

EVEREST RE GROUP LTD  
Form 424B7  
December 05, 2005  
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Filed pursuant to Rule 424(b)(2) and 424(b)(7)

Registration Statement No. 333-130044

A filing fee of \$30,351.89, calculated in accordance with  
Rule 457(r), has been transmitted to the SEC in connection  
with the securities offered by means of this prospectus supplement.

Prospectus Supplement to Prospectus dated December 1, 2005

**2,750,000 Shares**

## **Everest Re Group, Ltd.**

### **Common Shares**

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Of the 2,750,000 common shares being sold in this offering, 2,298,000 shares will be newly issued by us and 452,000 shares are already issued and owned by our wholly-owned subsidiary, Everest Reinsurance Holdings, Inc.

Our common shares are listed on the New York Stock Exchange under the symbol RE . On November 30, 2005, the last reported sale price of our common shares on the NYSE was \$105.12 per share.

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See **Risk Factors** beginning on page 5 of the accompanying prospectus to read about factors you should consider before buying the common shares.

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Neither the Securities and Exchange Commission nor any state securities commission or other regulatory body has approved or disapproved 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.

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	<u>Per Share</u>	<u>Total</u>
Initial price to public	\$ 103.15	\$ 283,662,500
Underwriting discount (1)	\$ 0.26	\$ 715,000
Proceeds, before expenses, to Everest Re Group, Ltd.	\$ 102.89	\$ 236,441,220
Proceeds, before expenses, to Everest Reinsurance Holdings, Inc.	\$ 102.89	\$ 46,506,280

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- (1) In addition, Wachovia Securities may receive from purchasers of the shares normal brokerage commissions in amounts agreed with such purchasers.

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Wachovia Capital Markets, LLC expects to deliver the shares against payment in New York, New York on December 7, 2005.

## Wachovia Securities

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**Prospectus Supplement dated December 1, 2005.**

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**ABOUT THIS PROSPECTUS SUPPLEMENT**

This document consists of two parts. The first part is this prospectus supplement, which describes the specific terms of the offering of common shares and adds to and updates information contained in the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering of common shares. Generally, when we refer to the prospectus, we are referring to both parts combined. You should read this prospectus supplement together with the accompanying prospectus before making a decision to invest in the common shares. If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

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 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 supplement and the accompanying prospectus is current only as of the dates on their covers. Our business, financial condition, results of operations and prospects may have changed since those dates.

Unless the context otherwise requires, references in this prospectus supplement 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. References to Everest Bermuda refer to Everest Reinsurance (Bermuda), Ltd. References to the common shares refer to Everest Group's common shares, par value \$0.01 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.

**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, believe, predict, potential and intend. 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 5 of the accompanying prospectus. We do not undertake any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

**USE OF PROCEEDS**

We will use the net proceeds we receive from the sale of the 2,298,000 newly issued common shares, approximately \$236,300,000, for working capital and general corporate purposes. Everest Holdings will use the net proceeds from the sale of the 452,000 common shares sold by it, approximately \$46,400,000, for working capital and general corporate purposes. Pending those uses, we and Everest Holdings may invest the net proceeds in accordance with our normal investment policies and practices.



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**SELLING SHAREHOLDER**

Everest Holdings is a wholly-owned subsidiary of Everest Group and acts 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 Holdings held 452,000 common shares of Everest Group prior to this offering, and is selling all of those shares in this offering.

**MATERIAL TAX CONSIDERATIONS**

This discussion covers the principal Bermuda and U.S. federal income taxation of Everest Group and the principal Bermuda and U.S. federal income tax consequences of the ownership and disposition of the common shares. Other tax considerations not discussed below may be applicable to a decision to hold or dispose of the common shares. Unless explicitly noted to the contrary, this discussion applies only to investors who are, as defined below, U.S. holders holding the common shares as capital assets. The tax treatment of any particular shareholder may vary depending on that shareholder's particular tax situation or status. In addition, this discussion is based on current law. Legislative, judicial or administrative changes may be forthcoming that could be retroactive and could affect this discussion. Consequently, you should consult your tax advisors as to the specific tax consequences to you of the ownership and disposition of the common shares, including tax return reporting requirements, the applicability and effect of federal, state, local, foreign and other applicable tax laws and the effect of any proposed changes in the tax laws.

As used in this discussion, the term "U.S. person" means:

a citizen or resident of the United States;

a corporation, partnership or other entity created or organized in the United States or under the laws of the United States or of any of its political subdivisions;

an estate whose income is includible in gross income for U.S. federal income tax purposes regardless of its source; or

any trust if, and only if, a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

As used in this discussion, the term "U.S. holder" means a U.S. person that holds the common shares as "capital assets" within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended, referred to as the Code.

This summary of the application of Bermuda and U.S. federal tax laws to Everest Group represents the views of our management as to the application of those laws and does not represent legal opinions of us or our counsel.

**Taxation of Everest Group and Its Subsidiaries**

***Bermuda***

Under current Bermuda law, there is no income tax or capital gains tax payable by Everest Group or Everest Bermuda. Everest Group has received an assurance from the Bermuda Minister of Finance under The Exempted Undertakings Tax Protection Act, 1966 of Bermuda that in the event Bermuda enacts any legislation imposing tax computed on profits or income, or computed on any capital asset, gain or

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appreciation, or any tax in the nature of estate duty or inheritance tax, then that tax will not apply to Everest Group, or to any of its operations or the shares, debentures or other obligations of Everest Group, until March 28, 2016. This assurance will not prevent the application of any of those taxes to persons ordinarily resident in Bermuda or the imposition of any tax payable in accordance with the provisions of The Land Tax Act 1967 of Bermuda or otherwise payable in relation to any property leased to Everest Group. Everest Bermuda has obtained a similar assurance from the Minister of Finance. Everest Group and its Bermuda-domiciled subsidiaries currently pay annual Bermuda government fees totaling \$47,335 and Everest Group's Bermuda-domiciled insurers currently pay annual insurance license fees totaling \$18,375. In addition, all entities employing individuals in Bermuda are required to pay a payroll tax and various other taxes, directly or indirectly, to the Bermuda government.

### ***United States***

In general, a foreign corporation is subject to:

U.S. federal income tax at graduated rates on its taxable income that is treated as effectively connected to its conduct of a trade or business within the United States;

U.S. branch profits tax on its effectively connected earnings and profits deemed repatriated out of the United States; and

U.S. withholding tax on interest, dividends and other similar types of U.S. source income not effectively connected with a U.S. trade or business.

In addition, the United States imposes an excise tax on insurance and reinsurance premiums paid to foreign insurers or reinsurers with respect to risks located in the United States.

### ***Corporate Income Tax and Branch Profits Tax***

We believe that Everest Group, apart from its U.S. subsidiaries which are fully subject to U.S. federal income tax, should not be subject to material amounts of additional U.S. federal income tax on its non-U.S. operations, other than withholding tax on U.S. source dividend income. However, if Everest Group were subject to U.S. federal income tax, it would be taxed at regular corporate rates on all of its income that is effectively connected with the conduct of its U.S. business and may also be subject to the branch profits tax. Absent the benefit of the U.S.-Bermuda tax treaty, the same would apply to Everest Bermuda if it were subject to U.S. federal income tax. The corporate income tax, if imposed, would be computed in a manner generally analogous to that applied to the income of a domestic corporation, except that a foreign corporation is allowed deductions and credits only if it files a U.S. income tax return. Therefore, Everest Group and Everest Bermuda file protective U.S. income tax returns on a timely basis in order to preserve their right to claim tax deductions and credits if either company subsequently is determined to be subject to U.S. tax on a net basis. The branch profits tax is imposed each year on a corporation's effectively connected earnings and profits, with some adjustments, deemed repatriated out of the United States, which in Everest Group's or Everest Bermuda's case could subject all of its net profits to U.S. federal income tax. The highest marginal federal income tax rates currently are 35% for a corporation's effectively connected income and 30% for the branch profits tax, resulting in an effective maximum U.S. federal income tax rate of 54.5%.



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The determination of whether activities constitute being engaged in the conduct of a trade or business and whether income is effectively connected to a U.S. trade or business is essentially factual in nature. There are no definitive standards provided by the Code, regulations or court decisions. As a result, the IRS could contend that Everest Bermuda is engaged in the conduct of a trade or business in the United States and/or that Everest Group has material amounts of income effectively connected to the conduct of a trade or business in the United States. Any income of Everest Bermuda or Everest Group effectively connected to the conduct of trade or business in the United States would be subject to corporate income tax and possibly the U.S. branch profits tax.

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The United States and Bermuda have entered into a tax treaty, which provides some relief from U.S. income tax on effectively connected income and the U.S. branch profits tax for some insurance enterprises. Under the treaty, business profits earned by an operating insurance company that is a resident of Bermuda, such as Everest Bermuda, may be taxed in the United States only if those profits are attributable to the conduct of a trade or business carried on through a permanent establishment in the United States. For purposes of the U.S.-Bermuda tax treaty, a permanent establishment generally is defined to include a branch, office or other fixed place of business through which the business of the enterprise is carried on, or an agent of dependent status that has, and habitually exercises in the United States, authority to conclude contracts in the name of the corporation. An insurance enterprise resident in Bermuda will be entitled to the benefits of the treaty only if its stock is traded in the public market or Bermuda residents or U.S. citizens or residents own more than 50% of its equity and the enterprise does not use its income in substantial part, directly or indirectly, to make disproportionate distributions to, or to meet liabilities to, persons who are not Bermuda residents or U.S. citizens or residents.

It is uncertain whether Everest Bermuda is entitled to relief under the permanent establishment provisions of the treaty because it is the subsidiary of a publicly-traded company rather than a publicly-traded company itself. No regulations interpreting the treaty have been issued. As a result, the IRS could contend that Everest Bermuda is not entitled to the benefits of the treaty.

Even if Everest Bermuda is entitled to the benefits of the treaty, the determination of whether a permanent establishment in the United States exists is essentially factual in nature. As a result, the IRS could contend that Everest Bermuda has a permanent establishment in the United States and is subject to U.S. federal income tax as well as the branch profits tax. See *Risk Factors* Everest Group and/or Everest Bermuda may be subject to U.S. corporate income tax, which would reduce our net income on page 16 of the accompanying prospectus. If Everest Bermuda is entitled to the benefits of the treaty and has a U.S. permanent establishment, it would be taxed at regular corporate rates on all of its income that is attributable to its U.S. permanent establishment. It could also be subject to the branch profits tax on that income. If Everest Bermuda qualified for treaty benefits and did not have a permanent establishment in the U.S. but was nonetheless found to be engaged in business in the United States, there is an argument that its premium income would be exempt from U.S. tax but that its investment income effectively connected with its U.S. business would be subject to U.S. income taxes on a net basis, and that the branch profits tax may be applicable to that investment income.

## ***Withholding Tax***

Foreign corporations are subject to U.S. income tax on specified fixed or determinable annual or periodical gains, profits and income derived from sources within the United States, such as dividends and some interest on investments. This tax generally is imposed at a rate of 30% on the gross income subject to the tax. The tax is eliminated with respect to some types of U.S. source income, such as portfolio interest, and with respect to income that is effectively connected with the foreign corporation's conduct of a U.S. trade or business.

The rate of withholding tax may be reduced by applicable treaties. The U.S.-Bermuda tax treaty, the benefits of which Everest Bermuda may be entitled to, contains no provision reducing the rate of withholding tax.

## ***Insurance Excise Tax***

The United States also imposes an excise tax on insurance and reinsurance premiums paid to foreign insurers or reinsurers with respect to risks located in the United States. The rates of tax applicable to premiums paid to Everest Bermuda are 4% for direct casualty insurance and indemnity bonds and 1% for reinsurance premiums and direct insurance of life, sickness and accident policies and annuity contracts.

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### **Taxation of Shareholders**

#### ***Bermuda Taxation***

Currently there is no Bermuda withholding tax on dividends paid by Everest Group.

#### ***United States Taxation of Shareholders***

*Taxation of Dividends.* Generally, cash distributions made on the common shares will constitute dividends for U.S. federal income tax purposes to the extent paid out of current or accumulated earnings and profits of Everest Group. U.S. holders generally will be subject to U.S. federal income tax on the receipt of those dividends. If you are a noncorporate U.S. holder, dividends paid to you in taxable years beginning before January 1, 2009 that constitute qualified dividend income will be taxable to you at a maximum tax rate of 15% provided that you hold the common shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends we pay with respect to the common shares generally will be qualified dividend income provided that, in the year that you receive the dividend, the common shares are readily tradable on an established securities market in the United States. However, those dividends generally will not be eligible for the dividends received deduction. To the extent that a distribution exceeds earnings and profits, it will be treated first as a return of the U.S. holder's basis to the extent of that basis, and then as gain from the sale of a capital asset. Except for backup withholding, which is discussed below, dividends paid by Everest Group will not be subject to U.S. withholding tax.

*Possible Classification of Everest Group or Everest Bermuda as a Controlled Foreign Corporation, or CFC.* Under Section 951(a) of the Code, if a foreign corporation, such as Everest Group or Everest Bermuda, meets the definition of a CFC for an uninterrupted period of 30 days or more during any taxable year, then each shareholder who meets the definition of a U.S. 10% shareholder of that corporation on the last day of that taxable year must include in its gross income for U.S. federal income tax purposes its pro rata share of the CFC's subpart F income for that year, even if the subpart F income is not distributed to the shareholder. In addition, the U.S. 10% shareholders of a CFC may be deemed to receive taxable distributions to the extent the CFC invests its earnings in specified types of U.S. property. All of Everest Group's and Everest Bermuda's income is expected to be subpart F income.

Subpart F income includes:

foreign personal holding company income, such as interest, dividends and other types of passive investment income; and

insurance income, which is defined to include any income, including underwriting and investment income, that is attributable to the issuing or reinsuring of any insurance or annuity contract that would be taxed under the insurance company provisions of the Code if that income were the income of a domestic insurance company.

Subpart F income does not include:

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any income from sources within the United States that is effectively connected with the conduct of a trade or business within the United States and not exempted or subject to a reduced rate of tax by applicable treaty;

some income subject to high foreign taxes; and

exempt insurance income derived in tax years beginning prior to January 1, 2002 by a qualifying insurance company as defined in Section 953(e) of the Code.

Under Section 951(b) of the Code, the definition of U.S. shareholder includes any U.S. person who directly, indirectly or by attribution owns 10% or more of the total combined voting power of all classes of stock of a foreign corporation. Shares of Everest Bermuda held indirectly by U.S. persons through Everest

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Group will be treated as held by U.S. persons for purposes of determining the 10% shareholders of Everest Bermuda. A U.S. person will be treated as owning indirectly a proportion of the shares of Everest Bermuda corresponding to the ratio that the value of the common shares owned by that person bears to the value of all the issued and outstanding share capital of Everest Group.

In general, a foreign corporation is treated as a CFC only if its U.S. 10% shareholders collectively own more than 50% of the total combined voting power or total value of the corporation's stock on any day. However, for purposes of taking subpart F income into account, a foreign insurance company will be treated as a CFC if more than 25% of the total combined voting power or total value of its stock is owned by U.S. 10% shareholders and other conditions that are expected to be met apply.

Everest Group's bye-laws include provisions that are intended to limit the ownership of the common shares to levels that will not subject shareholders to these provisions. Based on these bye-laws, we believe that neither Everest Group nor Everest Bermuda should be a CFC and that Everest Group shareholders should not be subject to these provisions. However, Everest Group or Everest Bermuda could in the future become a CFC and these provisions could apply. See "Description of our Capital Stock - Common Shares" on page 19 of the accompanying prospectus.

*RPII Companies.* A different definition of "controlled foreign corporation" applies in the case of a foreign corporation that earns gross related person insurance income, often called RPII. Section 953(c)(2) of the Code defines RPII as any insurance income, as defined in the bullet point above, derived from the direct or indirect insurance or reinsurance of the risk of any U.S. taxpayer who owns, directly or indirectly through foreign entities, any shares of the foreign insurance company or of any related person to a U.S. taxpayer meeting that definition. Everest Bermuda generally will be treated as a CFC if its RPII shareholders directly, indirectly or by attribution own 25% or more of the value or voting power of its share capital on any day during a taxable year. If Everest Bermuda is a CFC for an uninterrupted period of at least 30 days during any taxable year under these special RPII rules and no exception applies, each RPII shareholder of Everest Bermuda on the last day of Everest Bermuda's taxable year will be required to include in its gross income for U.S. federal income tax purposes its pro rata share of the RPII for the entire taxable year, determined as if all the RPII were distributed proportionately only to those RPII shareholders at that date, but limited by Everest Bermuda's current-year earnings and profits and reduced by the RPII shareholder's share, if any, of prior-year deficits in earnings and profits. For this purpose, the term "RPII shareholder" generally includes all U.S. persons who directly, indirectly or by attribution own any amount, not just 10% or more, of the common shares, and the term "related person" generally means someone who controls or is controlled by the RPII shareholder or someone who is controlled by the same person or persons that control the RPII shareholder. Control is measured by either more than 50% in value or more than 50% in voting power of stock, applying constructive ownership principles.

*RPII Exceptions.* The special RPII rules do not apply if direct and indirect insureds and persons related to those insureds, whether or not U.S. persons, are treated at all times during the taxable year as owning, directly, indirectly or by attribution, less than 20% of the voting power and less than 20% of the value of the stock of Everest Bermuda. This is often called the RPII 20% ownership exception. The special RPII rules also do not apply if the RPII of Everest Bermuda, determined on a gross basis, is less than 20% of Everest Bermuda's gross insurance income for the taxable year. This is often called the RPII 20% gross income exception. Everest Group intends to operate Everest Bermuda in a way which qualifies for one or both of these exceptions. However, there can be no assurance that it will always so qualify.

*Computation of RPII.* In order to determine how much RPII Everest Bermuda has earned in each taxable year, Everest Group obtains and relies upon information from Everest Bermuda's insureds to determine whether any of the insureds or persons related to them own common shares and are U.S. persons. Everest Group is not always able to determine whether any of the underlying insureds of the insurance companies to which Everest Bermuda provides insurance or reinsurance are RPII shareholders or related persons to RPII shareholders. Consequently, Everest Group may not be able to determine accurately the gross amount of RPII

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earned by Everest Bermuda in a given taxable year. For any year in which Everest Group determines that gross RPII is 20% or more of Everest Bermuda's gross insurance income, Everest Group may also seek information from its shareholders as to whether direct or indirect owners of common shares at the end of the year are U.S. persons so that the RPII may be determined and apportioned among those persons. In addition, if neither of the RPII exemptions is available, Everest Group will inform all shareholders of the amount of RPII per share and that RPII shareholders are obligated to file a return reporting those amounts. To the extent that Everest Group is unable to determine whether a direct or indirect owner of common shares is a U.S. person Everest Group may assume that the owner is not a U.S. person for the purpose of allocating RPII, thereby increasing the per share RPII amount for all RPII shareholders.

*Apportionment of RPII to RPII Shareholders.* The amount of RPII includible in the income of a RPII shareholder is based on the net RPII income for the year after deducting related expenses such as losses, loss reserves and operating expenses. Every U.S. person who directly, indirectly or by attribution owns common shares on the last day of any taxable year of Everest Bermuda in which Everest Bermuda does not qualify for either the RPII 20% ownership exception or the RPII 20% gross income exception should expect that for that year it will be required to include in gross income its share of Everest Bermuda's RPII for the entire year, whether or not distributed, even though it may not have owned the shares for the entire year. A U.S. person who owns common shares during the taxable year but not on the last day of the taxable year, which would normally be December 31, is not required to include in gross income any part of Everest Bermuda's RPII. The amount of RPII allocable to each U.S. holder of common shares who is required to include RPII of Everest Bermuda in income for a given taxable year normally will bear the same ratio to the total RPII of Everest Bermuda for that taxable year as the number of common shares owned by that U.S. holder bears to the aggregate number of common shares owned by all U.S. holders. If Everest Bermuda has RPII and Everest Group makes a distribution of that RPII to a U.S. holder with respect to the common shares, those dividends will not be taxable to the extent of any RPII that has been included in the gross income of that U.S. holder for the taxable year in which the distribution was paid or for any prior year.

*Basis Adjustments.* A RPII shareholder's tax basis in its common shares will be increased by the amount of any RPII that the shareholder includes in income. The RPII shareholder's tax basis in its common shares will be reduced by the amount of any distributions that are excluded from income. In general, a RPII shareholder will not be able to exclude from income distributions with respect to RPII that a prior shareholder included in income.

*Information Reporting.* Every U.S. person who controls a foreign corporation by owning directly or by attribution more than 50% of the total combined voting power of all classes of stock of that corporation entitled to vote, or more than 50% of the total value of shares of all classes of stock of that corporation, for an uninterrupted period of 30 days or more during a taxable year of that foreign corporation, must file Form 5471 with its U.S. income tax return. However, the IRS also requires any U.S. person that is treated as a U.S. 10% shareholder or RPII shareholder of a CFC and that owns shares in that CFC directly, indirectly or by attribution to file Form 5471. As a result, if Everest Bermuda's gross RPII for a taxable year constitutes 20% or more of its gross insurance income for that year, any U.S. person treated as owning any shares of Everest Bermuda directly or indirectly on the last day of that taxable year is a RPII shareholder for purposes of the RPII rules and must file Form 5471. In addition, U.S. persons that own more than 10% in vote or value of the outstanding stock of Everest Group or Everest Bermuda at any time during a taxable year must sometimes file Form 5471 even if neither corporation is a CFC. For any taxable year in which Everest Group determines that Everest Bermuda's gross RPII constitutes 20% or more of its gross insurance income, Everest Group intends to mail to all shareholders of record, and will make available through the transfer agent with respect to the common shares, Form 5471, completed with information from Everest Group, for attachment to the returns of shareholders. A tax-exempt organization that is treated as a U.S. 10% shareholder or a RPII shareholder for any purpose under subpart F also must file Form 5471 in the circumstances described above. Failure to file Form 5471 may result in penalties.

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*Dispositions of Common Shares.* Subject to the potential application of the controlled foreign corporation and passive foreign investment company rules, capital gain or loss realized by a U.S. holder on the sale, exchange or other disposition of common shares will be includible in gross income as capital gain or loss in an amount equal to the difference between that holder's basis in the common shares and the amount realized on the sale, exchange or other disposition. If a U.S. holder's holding period for the common shares is more than one year, any gain will be subject to the U.S. federal income tax at a current maximum marginal rate of 15% for individuals and 35% for corporations.

Section 1248 of the Code provides that if a U.S. person directly, indirectly or by attribution owns 10% or more of the voting shares of a corporation that is a CFC, any gain from the sale or exchange of the shares may be treated as ordinary income to the extent of the CFC's earnings and profits during the period that the shareholder held the shares. Section 953(c)(7) of the Code generally provides that Section 1248 also will apply to the sale or exchange of shares by a RPII shareholder in a foreign corporation that earns RPII and is characterized as a CFC under the RPII rules if the foreign corporation would be taxed as an insurance company if it were a domestic corporation, regardless of whether the shareholder is a U.S. 10% shareholder or whether the corporation qualifies for either the RPII 20% ownership exception or the RPII 20% gross income exception. Existing U.S. Treasury Department regulations do not specifically address whether Section 1248 of the Code would apply when a foreign corporation such as Everest Group is not a CFC but the foreign corporation has an insurance company subsidiary such as Everest Bermuda that is a CFC for purposes of requiring U.S. shareholders to take RPII into account.

There is a strong argument that Section 1248 of the Code should not apply to dispositions of common shares because Everest Group does not have any U.S. 10% shareholders and is not directly engaged in the insurance business at the holding company level. However, the IRS may interpret proposed regulations under Section 953 of the Code, or the U.S. Treasury Department may amend the proposed regulations under Section 953 of the Code or other regulations, to provide that Section 1248 will apply to dispositions of shares in a corporation, such as Everest Group, which is engaged in the insurance business indirectly through its subsidiaries.

*Passive Foreign Investment Companies.* Sections 1291 through 1298 of the Code contain special rules applicable to foreign corporations that are passive foreign investment companies, or PFICs. In general, a foreign corporation will be a PFIC if 75% or more of its gross income constitutes passive income or 50% or more of its assets produce, or are held for the production of, passive income. If Everest Group meets either the 75% income test or the 50% asset test, unless U.S. shareholders make certain elections, they will be subject to a special tax and an interest charge at the time of the sale of, or receipt of an excess distribution with respect to, their shares. In addition, a portion of any gain may be recharacterized as ordinary income. In general, a shareholder receives an excess distribution if the amount of the distribution is more than 125% of the average distribution with respect to the stock during the three preceding taxable years or shorter period during which the taxpayer held the stock. In general, the special tax and interest charges are based on the value of the deferral of the taxes that are deemed due during the period the U.S. shareholder owned the shares. The special tax is computed by assuming that the excess distribution or gain with respect to the shares was taxed in equal portions throughout the holder's period of ownership at the highest marginal tax rate. The interest charge is computed using the applicable rate imposed on underpayments of U.S. federal income tax for that period. In general, if a U.S. shareholder owns stock in a foreign corporation during any taxable year in which that corporation is a PFIC, the stock will generally be treated as stock in a PFIC for all years during which the U.S. shareholder owns that stock. Notwithstanding any election you make with regard to the common shares, dividends that you receive from us will not constitute qualified dividend income to you if we are a PFIC either in the taxable year of the distribution or the preceding taxable year. In addition, a U.S. person that directly or indirectly owns stock of a PFIC is treated as owning a proportionate amount by value of any stock owned by that PFIC. If the PFIC owns shares in another PFIC, the excess distribution rules apply separately to the U.S. person in respect of its interest in that lower-tier PFIC on an indirect basis. Accordingly, if Everest Group is a PFIC, its subsidiaries may be treated as lower-tier PFICs and the U.S. holders of the common shares will be treated as indirect holders of the shares of those subsidiaries.



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For the above purposes, the term *passive income* means income of a kind that would be characterized as foreign personal holding company income under Section 954(c) of the Code, and generally includes interest, dividends, annuities and other investment income. The PFIC statutory provisions contain an express exception for income derived in the active conduct of an insurance business by a corporation which is predominantly engaged in an insurance business . . . This insurance company exception is intended to ensure that income derived by a bona fide insurance company is not treated as passive income. As a result, to the extent that income is attributable to financial reserves in excess of the reasonable needs of the insurance business, it may be treated as passive income for purposes of the PFIC rules. The PFIC statutory provisions also contain a look-through rule that states that, for purposes of determining whether a foreign corporation is a PFIC, the foreign corporation shall be treated as if it received directly its proportionate share of the income . . . and as if it held its proportionate share of the assets . . . of any other corporation in which it owns at least 25% of the value of the stock. We believe that Everest Bermuda should be entitled to the insurance company exception and, therefore, that none of its income or assets should be considered to be passive unless Everest Bermuda has assets in excess of the reasonable needs of its business. Under the look-through rule, Everest Group would be deemed to own its proportionate share of the assets and to have received its proportionate share of the income of Everest Bermuda and Everest Group's other subsidiaries for purposes of determining whether 75% of its income is passive and determining whether 50% of its assets produce passive income. As a result, Everest Group should not be considered a PFIC. However, no final regulations interpreting the substantive PFIC provisions have yet been issued and substantial uncertainty exists with respect to their application or their possible retroactivity. You should consult your tax advisors as to the effects of these rules.

## ***Backup Withholding***

Paying agents and custodians located in the United States will be required to report information to the IRS with respect to payments of dividends on the common shares to shareholders or to paying agents or custodians located in the United States. In addition, a holder of common shares may be subject to backup withholding, currently at the rate of 28%, with respect to dividends paid by paying agents and custodians located in the United States, unless the holder (1) is a corporation or comes within other exempt categories and, when required, demonstrates this fact; or (2) provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding and otherwise complies with applicable requirements of the backup withholding rules. The backup withholding tax is not an additional tax and may be credited against a holder's regular federal income tax liability.

Sales of common shares through brokers by some U.S. persons also may be subject to backup withholding. Sales by corporations, certain tax-exempt entities, individual retirement plans, REITs, some financial institutions and other exempt recipients as defined in applicable regulations currently are not subject to backup withholding. You should consult your own tax advisors regarding the possible applicability of the back-up withholding provisions to you.

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**UNDERWRITING**

Everest Group, Everest Holdings and Wachovia Capital Markets, LLC have entered into an underwriting agreement and pricing agreement with respect to the shares being offered. Subject to certain conditions, Wachovia Capital Markets, LLC has agreed to purchase all of the 2,750,000 shares offered hereby.

Shares sold by Wachovia Capital Markets, LLC to the public will initially be offered at the initial price to public set forth on the cover of this prospectus supplement. In addition, Wachovia Capital Markets, LLC may receive from purchasers of the shares normal brokerage commissions in amounts agreed with such purchasers. If all the shares are not sold at the initial price to public, Wachovia Capital Markets, LLC may change the offering price and the other selling terms.

Everest Group and Everest Holdings have each agreed with Wachovia Capital Markets, LLC not to offer, sell, contract to sell or otherwise dispose of any of the common shares of Everest Group or securities convertible into, exchangeable for, or that represent the right to receive, common shares of Everest Group during the period from the date of this prospectus supplement continuing through the date 45 days after the date of this prospectus supplement, except with the prior written consent of Wachovia Capital Markets, LLC. This agreement does not apply to any existing employee benefit plans. Certain executive officers of Everest Group will agree with Wachovia Capital Markets, LLC not to offer, sell, contract to sell or otherwise dispose of any of the common shares of Everest Group or securities convertible into, exchangeable for, or that represent the right to receive, such common shares during the period from the date of this prospectus supplement continuing through the date five business days after the date of this prospectus supplement, except with the prior written consent of Wachovia Capital Markets, LLC or pursuant to certain plans entered into prior to the date of this prospectus supplement.

In connection with the offering, Wachovia Capital Markets, LLC may purchase and sell the common shares in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by Wachovia Capital Markets, LLC of a greater number of shares than it is required to purchase in the offering. Wachovia Capital Markets, LLC will need to close out any short sale by purchasing shares in the open market. Wachovia Capital Markets, LLC is likely to create a short position if it is concerned that there may be downward pressure on the price of the common shares in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of common shares made by Wachovia Capital Markets, LLC in the open market prior to the completion of the offering.

Purchases to cover a short position and stabilizing transactions may have the effect of preventing or retarding a decline in the market price of the common shares, and may stabilize, maintain or otherwise affect the market price of the common shares. As a result, the price of the common shares may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time. These transactions may be effected on the New York Stock Exchange, in the over-the-counter market or otherwise.

Wachovia Capital Markets, LLC has represented and agreed that:

it has not made or will not make an offer of shares to the public in the United Kingdom within the meaning of section 102B of the Financial Services and Markets Act 2000 (as amended) (FSMA) except to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities or otherwise in circumstances which do not require the publication by us of a prospectus pursuant to the Prospectus Rules of the Financial Services Authority (FSA);

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it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of

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section 21 of FSMA) to persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or in circumstances in which section 21 of FSMA would not, if we were not an authorized person, apply to us; and

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

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), Wachovia Capital Markets, LLC has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of shares to the public in that Relevant Member State prior to the publication of a prospectus in relation to the shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of shares to the public in that Relevant Member State at any time:

to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000 and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts; or

in any other circumstances which do not require the publication by the company of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of shares to the public in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

The shares 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 shares 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 shares 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 thereunder.

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation or subscription or purchase, of the securities may not be circulated or distributed, nor may the securities 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 such offer, sale or invitation does not constitute an offer or sale, or invitation for subscription or purchase, of the securities to the public in Singapore.



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The shares have not been and will not be registered under the Securities and Exchange Law of Japan (the Securities and Exchange Law) and Wachovia Capital Markets, LLC has agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein 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 and any other applicable laws, regulations and ministerial guidelines of Japan.

Wachovia Capital Markets, LLC has acknowledged and agreed that the shares have not been registered under the Securities and Exchange Law of Japan and are not being offered or sold and may not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan, except (1) pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and (ii) in compliance with any other applicable requirements of Japanese law. As part of the offering, Wachovia Capital Markets, LLC may offer securities in Japan to a list of 49 offerees in accordance with the above provisions.

Everest Group and Everest Holdings estimate that the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately \$200,000.

Everest Group and Everest Holdings have agreed to indemnify Wachovia Capital Markets, LLC against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

Wachovia Capital Markets, LLC and its affiliates have, from time to time, performed, and may in the future perform, various financial advisory and commercial and investment banking and other services for Everest Group and its subsidiaries, for which they received or will receive customary fees and expenses. Certain affiliates of Wachovia Capital Markets, LLC are parties to credit facilities of Everest Holdings and its affiliates.

## **EXPERTS**

The financial statements, financial statement schedules and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) incorporated in this prospectus by reference to the Annual Report on Form 10-K for the year ended December 31, 2004 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

## **LEGAL MATTERS**

Conyers Dill & Pearman, Hamilton, Bermuda, will pass upon the validity of the securities issued by Everest Group. Mayer, Brown, Rowe & Maw LLP, Chicago, Illinois, will pass upon other legal matters for us. Sullivan & Cromwell LLP, New York, New York, is United States counsel for the underwriter.



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**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:

our Annual Report on Form 10-K for the year ended December 31, 2004;

our Quarterly Report on Form 10-Q for the quarter ended March 31, 2005;

our Quarterly Report on Form 10-Q for the quarter ended June 30, 2005;

our Quarterly Report on Form 10-Q for the quarter ended September 30, 2005;

our Current Report on Form 8-K filed on May 27, 2005;

our Current Report on Form 8-K filed on August 31, 2005 (only with respect to the disclosure pursuant to Items 1.01 and 9.01 and not with respect to the disclosure pursuant to Item 7.01 or the information included in Exhibit 99.1);

our Current Report on Form 8-K filed on September 22, 2005;

our Current Report on Form 8-K filed on October 6, 2005; and

our Current Report on Form 8-K filed on October 12, 2005.

All documents filed by us pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus supplement until the completion of the distribution of the common shares offered hereby shall be deemed incorporated by reference and to be a part of this prospectus supplement from the respective dates of filing of those documents.

Upon request, we will provide without charge to each person to whom a copy of this prospectus supplement 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 Global Services, Inc.

477 Martinsville Road

P.O. Box 830



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Liberty Corner, New Jersey 07938-0830

Attention: Sanjoy Mukherjee, Esq.

(908) 604-3000

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PROSPECTUS

**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 III**

**Preferred Securities**

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We may offer and sell from time to time securities in one or more offerings. 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;

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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.

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 the supplement carefully before you invest.

The securities may be offered and sold to or through one or more underwriters, dealers or agents or directly to purchasers on a continuous or delayed basis. 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 5 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 symbol RE. 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.

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**Neither the Securities and Exchange Commission nor any state securities commission or other regulatory body 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 1, 2005.

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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 those dates.

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. References to Everest Bermuda refer to Everest Reinsurance (Bermuda), Ltd. References to Everest Capital Trust refer to Everest Re Capital Trust III. References to the common shares refer to Everest Group's common shares, par value \$0.01 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.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**