refer to as FSMA, received by it in connection with the issue or sale of any notes in circumstances in which section 21(1) of the FSMA does not apply to Everest Holdings; and

it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the UK.

Each initial purchaser has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell in the Netherlands any notes with a denomination of less than EUR50,000 or its foreign currency equivalent other than to persons who trade or invest in securities in the conduct of a profession or business, which include banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises, unless one of the other exemptions from or exceptions to the prohibition contained in article 3 of the Dutch Securities Transactions Supervision Act 1995 (Wet toezicht effectenverkeer 1995) is applicable and the conditions attached to the exemption or exception are complied with.

The notes may not be offered or sold by means of any document other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong, and no advertisement, invitation or document relating to the notes may be issued, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong, except if permitted to do so under the securities laws of Hong Kong, other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under the Securities and Futures Ordinance (Cap. 571) of Hong Kong.

This prospectus supplement and the accompanying prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus supplement and the accompanying prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than under circumstances in which the offer, sale or invitation does not constitute an offer or sale, or invitation for subscription or purchase, of the notes to the public in Singapore.

The notes have not been and will not be registered under the Securities and Exchange Law of Japan, and each underwriter has agreed that it will not offer or sell any notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, which term as used in this paragraph means any person resident in Japan, including any corporation or other entity organized under the laws of Japan, or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law of Japan and any other applicable laws, regulations and ministerial guidelines of Japan.

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EXPERTS

The consolidated financial statements of Everest Holdings and its subsidiaries incorporated in this prospectus supplement and the accompanying prospectus by reference to Everest Holdings' Annual Report on Form 10-K for the year ended December 31, 2003 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

VALIDITY OF THE NOTES

The validity of the notes will be passed upon for Everest Holdings by Mayer, Brown, Rowe & Maw LLP, Chicago, Illinois and for the underwriters by Sullivan & Cromwell LLP, New York, New York.

INCORPORATION BY REFERENCE

The rules of the SEC allow us to incorporate by reference information into this prospectus supplement. The information incorporated by reference is considered to be a part of this prospectus supplement, and information that we file later with the SEC will automatically update and supersede this information. This prospectus supplement incorporates by reference the documents listed below:

Everest Holdings' Annual Report on Form 10-K for the year ended December 31, 2003;

Everest Holdings' Quarterly Report on Form 10-Q for the quarter ended March 31, 2004;

Everest Holdings' Quarterly Report on Form 10-Q for the quarter ended June 30, 2004;

Everest Holdings' Current Report on Form 8-K filed on March 19, 2004;

Everest Holdings' Current Report on Form 8-K filed on March 30, 2004; and

Everest Holdings' Current Report on Form 8-K filed on October 6, 2004.

All documents filed by Everest Holdings pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus shall be deemed to be incorporated by reference and to be a part of this prospectus from the respective dates of filing of those documents.

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Upon request, we will provide without charge to each person to whom a copy of this prospectus has been delivered a copy of any and all of these filings. You may request a copy of these filings by writing or telephoning us at:

Everest Reinsurance Holdings, Inc.

477 Martinsville Road

P.O. Box 830

Liberty Corner, New Jersey 07938-0830

Attention: Joseph A. Gervasi

(908) 604-3000

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PROSPECTUS

\$975,000,000

EVEREST RE GROUP, LTD.

**Common Shares, Preferred Shares, Debt Securities,
Warrants to Purchase Common or Preferred Shares or Debt Securities,
Share Purchase Contracts and Share Purchase Units**

EVEREST REINSURANCE HOLDINGS, INC.

Debt Securities

EVEREST RE CAPITAL TRUST II

EVEREST RE CAPITAL TRUST III

Preferred Securities

We may offer and sell from time to time securities in one or more offerings up to a total dollar amount of \$975,000,000. This prospectus provides you with a general description of the securities we may offer.

Everest Group may offer and sell the following securities:

common shares;

preferred shares;

senior or subordinated debt securities, which may be convertible into common or preferred shares;

warrants to purchase common shares, preferred shares or debt securities; and

share purchase contracts and share purchase units.

Everest Holdings may offer and sell senior or subordinated debt securities, which may be convertible into Everest Group common or preferred shares and which may be guaranteed by Everest Group.

Each Everest Capital Trust may offer and sell investment grade preferred securities, which will be guaranteed by Everest Holdings and which may be guaranteed by Everest Group.

Each time that securities are sold using this prospectus, we will provide a supplement to this prospectus that contains specific information about the offering. The supplement may also add to or update information contained in this prospectus. You should read this prospectus and any supplement carefully before you invest.

The securities will be offered through underwriters, dealers or agents or directly to investors. The supplements to this prospectus will provide the specific terms of the plan of distribution.

The securities offered by this prospectus involve a high degree of risk. See Risk Factors beginning on page 4 for a discussion of certain factors that you should consider before buying the securities.

Everest Group's common shares are listed on the New York Stock Exchange under the ticker symbol RE. The closing price of the common shares, as reported on the New York Stock Exchange Composite Tape on December 16, 2003, was \$81.26 per share. If we decide to list any other of these securities on a national securities exchange upon issuance, the applicable supplement to this prospectus will identify the exchange and the date when we expect trading to begin.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is December 22, 2003.

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ABOUT THIS PROSPECTUS

You should rely only on the information contained or incorporated by reference in this prospectus. Incorporated by reference means that we can disclose important information to you by referring you to another document filed separately with the SEC. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making, nor will we make, an offer to sell securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus and any supplement to this prospectus is current only as of the dates on their covers. Our business, financial condition, results of operations and prospects may have changed since that date.

Unless the context otherwise requires, references in this prospectus to we, us and our refer to Everest Re Group, Ltd. and its subsidiaries, collectively. References to Everest Group refer to Everest Re Group, Ltd. References to Everest Holdings refer to Everest Reinsurance Holdings, Inc., our Delaware holding company subsidiary. References to the Everest Capital Trusts refer collectively to Everest Re Capital Trust II and Everest Re Capital Trust III, each a Delaware statutory trust. References to the common shares refer to Everest Group's common shares, par value \$.01 per share. References to \$ are to United States currency, and the terms United States and U.S. mean the United States of America, its states, its territories, its possessions and all areas subject to its jurisdiction.

IF SECURITIES OFFERED HEREBY ARE SOLD BY MEANS OF A FIRM COMMITMENT UNDERWRITING, CERTAIN PERSONS PARTICIPATING IN THE OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE SECURITIES, INCLUDING OVER-ALLOTMENT, STABILIZING AND SHORT-COVERING TRANSACTIONS IN THE SECURITIES AND THE IMPOSITION OF A PENALTY BID, IN CONNECTION WITH THE OFFERING MADE HEREBY.

EVEREST RE GROUP, LTD.

Our principal business, conducted through our operating subsidiaries, is the underwriting of reinsurance and insurance in the United States, Bermuda and international markets. Reinsurance is a form of insurance purchased by an insurance company to indemnify it for all or part of the loss that it may sustain under insurance contracts it has written. Insurance companies purchasing reinsurance are often referred to as ceding companies or reinsureds.

We underwrite reinsurance both through brokers and directly with ceding companies, giving us the flexibility to pursue business regardless of the ceding company's preferred reinsurance purchasing method. All of our insurance company subsidiaries, except Mt. McKinley Insurance Company, Everest Insurance Company of Canada and Everest International Reinsurance, Ltd., are rated A+ (Superior) by A.M. Best Company, an independent insurance industry rating organization that rates insurance companies on factors of concern to policyholders. Mt. McKinley Insurance Company and Everest Insurance Company of Canada are not rated because they are no longer actively writing business. Everest International Reinsurance, Ltd. is not rated because it is not currently writing business, but it may start writing business in the future, in which case a rating may be obtained at that time.

The address of our principal executive offices is c/o ABG Financial & Management Services Inc., Parker House, Wildey Business Park, Wildey Road, St. Michael, Barbados, and our telephone number is (246) 228-7398.

Our significant operating subsidiaries are:

Everest Reinsurance Company, a Delaware insurance company, referred to in this prospectus as Everest Re, underwrites property and casualty reinsurance for insurance and reinsurance companies in the United States and international markets.

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Everest Reinsurance (Bermuda), Ltd., a Bermuda insurance company, referred to in this prospectus as Everest Bermuda, writes property and casualty business and life and annuity business from its offices in Bermuda.

Everest National Insurance Company, an Arizona insurance company, referred to in this prospectus as Everest National, writes property and casualty insurance in the United States.

Everest Indemnity Insurance Company, a Delaware insurance company, engages in the excess and surplus lines insurance business in the United States. Excess and surplus lines insurance is specialty property and liability coverage that an insurer not licensed to write insurance in a particular state is permitted to provide when the specific specialty coverage is unavailable from licensed insurers.

Mt. McKinley Insurance Company, formerly known as Gibraltar Casualty Company, a Delaware insurance company, engaged in the excess and surplus lines insurance business in the United States from 1978 to 1985. In 1985, it ceased writing new and renewal insurance, and now its ongoing operations relate to servicing claims arising from its previously written business.

Everest Security Insurance Company, a Georgia insurance company, writes property and casualty insurance primarily in Georgia.

EVEREST REINSURANCE HOLDINGS, INC.

Everest Holdings was established in 1993 in Delaware to serve as the parent holding company of Everest Re. Until October 6, 1995, Everest Holdings was an indirect, wholly-owned subsidiary of The Prudential Insurance Company of America, referred to in this prospectus as The Prudential. On October 6, 1995, The Prudential sold its entire interest in Everest Holdings shares of common stock in an initial public offering. Effective February 24, 2000, Everest Holdings completed a restructuring whereby Everest Holdings became the wholly-owned subsidiary of Everest Group, and each outstanding share of common stock of Everest Holdings automatically converted into one common share of Everest Group. Everest Holdings continues to act as the holding company for the subsidiaries of Everest Group in the United States and Canada.

Everest Holdings principal executive offices are located at 477 Martinsville Road, P.O. Box 830, Liberty Corner, New Jersey 07938-0830, and its telephone number is (908) 604-3000.

EVEREST RE CAPITAL TRUST II AND EVEREST RE CAPITAL TRUST III

Everest Holdings created the Everest Capital Trusts as Delaware statutory trusts pursuant to their respective trust agreements. Everest Holdings will enter into amended and restated trust agreements, referred to in this prospectus as the trust agreements, for the Everest Capital Trusts, which will state the terms and conditions for each Everest Capital Trust to issue and sell preferred securities and common securities.

Each Everest Capital Trust exists solely to:

issue and sell investment grade preferred securities, representing undivided beneficial interests in the assets of the trust, to the public;

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issue and sell its common securities, representing undivided beneficial interests in the assets of the trust, to Everest Holdings;

use the proceeds from the sale of its preferred and common securities to purchase a series of Everest Holdings junior subordinated debt securities;

distribute the cash payments it receives from the junior subordinated notes it owns to the holders of the preferred and common securities; and

engage in other activities that are necessary or incidental to these purposes.

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Everest Holdings will purchase all of the common securities of each Everest Capital Trust. The common securities will represent an aggregate liquidation amount equal to at least 3% of the trust's total capitalization. The preferred securities will represent the remaining 97% of the trust's total capitalization. The common securities will have terms substantially identical to, and will rank equal in priority of payment with, the preferred securities. However, if Everest Holdings defaults on the related junior subordinated debt securities, then cash distributions and liquidation, redemption and other amounts payable on the common securities will be subordinate in priority of payment to these amounts payable on the preferred securities.

The preferred securities will be guaranteed by Everest Holdings and may be guaranteed by Everest Group as described later in this prospectus. Each of the Everest Capital Trusts is a legally separate entity, and the assets of one are not available to satisfy the obligations of the other.

Everest Holdings has appointed five trustees to conduct the business and affairs of each Everest Capital Trust:

JPMorgan Chase Bank, as property trustee;

Chase Manhattan Bank USA, National Association, as Delaware trustee; and

Three officers of Everest Holdings, as regular trustees.

Except under specified limited circumstances, only Everest Holdings can remove or replace the trustees. In addition, Everest Holdings can increase or decrease the number of trustees.

Everest Holdings will pay all fees and expenses related to each Everest Capital Trust and the offering of the preferred securities and will pay all ongoing costs and expenses of each Everest Capital Trust, except each Everest Capital Trust's obligations under its preferred and common securities.

None of the Everest Capital Trusts have separate financial statements. The statements would not be material to holders of the preferred securities because none of the Everest Capital Trusts will have any independent operations and exist solely for the reasons summarized above. Financial information regarding the Everest Capital Trusts is included in the consolidated financial statements of Everest Holdings.

The Everest Capital Trusts' principal executive offices are located at 477 Martinsville Road, P.O. Box 830, Liberty Corner, New Jersey 07938-0830, and their telephone number is (908) 604-3000.

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You should carefully consider the following risk factors regarding us and our securities, in addition to the other information provided in this prospectus, before you purchase any securities. If any of the following risks actually occur, our business, financial condition or results of operations could be materially and adversely affected and the trading price of our securities could decline significantly.

Risks Relating to Our Business**Our results could be adversely affected by catastrophic events.**

Like all insurance and reinsurance companies, we are exposed to unpredictable catastrophic events, including weather-related and other natural catastrophes, as well as war and acts of terrorism. Any material reduction in our operating results caused by the occurrence of one or more catastrophes could inhibit our ability to pay dividends or to meet our interest and principal payment obligations. We define a catastrophe as 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, 1998 or later. By way of illustration, during the past five calendar years, our pre-tax catastrophe losses, net of contract specific reinsurance but before cessions under corporate reinsurance programs, were as follows:

<u>Calendar year</u>	<u>Pre-tax catastrophe losses</u>
1998	\$ 30.6 million
1999	45.9 million
2000	13.9 million
2001	222.6 million
2002	30.2 million

If our loss reserves are inadequate to meet our actual losses, our net income would be reduced or we could incur a loss.

We are required to maintain reserves to cover our estimated ultimate liability of losses and loss adjustment expenses for both reported and unreported claims incurred. These reserves are only estimates of what we think the settlement and administration of claims will cost based on facts and circumstances known to us. In setting reserves for our reinsurance liabilities, we rely on claim data supplied by our ceding companies and brokers. This information is not always timely or accurate and can result in inaccurate loss projections. Because of the uncertainties that surround estimating loss reserves and loss adjustment expenses, we cannot be certain that ultimate losses will not exceed these estimates of losses and loss adjustment reserves. If our reserves are insufficient to cover our actual losses and loss adjustment expenses, we would have to augment our reserves and incur a charge to our earnings. These charges could be material.

By way of illustration, during the past five calendar years, the reserve re-estimation process affected our net income in the following manner:

<u>Calendar year</u>	<u>Effect on pre- tax net income (in millions)</u>
1998	\$ 26.2 decrease
1999	35.4 increase
2000	7.8 decrease
2001	no change
2002	140.1 decrease

The discussion of our business in Everest Group's Annual Report on Form 10-K for the year ended December 31, 2002 includes a section captioned "Changes in Historical Reserves," which provides a more detailed chart showing the effect of reserve re-estimates on calendar year operating results for the past ten years.

The difficulty in estimating our reserves is increased because our loss reserves include reserves for potential asbestos and environmental liabilities. Asbestos and environmental liabilities are especially hard to estimate for many reasons, including the long waiting periods between exposure and manifestation of any bodily injury or

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property damage, difficulty in identifying the source of the asbestos or environmental contamination, long reporting delays and difficulty in properly allocating liability for the asbestos or environmental damage. Legal tactics and judicial and legislative developments affecting the scope of insurers' liability, which can be difficult to predict, also contribute to uncertainties in estimating reserves for asbestos and environmental liabilities.

The failure to assess underwriting risk accurately could reduce our net income and even result in an operating loss.

Our success depends on our ability to assess accurately the risks associated with the businesses on which the risk is retained. If we fail to assess accurately the risks we retain, we may fail to establish adequate premium rates to cover our losses and loss adjustment expenses. This could reduce our net income and even result in an operating loss. Losses may arise from events or exposures that are not anticipated when the coverage is priced. An example of an unanticipated event is the terrorist attacks of September 11, 2001. Our loss from those attacks, after reinsurance and taxes, was \$75 million. Neither the magnitude of loss on a single line of business nor the combined impact on several lines of business from acts of terrorism on such a large scale was contemplated when we priced our coverages. In addition to unanticipated events, we also face the unanticipated expansion of our exposures, particularly in our long-tail liability lines. An example of this is the ongoing expansion of the scope of insurers' legal liability for asbestos and environmental exposures discussed above.

Decreases in pricing for property and casualty reinsurance and insurance could reduce our net income.

We write primarily property and casualty reinsurance and insurance. The worldwide reinsurance and insurance businesses are highly competitive, yet cyclical by product and market. These cycles, as well as other business, economic and societal trends that influence aggregate supply and demand for property and casualty insurance and reinsurance products, are outside of our control. The phase of the industry cycle that prevailed from 1987 through 1999 was characterized by increasingly competitive global market conditions across most lines of business, leading to decreasing prices and broadening contract terms, which in turn had a negative impact on insurers' financial results and eroded the industry capital base. These trends resulted from a number of factors, including the emergence of significant reinsurance capacity in Bermuda, changes in the Lloyd's market, consolidation and increased capital levels in the insurance and reinsurance industries and the emergence of new reinsurance and financial products addressing traditional exposures in alternative fashions. This industry cycle began to reverse in 2000, when the industry entered a period of firming prices, more restrictive terms and conditions and tightened coverage availability across most classes and markets. These new trends were intensified and accelerated by losses from the September 11, 2001 terrorist attacks, which reduced industry capacity and were of sufficient magnitude to cause most insurers 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. Additional contributing factors included deteriorating investment market conditions and results and renewed concerns regarding longer-term industry-specific issues, such as asbestos and environmental exposures. Although the industry is currently in a favorable phase of the pricing cycle, we cannot assure you that this favorable phase will continue. Many of the factors that contributed to decreasing prices during the prior phase of the cycle continue to exist and new and unanticipated factors could emerge. Any significant decrease in pricing for property and casualty insurance or reinsurance could reduce our ability to write business profitably and reduce our net income. Further discussion of competition issues can be found on pages 26-27 of Everest Group's Annual Report on Form 10-K for the year ended December 31, 2002.

If rating agencies downgrade their ratings of our insurance company subsidiaries, our future prospects for growth and profitability could be significantly and adversely affected.

Our insurance company subsidiaries, other than Mt. McKinley Insurance Company, Everest Insurance Company of Canada and Everest International Reinsurance, Ltd., currently hold an A+ (Superior) financial strength rating from A.M. Best Company. Everest Re, Everest Bermuda and Everest National hold an AA (Very Strong) financial strength rating from Standard & Poor's Ratings Services. Everest Re and Everest

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Bermuda hold an Aa3 (Excellent) financial strength rating from Moody's Investors Service, Inc. Financial strength ratings are used by insurers and reinsurance and insurance intermediaries as an important means of assessing the financial strength and quality of reinsurers. In addition, the rating of a company purchasing reinsurance may be adversely affected by an unfavorable rating or the lack of a rating of its reinsurer. A downgrade or withdrawal of any of these ratings might adversely affect our ability to market our insurance products and could have a significant and adverse effect on our future prospects for growth and profitability. During the last five years, no active subsidiary of the Company has experienced a credit rating downgrade. However, we cannot assure you that no credit downgrade will ever occur in the future. Consistent with market practice, roughly 20% to 30% of our treaty reinsurance business allows the ceding company to terminate the contract in the event of a rating downgrade. The termination provision would generally be triggered only if a rating fell below A.M. Best's A rating level, which is three levels below Everest Re's current rating of A+. Everest Re also has minimal exposure to reinsurance contracts that contain provisions for obligatory funding of outstanding liabilities in the event of a rating agency downgrade. That provision would also generally be triggered only if Everest Re's rating fell below A.M. Best's A rating level.

Our reinsurers may not satisfy their obligations to us.

We are subject to credit risk with respect to our reinsurers because the transfer of risk to a reinsurer does not relieve us of our liability to the insured. In addition, reinsurers may be unwilling to pay us even though they are able to do so. The failure of one or more of our reinsurers to honor their obligations to us in a timely fashion would impact our cash flow and reduce our net income and could cause us to incur a significant loss.

If we are unable or choose not to purchase reinsurance and transfer risk to reinsurers, our net income could be reduced or we could incur a net loss in the event of unusual loss experience.

We are generally less reliant on the purchase of reinsurance than many of our competitors, in part because of our strategic emphasis on underwriting discipline and management of the cycles inherent in our business. We try to separate our risk taking process from our risk mitigation process in order to avoid developing too great a reliance on reinsurance. Thus, we generally evaluate, underwrite, select and price our products prior to consideration of reinsurance. However, our underwriters generally consider purchasing reinsurance with respect to specific insurance contracts or programs, and our senior management generally considers purchasing reinsurance with respect to our overall operations, where reinsurance is deemed prudent from a risk mitigation perspective or is expected to have a positive cost/benefit relationship. Since we generally purchase reinsurance only when we expect a net benefit, the percentage of business that we reinsure, as indicated in the chart below, varies considerably from year to year, depending on our view of the relationship between cost and expected benefit for the contract period.

	2000	2001	2002	2003
				September 30,
				Nine months ended
Percentage of gross written premiums ceded for reinsurance	12.0%	16.8%	7.3%	5.6%

Changes in the availability and cost of reinsurance, which are subject to market conditions that are outside of our control, have thus reduced to some extent our ability to use reinsurance to tailor the risks we assume on a contract or program basis or to mitigate or balance exposures across our reinsurance operations. Because we have reduced our level of reinsurance purchases, our net income could be reduced in the event of a large non-reinsured event or adverse overall experience.

Our industry is highly competitive and we may not be able to compete successfully in the future.

Our industry is highly competitive and has experienced significant price competition over most of the last decade. In addition, a number of new well-capitalized competitors have entered the market recently, and we expect to face further competition from new market entrants in the future. We compete globally in the United

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States, Bermuda and other international markets. According to the 2002 edition of Standard & Poor's special report on the global reinsurance industry, there are 232 reinsurance organizations operating worldwide, consisting of 32 groups and 200 operating companies from 38 countries. Market share is largely concentrated within the top 25 groups, one of which is our Everest group of companies. We consider the 15 groups that have financial strength ratings generally comparable to or above our rating to be our primary competitors. The leaders in this market are Munich Re, Swiss Re, Berkshire Hathaway, Hannover Re and Employers Re. Some of these competitors have greater financial resources than we do, have been operating for longer than we have and have established long-term and continuing business relationships throughout the industry, which can be a significant competitive advantage. In addition, we expect to face further competition in the future. We may not be able to compete successfully in the future.

We are dependent on our key personnel.

Our success has been, and will continue to be, dependent on our ability to retain the services of our existing key executive officers and to attract and retain additional qualified personnel in the future. The loss of the services of any of our key executive officers or the inability to hire and retain other highly qualified personnel in the future could adversely affect our ability to conduct our business. Generally, we consider our key executive officers to be those individuals who have the greatest influence in setting our overall policy and controlling our operations: our Chairman and Chief Executive Officer, Joseph V. Taranto (age 54), our President and Chief Operating Officer, Thomas J. Gallagher (age 54), and our Executive Vice President and Chief Financial Officer, Stephen L. Limauro (age 51). Of those three officers, we only have an employment contract with Mr. Taranto. That contract has been previously filed with the Securities and Exchange Commission and was most recently amended on April 18, 2003 to extend Mr. Taranto's term of employment from March 31, 2004 until March 31, 2006. We are not aware that any of the above three officers are planning to leave the company or retire in the near future. We do not maintain any key employee insurance on any of our employees.

Special considerations apply to our Bermuda operations. Under Bermuda law, non-Bermudians, other than spouses of Bermudians and individuals holding permanent resident certificates, are not permitted to engage in any gainful occupation in Bermuda without a work permit issued by the Bermuda government. A work permit is only granted or extended if the employer can show that, after a proper public advertisement, no Bermudian, spouse of a Bermudian or individual holding a permanent resident certificate is available who meets the minimum standards for the position. The Bermuda government has announced a policy that places a six-year term limit on individuals with work permits, subject to specified exemptions for persons deemed to be key employees. Currently, all five of our Bermuda-based professional employees who require work permits have been granted permits by the Bermuda government that expire at various times between July 2004 and May 2006. This includes Peter J. Bennett, the chief executive officer of our Bermuda reinsurance operation. In the event his work permit were not renewed, we could lose his services, thereby adversely affecting our ability to conduct our business in Bermuda until we were able to replace him with an individual in Bermuda who did not require a work permit or who was granted the permit.

The value of our investment portfolio and the investment income we receive from that portfolio could decline as a result of market fluctuations and economic conditions.

A significant portion of our investment portfolio consists of fixed income securities and a smaller portion consists of equity securities. Both the fair market value of these assets and the investment income from these assets fluctuate depending on general economic and market conditions. For example, the fair market value of our fixed income securities generally increases or decreases in an inverse relationship with fluctuations in interest rates. The fair market value of our fixed income securities can also decrease as a result of any downturn in the business cycle that causes the credit quality of those securities to deteriorate. The net investment income that we realize from future investments in fixed income securities will generally increase or decrease with interest rates. Interest rate fluctuations also can cause net investment income from investments that carry prepayment risk, such as mortgage-backed and other asset-backed securities, to differ from the income anticipated from those securities

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at the time we bought them. In addition, if issuers of individual investments are unable to meet their obligations, investment income will be reduced and realized capital losses may arise. Because all of our securities are classified as available for sale, changes in the market value of our securities are reflected in our financial statements. Similar treatment is not available for liabilities. As a result, a decline in the value of the securities in our portfolio could reduce our net income or cause us to incur a loss.

The following table quantifies the portion of our investment portfolio that consists of fixed income securities, equity securities and investments that carry prepayment risk.

Summary of Selected Invested Assets**Everest Re Group, Ltd.****as of December 31, 2002**

Type of Security	Market Value (in thousands of dollars)
Fixed Income:	
Mortgage Backed Securities	\$ 881,429
Other Asset Backed	196,699
Total Asset Backed	1,078,128
Other Fixed Income	5,701,730
Total Fixed Income	6,779,858
Equity Securities	47,473
Other Invested Assets	53,856
Cash and Short-term Investments	377,946
Total Investments and Cash	\$ 7,259,133

Further discussion of market-sensitive instruments can be found on pages 58-63 of Everest Group's Annual Report on Form 10-K for the year ended December 31, 2002.

We may experience foreign currency exchange losses.

Our functional currency is the United States dollar. However, we write a portion of our business in currencies other than United States dollars. During the year ended December 31, 2002, we wrote approximately 14% of our insurance coverages in currencies other than United States dollars. We also maintain a portion of our investment portfolio in investments denominated in currencies other than United States dollars. As of December 31, 2002, we maintained approximately 7% of our investment portfolio in investments denominated in currencies other than United States dollars. Consequently, quarterly exchange rate fluctuations may have a material impact on our quarterly net income. During 2000, 2001, 2002 and the first three quarters of 2003, the impact on our quarterly pre-tax net income from exchange rate fluctuations ranged from a loss of

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\$3.6 million to a gain of \$1.8 million. Further discussion of foreign currency rate risk can be found on pages 60-61 of Everest Group's Annual Report on Form 10-K for the year ended December 31, 2002.

Risks Relating to Regulation

Insurance laws and regulations restrict our ability to operate and any failure to comply with those laws and regulations could have a material adverse effect on our business.

We are subject to extensive regulation under U.S., state and foreign insurance laws. These laws limit the amount of dividends that can be paid to us by our operating subsidiaries, impose restrictions on the amount and type of investments that they can hold, prescribe solvency standards that must be met and maintained by them and require them to maintain reserves. These laws also require disclosure of material intercompany transactions

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and require prior approval of extraordinary transactions. These extraordinary transactions include declaring dividends from operating subsidiaries that exceed statutory thresholds. These laws also generally require approval of changes of control of insurance companies. The application of these laws could affect our liquidity and ability to pay dividends, interest and other payments on our securities, as applicable, and could restrict our ability to expand our business operations through acquisitions of new insurance subsidiaries. In addition, we cannot assure you that we have or can maintain all required licenses and approvals or that our business fully complies with the wide variety of applicable laws and regulations or the relevant authority's interpretation of the laws and regulations. If we do not have the requisite licenses and approvals or do not comply with applicable regulatory requirements, the insurance regulatory authorities could preclude or temporarily suspend us from carrying on some or all of our activities or monetarily penalize us. These types of actions could have a material adverse effect on our business. To date, no material fine, penalty or restriction has been imposed on us for failure to comply with any insurance law or regulation.

Regulatory challenges in the United States could adversely affect the ability of Everest Bermuda to conduct business.

Everest Bermuda does not intend to be licensed or admitted as an insurer or reinsurer in any U.S. jurisdiction. Under current law, Everest Bermuda generally will be permitted to reinsure U.S. risks from its office in Bermuda without obtaining those licenses. However, the insurance and reinsurance regulatory framework has become subject to increased scrutiny. In the past, there have been congressional and other initiatives in the United States regarding increased supervision and regulation of the insurance industry, including proposals to supervise and regulate reinsurers domiciled outside the United States. If Everest Bermuda were to become subject to any insurance laws of the United States or any U.S. state at any time in the future, it might be required to post deposits or maintain minimum surplus levels and might be prohibited from engaging in lines of business or from writing types of policies. Complying with those laws could have a material adverse effect on our ability to conduct business in the Bermuda market.

Everest Bermuda may need to be licensed or admitted in additional jurisdictions to develop its business.

As Everest Bermuda's business develops, it will monitor the need to obtain licenses in jurisdictions other than Bermuda in order to comply with applicable law or to be able to engage in additional insurance-related activities. In addition, Everest Bermuda may be at a competitive disadvantage in jurisdictions where it is not licensed or does not enjoy an exemption from licensing relative to competitors that are so licensed or exempt from licensing. Everest Ber