SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

AMENDMENT NO. 1

TO

FORM S-4

REGISTRATION STATEMENT

Under

The Securities Act of 1933

EVEREST REINSURANCE GROUP, LTD.

(Exact Name of Registrant as Specified in its
Charter)

Bermuda
(State or Other Jurisdiction of
Incorporation or Organization)

6321
(Primary Standard Industrial
Classification Code Number)

Not Applicable
(I.R.S. Employer
Identification No.)

Copies to:
c/o ABG
Financial & Management Services Inc.
Parker House
Wildey Business Park, Wildey Road
St. Michael, Barbados
(246) 436-6287
(Address, Including Zip Code, and Telephone
Number, Including Area Code, of Registrant’s Principal
Executive
Offices)

6121
(Primary Standard Industrial
Classification Code Number)

CT Corporation System
1633 Broadway
New York, New York 10019
(212) 484-1000
(Name, Address, Including Zip Code, and Telephone
Number, Including Area Code, of Agent for Service)

Approximate date of commencement of proposed sale to the
public: As soon as practicable after this Registration Statement
becomes effective.

If the securities being registered on this form are being
offered in connection with the formation of a holding company and
there is compliance with General Instruction G, check the following
box.

¨

If this form is filed to register additional securities for an
offering pursuant to Rule 462(b) under the Securities Act, check the
following box and list the Securities Act registration statement number of the earlier
effective registration statement for the same offering.

¨

If this form is a post-effective amendment filed pursuant to
Rule 462(d) under the Securities Act, check the following box and
list the Securities Act registration statement number of the earlier
effective registration statement for the same offering.

¨
Dear Fellow Stockholders:

The board of directors of Everest Reinsurance Holdings, Inc., which is referred to in this letter as Everest Holdings, has called a special meeting of stockholders for [Meeting Date], 1999, at which the matters referred to in this document as Everest Reinsurance Holdings, Inc. will be considered at the special meeting, including a copy of the agreement and plan of merger attached as Appendix A, accompany and form a part of this notice. The purpose of the special meeting is to consider and vote on the agreement and plan of merger that will cause a restructuring of Everest Holdings. The proposed restructuring will provide us with an enhanced ability to compete and create better returns for our stockholders by permitting us to take maximum advantage of favorable business, regulatory, tax and financing environments in Bermuda and Barbados. Accordingly, the board of directors has declared the agreement and plan of merger to be advisable, has approved it and recommends that stockholders vote “FOR” its adoption.

Your vote is very important. We cannot implement the restructuring unless the stockholders vote to adopt the agreement and plan of merger at the special meeting. Whether or not you plan to attend the special meeting in person, please vote by proxy. To vote by proxy, please (1) complete and return the enclosed proxy card by mail (see page 10 for instructions on how to do so) or (2) if you hold your shares of Everest Holdings through a stockbroker, bank or other nominee, you must follow the instructions you received from your nominee to vote your shares. If you attend the special meeting in person, you may vote personally on all matters brought before the special meeting even if you have previously submitted your proxy.

Sincerely,

Joseph V. Taranto

[LOGO]

Everest Reinsurance Holdings, Inc.
477 Martinsville Road
Liberty Corner, New Jersey 07938

[LOGO]

Everest Reinsurance Holdings, Inc.
477 Martinsville Road
Liberty Corner, New Jersey 07938

[LOGO]

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

1. A proposal to adopt an agreement and plan of merger among Everest Holdings, Everest Reinsurance Group, Ltd., a Bermuda company referred to in this document as Everest Group, and Everest Re Merger Corporation, a Delaware corporation and wholly-owned subsidiary of Everest Group that is referred to in this document as Everest Merger. The proposed merger will cause a restructuring of Everest Holdings. As a result of the restructuring, Everest Holdings will become a wholly-owned subsidiary of Everest Group and each outstanding share of common stock of Everest Holdings will be converted into one common share of Everest Group. Everest Group was recently organized under the laws of Delaware and has its principal offices in Barbados. Also as a result of the restructuring, Everest Holdings common shares will be listed on the New York Stock Exchange under Everest Holdings’ current trading symbol, “RE.” The exchange of Everest Holdings common stock for Everest Group common shares will be a taxable transaction in which gain, if any (but not loss), will be recognized by stockholders.

2. The proposed restructuring will provide us with an enhanced ability to compete and create better returns for our stockholders by permitting us to take maximum advantage of favorable business, regulatory, tax and financing environments in Bermuda and Barbados. Accordingly, the board of directors has declared the agreement and plan of merger to be advisable, has approved it and recommends that stockholders vote “FOR” its adoption.

Please see page 7 for risk factors relating to the restructuring that you should consider.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this document or determined if this document is truthful or complete. Any representation to the contrary is a criminal offense.

This proxy statement/prospectus is dated [Mailing Date], 1999, and is first being mailed to stockholders on or about [Mailing Date], 1999.

To the Stockholders of Everest Reinsurance Holdings, Inc.:

NOTICE IS HEREBY GIVEN that a special meeting of stockholders of Everest Reinsurance Holdings, Inc., a Delaware corporation and wholly-owned subsidiary of Everest Group that is referred to in this document as Everest Holdings, will be held on [Meeting Date], 1999 at [Meeting Time] at [Meeting Place]. The purpose of the special meeting is to consider and vote on the following matters:

1. A proposal to adopt an agreement and plan of merger among Everest Holdings, Everest Reinsurance Group, Ltd., a Bermuda company referred to in this document as Everest Group, and Everest Re Merger Corporation, a Delaware corporation and wholly-owned subsidiary of Everest Group that is referred to in this document as Everest Merger. The proposed merger will cause a restructuring of Everest Holdings. As a result of the restructuring, Everest Holdings will become a wholly-owned subsidiary of Everest Group and each outstanding share of common stock of Everest Holdings will be converted into one common share of Everest Group.

The board of directors has fixed the close of business on [Record Date], 1999 as the record date for the special meeting, and only stockholders of record at that time will be entitled to notice of, and to vote at, the special meeting.

A form of proxy and a proxy statement/prospectus containing more detailed information with respect to the matters to be considered at the special meeting, including a copy of the agreement and plan of merger attached as Appendix A, accompany and form a part of this notice.

[LOGO]

Everest Reinsurance Holdings, Inc.
477 Martinsville Road
Liberty Corner, New Jersey 07938

[LOGO]

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

1. A proposal to adopt an agreement and plan of merger among Everest Holdings, Everest Reinsurance Group, Ltd., a Bermuda company referred to in this document as Everest Group, and Everest Re Merger Corporation, a Delaware corporation and wholly-owned subsidiary of Everest Group that is referred to in this document as Everest Merger. The proposed merger will cause a restructuring of Everest Holdings. As a result of the restructuring, Everest Holdings will become a wholly-owned subsidiary of Everest Group and each outstanding share of common stock of Everest Holdings will be converted into one common share of Everest Group.

The board of directors has fixed the close of business on [Record Date], 1999 as the record date for the special meeting, and only stockholders of record at that time will be entitled to notice of, and to vote at, the special meeting.

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[LOGO]

Everest Reinsurance Holdings, Inc.
477 Martinsville Road
Liberty Corner, New Jersey 07938

[LOGO]

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The board of directors has fixed the close of business on [Record Date], 1999 as the record date for the special meeting, and only stockholders of record at that time will be entitled to notice of, and to vote at, the special meeting.

A form of proxy and a proxy statement/prospectus containing more detailed information with respect to the matters to be considered at the special meeting, including a copy of the agreement and plan of merger attached as Appendix A, accompany and form a part of this notice.
The Everest Holdings board of directors has declared the agreement and plan of merger to be advisable, has approved it and recommends that stockholders vote “for” its adoption.

2. Any other business related to the proposed restructuring that may properly come before the special meeting.

By Order of the Board of Directors,
Janet J. Burak

Liberty Corner, New Jersey
Mailing Date, 1999

This document incorporates important business and financial information about Everest Holdings from other documents that are not included in or delivered with this document. This information is available to you without charge upon your written or oral request to:

Everest Reinsurance Holdings, Inc.
477 Martinsville Road
P.O. Box 830
Liberty Corner, New Jersey 07938-0830
Attention: Janet J. Burak
(908) 604-3000

To ensure timely delivery of the documents, any request should be made by , 1999. Five business days before the special meeting of stockholders.

For a description of where you can obtain more information about Everest Holdings, see "Where You Can Find More Information."

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Q: What am I being asked to vote on?
A: You are being asked to vote in favor of a merger as a result of which Everest Holdings will become a wholly-owned subsidiary of a new holding company, Everest Group, and you will receive one common share of Everest Group for each share of common stock of Everest Holdings that you own.

Q: What do I need to do now?
A: After you have carefully read this document, complete, sign, date and mail your proxy card in the enclosed envelope so that your shares will be represented at the special meeting.

Q: Can I change my vote after I have submitted my proxy with voting instructions?
A: Yes. There are three ways in which you may revoke your proxy and change your vote. First, you may send a written notice to the party to whom you submitted your proxy stating that you would like to revoke your proxy. The notice must be received before the special meeting to be effective. Second, you may complete and submit a new proxy card by mail. The latest proxy actually received by Everest Holdings prior to the special meeting will be recorded and any earlier proxies will be revoked. Third, you may attend the special meeting and vote in person. Simply attending the special meeting, however, will not revoke your proxy. If you have instructed a broker to vote your shares, you must follow directions received from your broker to change or revoke your proxy.

Q: Should I send in my stock certificates?
A: No. You should not send in your stock certificates at this time. If the restructuring is completed, a transmittal form with instructions on how to exchange your Everest Holdings stock certificates for Everest Group share certificates will be mailed to you.

Q: When do you expect the restructuring to be completed?
A: After you have received a transmittal form from Everest Group, you will be able to exchange your Everest Holdings stock certificates for Everest Group share certificates.
We are working to complete the restructuring as soon as possible. We hope to complete the restructuring shortly after the special meeting of Everest Holdings stockholders, assuming that the required stockholder approval is obtained at the meeting.

A: Stockholders with any questions about the restructuring and the related transactions should call Everest Holdings’ Vice President, Investor Relations, Mr. James H. Foster, at (908) 604-3150.

Bermuda and Barbados.

 Everest Merger was organized under the laws of Bermuda and is wholly owned by Everest Holdings. As a result of the restructuring, Everest Group will become the new holding company for Everest Holdings and its subsidiaries. Everest Group has no significant assets or capitalization and has not engaged in any business or prior activities other than in connection with the restructuring.

 Everest Group will capitalize a Bermuda-based reinsurance subsidiary called Everest Reinsurance (Bermuda) Ltd., referred to in this document as Everest Bermuda.

 Everest Group has no significant assets or capitalization and has not engaged in any business or prior activities other than in connection with the restructuring.

 Everest Reinsurance Holdings, Inc.

The Special Meeting

Date and place of meeting.

Who may vote.

Purpose of the meeting.

Vote required.

The Restructuring

Description of the restructuring.

Structure immediately after the restructuring.

Reasons for the restructuring.

Recommendation of the board of directors.

Conditions of the merger.

The board of directors of Everest Holdings believes that the proposed restructuring will provide Everest Group with an enhanced ability to compete and create better returns for stockholders by permitting Everest Group to take maximum advantage of favorable business, regulatory, tax and financing environments in Bermuda and Barbados.

The board of directors of Everest Holdings has declared the agreement and plan of merger to be advisable, has approved it and recommends that stockholders vote “FOR” its adoption.

The obligation of Everest Holdings and Everest Merger to complete the merger is subject to the satisfaction or waiver of the following conditions:

Approved by the NYSE for the listing of the Everest Group common shares to be issued in the merger;

Approval of the merger by government regulatory authorities and the expiration of applicable waiting periods; and

The Special Meeting will be held on [Meeting Date], 1999 at [Meeting Time] at [Meeting Place].

Holders of record of shares of Everest Holdings common stock at the close of business on [Record Date], 1999 will be entitled to vote in person or by proxy at the special meeting.

Ÿ To consider and adopt an agreement and plan of merger; and

Ÿ To transact any other business related to the proposed restructuring that may properly come before the special meeting.

Adoption of the agreement and plan of merger requires the affirmative vote of a majority of the shares of Everest Holdings common stock. As of [Record Date], 1999, directors and executive officers of Everest Holdings and their affiliates owned beneficially approximately % of the shares of Everest Holdings common stock outstanding on that date.

Everest Merger will be merged into Everest Holdings, with Everest Holdings as the surviving corporation. As a result of the merger, Everest Holdings will become a subsidiary of Everest Group and each outstanding share of common stock of Everest Holdings will be converted into one common share of Everest Group. Each shareholder’s percentage ownership in Everest Group immediately following the restructuring will be identical to that shareholder’s percentage interest in Everest Holdings immediately before the restructuring.

Following the merger, Everest Group will capitalize a Bermuda-based reinsurance subsidiary called Everest Reinsurance (Bermuda) Ltd., referred to in this document as Everest Bermuda.

Everest Group will be a publicly owned holding company, organized under the laws of Bermuda and having its principal offices in Barbados, and will own all of the stock of Everest Holdings and all of the share capital of Everest Bermuda.

SUMMARY

The Special Meeting of Everest Holdings stockholders will be held on [Meeting Date], 1999 at [Meeting Time] at [Meeting Place].

Holders of record of shares of Everest Holdings common stock at the close of business on [Record Date], 1999 will be entitled to vote in person or by proxy at the special meeting.

Ÿ To consider and adopt an agreement and plan of merger; and

Ÿ To transact any other business related to the proposed restructuring that may properly come before the special meeting.

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Everest Group will be a publicly owned holding company, organized under the laws of Bermuda and having its principal offices in Barbados, and will own all of the stock of Everest Holdings and all of the share capital of Everest Bermuda.

The board of directors of Everest Holdings believes that the proposed restructuring will provide Everest Group with an enhanced ability to compete and create better returns for stockholders by permitting Everest Group to take maximum advantage of favorable business, regulatory, tax and financing environments in Bermuda and Barbados.

The board of directors of Everest Holdings has declared the agreement and plan of merger to be advisable, has approved it and recommends that stockholders vote “FOR” its adoption.

The obligation of Everest Holdings and Everest Merger to complete the merger is subject to the satisfaction or waiver of the following conditions:

Ÿ adoption of the agreement and plan of merger by the Everest Holdings stockholders;

Ÿ effectiveness of the registration statement for the Everest Group common shares to be issued in the merger;

Ÿ approval by the NYSE for the listing of the Everest Group common shares to be issued in the merger;

Ÿ approval of the merger by government regulatory authorities and the expiration of applicable waiting periods; and

Ÿ absence of any order or injunction preventing completion of the merger.

If approved by the Everest Holdings stockholders, the merger will become effective on [Effective Time], 1999, subject to the above conditions. However, the board of directors of Everest Holdings can abandon or delay the merger at any time before it becomes effective, even after the merger has been approved by the stockholders.

Appraisal rights.

Everest Group has obtained the approval of its acquisition of control of Everest Holdings’ insurance subsidiaries from the insurance regulatory authorities in Delaware and Arizona and will give written notice of the restructuring to the insurance and financial services regulatory authorities in other U.S. jurisdictions where those subsidiaries are licensed. Outside of the United States, Everest Group has filed or will file applications seeking approval of the restructuring with the insurance and financial services regulatory authorities in the countries where Everest Holdings’ insurance subsidiaries are domiciled or licensed.
Under Section 262 of the Delaware General Corporation Law, Everest Holdings stockholders have no right to a court determination, in a proceeding known as an appraisal, of the value of their shares in connection with the restructuring. See “The Proposed Restructuring—Absence of Appraisal Rights.”

The restructuring will not be taxable for federal income tax purposes to Everest Holdings. However, a U.S. holder of Everest Holdings common stock will recognize gain in an amount equal to the excess, if any, of the fair market value of the Everest ReGroup common shares received at the effective time of the restructuring over that holder’s adjusted basis in the Everest Holdings common stock surrendered. “See Material Tax Considerations.”

If the restructuring is completed, stockholders will be mailed a transmittal form with instructions on how to exchange their stock certificates for share certificates of Everest Group.

Under Everest Group’s by-laws, Everest Group may refuse to recognize a transfer of common shares, and may redeem or purchase common shares from any person, if the board of directors has reason to believe that the transfer, or the ownership of common shares, would result in

- Y any person that is not an investment company, as defined in the Investment Company Act of 1940, beneficially owning more than 5.0% of any class of the issued and outstanding shares of Everest Group;
- Y any person owning, directly or indirectly, more than 9.9% of any class of the issued and outstanding shares of Everest Group or
- Y any adverse tax, regulatory or legal consequences to Everest Group, any of its subsidiaries or any of its shareholders.

SELECTED CONSOLIDATED FINANCIAL DATA

<table>
<thead>
<tr>
<th>Year ended December 31, (dollars in millions, except per share amounts)</th>
<th>1998</th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income (loss), before after-tax net realized capital gains or losses</strong></td>
<td>$1,458.6</td>
<td>$1,377.8</td>
<td>$1,028.9</td>
</tr>
<tr>
<td><strong>Income (loss), before after-tax net realized capital gains or losses, per diluted share</strong></td>
<td>$2.44</td>
<td>$2.43</td>
<td>$2.36</td>
</tr>
<tr>
<td><strong>Net operating income (loss), before after-tax net realized capital gains or losses</strong></td>
<td>$1,458.6</td>
<td>$1,377.8</td>
<td>$1,028.9</td>
</tr>
<tr>
<td><strong>Net operating income (loss), before after-tax net realized capital gains or losses, per diluted share</strong></td>
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<td>$2.36</td>
</tr>
<tr>
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<td>$1,377.8</td>
<td>$1,028.9</td>
</tr>
<tr>
<td><strong>Net income (loss), per diluted share</strong></td>
<td>$2.44</td>
<td>$2.43</td>
<td>$2.36</td>
</tr>
</tbody>
</table>

In addition, Everest Group’s by-laws provide that the voting rights of any person owning, directly or indirectly, more than 9.9% of the voting power of the issued and outstanding share capital of Everest Group will ordinarily be limited to a voting power of 9.9%. Because of the attribution and constructive ownership rules of the U.S. Internal Revenue Code of 1986, referred to in this document as the Code, and the rules of the SEC regarding determination of beneficial ownership, some persons may become subject to these limitations whether or not they directly hold of record more than 9.9% of Everest Group’s issued and outstanding share capital. See “Description of Everest Group Share Capital—Common Shares.”

The following table presents selected consolidated financial data of Everest Holdings in accordance with U.S. generally accepted accounting principles, which are referred to in this document as GAAP. The GAAP selected consolidated financial data of Everest Holdings as of and for the years ended December 31, 1998, 1997, 1996, 1995 and 1994 are derived from the consolidated financial statements of Everest Holdings, which were audited by PricewaterhouseCoopers LLP (1998, 1997 and 1996) and by other independent auditors (1995 and 1994). The GAAP selected consolidated financial data as of and for the nine months ended September 30, 1999 and 1998 are derived from unaudited financial statements of Everest Holdings, which, in the opinion of management, reflect all adjustments, consisting only of normal recurring accruals, necessary for a fair statement of that data. The results of operations for any interim period may not be indicative of results of operations for the full year. The following table also presents selected unaudited financial data from the statutory financial statements filed by Everest Re with the Delaware Insurance Department and prepared in accordance with statutory accounting principles, which are referred to in this document as SAP and which differ from GAAP. The statutory financial statements are unaudited and reflect the net assets of Everest Re’s insurance company subsidiaries on the equity method. You should read the following financial data in conjunction with Everest ReGroup’s consolidated financial statements and accompanying notes, which are incorporated by reference into this document. The term “LAE” refers to loss adjustment expense.

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Data</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross premiums written</td>
<td>$806.3</td>
<td>$756.3</td>
<td>$690.0</td>
<td>$609.0</td>
</tr>
<tr>
<td>Net premiums earned</td>
<td>788.0</td>
<td>771.3</td>
<td>690.0</td>
<td>609.0</td>
</tr>
<tr>
<td>Net premiums earned</td>
<td>788.0</td>
<td>771.3</td>
<td>690.0</td>
<td>609.0</td>
</tr>
<tr>
<td>Net investment income</td>
<td>180.9</td>
<td>161.2</td>
<td>100.5</td>
<td>100.5</td>
</tr>
<tr>
<td>Net realized gains (losses)</td>
<td>(17.1)</td>
<td>3.5</td>
<td>(10.5)</td>
<td>15.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net revenue</strong></td>
<td>548.7</td>
<td>504.7</td>
<td>387.3</td>
<td>393.5</td>
</tr>
<tr>
<td><strong>Indexed</strong></td>
<td>3,155.0</td>
<td>2,387.5</td>
<td>1,625.5</td>
<td>1,075.0</td>
</tr>
<tr>
<td><strong>Losses</strong></td>
<td>798.4</td>
<td>794.0</td>
<td>714.0</td>
<td>674.7</td>
</tr>
<tr>
<td><strong>Losses and LAE incurred (excluding catastrophe)</strong></td>
<td>423.7</td>
<td>377.0</td>
<td>297.0</td>
<td>227.4</td>
</tr>
<tr>
<td><strong>Losses and LAE ratio</strong></td>
<td>51.9%</td>
<td>49.1%</td>
<td>49.0%</td>
<td>39.8%</td>
</tr>
<tr>
<td><strong>Commissions, brokerage, taxes and fees</strong></td>
<td>216.4</td>
<td>197.7</td>
<td>128.4</td>
<td>120.9</td>
</tr>
<tr>
<td><strong>Net underwriting expenses</strong></td>
<td>321.4</td>
<td>317.7</td>
<td>237.7</td>
<td>228.4</td>
</tr>
<tr>
<td><strong>Net underwriting losses (gains)</strong></td>
<td>137.1</td>
<td>120.0</td>
<td>81.7</td>
<td>80.9</td>
</tr>
<tr>
<td><strong>Net underwriting losses (gains), per diluted share</strong></td>
<td>$0.28</td>
<td>$0.24</td>
<td>$0.20</td>
<td>$0.19</td>
</tr>
<tr>
<td><strong>Net investment income</strong></td>
<td>180.9</td>
<td>161.2</td>
<td>100.5</td>
<td>100.5</td>
</tr>
<tr>
<td><strong>Net income (loss)</strong></td>
<td>$1,044.0</td>
<td>$973.6</td>
<td>$753.3</td>
<td>$753.3</td>
</tr>
<tr>
<td><strong>Net income (loss), per diluted share</strong></td>
<td>$2.41</td>
<td>$2.40</td>
<td>$2.40</td>
<td>$2.40</td>
</tr>
<tr>
<td><strong>Net premiums written</strong></td>
<td>819.4</td>
<td>798.0</td>
<td>714.0</td>
<td>674.7</td>
</tr>
<tr>
<td><strong>Net premiums written, per diluted share</strong></td>
<td>$2.42</td>
<td>$2.41</td>
<td>$2.41</td>
<td>$2.41</td>
</tr>
<tr>
<td><strong>Net investment income</strong></td>
<td>180.9</td>
<td>161.2</td>
<td>100.5</td>
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</tr>
<tr>
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<td>$2.41</td>
<td>$2.40</td>
<td>$2.40</td>
<td>$2.40</td>
</tr>
<tr>
<td><strong>Net income (loss)</strong></td>
<td>$1,044.0</td>
<td>$973.6</td>
<td>$753.3</td>
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</tr>
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<td>$2.41</td>
<td>$2.40</td>
<td>$2.40</td>
<td>$2.40</td>
</tr>
<tr>
<td><strong>Dividends paid per share</strong></td>
<td>$0.10</td>
<td>$0.15</td>
<td>$0.20</td>
<td>$0.25</td>
</tr>
<tr>
<td><strong>Certain GAAP Financial Ratios</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss and LAE ratio</td>
<td>51.7%</td>
<td>49.0%</td>
<td>49.0%</td>
<td>39.8%</td>
</tr>
<tr>
<td>Underwriting expense ratio</td>
<td>36.8%</td>
<td>34.3%</td>
<td>31.1%</td>
<td>30.2%</td>
</tr>
<tr>
<td>Combined ratio</td>
<td>163.3%</td>
<td>163.0%</td>
<td>162.5%</td>
<td>161.7%</td>
</tr>
<tr>
<td><strong>Certain SAP Financial Ratios</strong></td>
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<td></td>
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<tr>
<td>Loss and LAE ratio</td>
<td>33.5%</td>
<td>27.3%</td>
<td>27.3%</td>
<td>22.9%</td>
</tr>
<tr>
<td>Combined ratio</td>
<td>102.9%</td>
<td>102.9%</td>
<td>102.9%</td>
<td>102.9%</td>
</tr>
</tbody>
</table>

The following table presents selected consolidated financial data of Everest ReGroup as of and for the nine months ended September 30, 1999 and 1998.

(1) After-tax operating income (loss), before after-tax net realized capital gains or losses, was $129.7 million (or $2.64 per basic share and $2.63 per diluted share), $123.2 million (or $2.44 per basic share and $2.43 per diluted share), $165.7 million (or $3.26 per basic share and $3.25 per diluted share), $159.3 million (or $3.2)
Catastrophe losses are net of reinsurance. A catastrophe is defined, for purposes of the Selected Consolidated Financial Data, as an event that causes a pre-tax loss before reinsurance of at least $5.0 million and has an event date of January 1, 1988 or later.

(3) Some amounts may not reconcile due to rounding.

(4) Based on weighted-average basic shares outstanding of 49.0 million, 50.4 million, 50.5 million, 50.6 million, 50.2 million and 58.0 million for the periods ended September 30, 1999 and 1998 and the years ended December 31, 1998, 1997, 1996, 1995 and 1994, respectively.

(5) Based on weighted average diluted shares outstanding of 49.2 million, 50.8 million, 50.7 million, 50.8 million, 50.7 million, 50.2 million and 50.0 million for the periods ended September 30, 1999 and 1998 and the years ended December 31, 1998, 1997, 1996, 1995 and 1994, respectively.

(6) GAAP losses and LAE incurred as a percentage of GAAP net premiums earned.

(7) GAAP underwriting expenses as a percentage of GAAP net premiums earned. Including restructuring and early retirement costs incurred in the fourth quarter of 1994, Everest Holdings’ GAAP underwriting expense ratio in 1994 was 32.1%.

(8) Statutory results are on a Everest Re legal entity basis; consequently, investments in subsidiary operations are accounted for on an equity basis. Effective January 1, 1997, the reinsurance operations of Everest Re Holdings, Ltd. were transferred to Everest Re on a portfolio basis. Excluding the impact of the portfolio transaction, the 1997 ratio of net written premiums to surplus, the 1997 loss and LAE ratio, the 1997 underwriting expense ratio and the 1997 combined ratio were 1.1 x, 70.5%, 32.2% and 102.7%, respectively.

(9) Statutory net premiums written as a percentage of period-end surplus.

(10) Statutory losses and LAE incurred as a percentage of SAP net premiums earned.

(11) Statutory underwriting expenses as a percentage of SAP net premiums written.

(12) Excluding net unrealized-appreciation (depreciation) of investments, stockholders’ equity was $1,339.9 million, $1,254.1 million, $1,281.6 million, $1,147.1 million, $1,008.3 million, $899.9 million and $799.1 million as of September 30, 1999 and 1998 and December 31, 1998, 1997, 1996, 1995 and 1994, respectively.

**RISK FACTORS**

You should carefully consider the following factors, in addition to the other information provided in this document, before you vote on the agreement and plan of merger.

The potential benefits from the restructuring are not guaranteed.

Everest Group anticipates that several potential benefits will result from the restructuring. However, these potential benefits are not guaranteed. Everest Group may not realize benefits from the Bermuda business, regulatory and tax environments. As a result, Everest Group may not experience any competitive advantages or enhanced returns for shareholders from the restructuring. In addition, the process of restructuring and of conducting the business of Everest Group from Bermuda and Barbados will entail significant costs. These costs will be incurred regardless of whether Everest Group is able to realize any benefits of the restructuring. See “The Proposed Restructuring—Background and Reasons for the Restructuring.”

The merger is subject to the receipt of consents and approvals from government entities that may impose conditions that could have a material adverse effect on Everest Group or cause Everest Group to abandon the merger.

Everest Group must obtain several consents, orders, approvals and clearances from state and foreign governmental entities to complete the merger. Those consents, orders, approvals and clearances may contain conditions that place restrictions on Everest Group’s operations. Those restrictions could have a material adverse effect on Everest Group’s business and may cause Everest Group to abandon the merger. See “The Proposed Restructuring—Regulatory Filings and Approvals” and “The Merger Agreement—Conditions of the Merger”.

Everest Group will be dependent on dividends and payments from its subsidiaries that may be restricted by law.

Everest Group, like Everest Holdings, will be a holding company with no operations or significant assets other than its ownership of the capital stock of its subsidiaries. Future dividends and other permitted payments from those subsidiaries are expected to be Everest Group’s sole source of funds to pay expenses and dividends, if any. The ability of Everest Group’s insurance subsidiaries, and thus of Everest Group itself, to pay dividends will be subject to legal and regulatory constraints. Accordingly, Everest Group may not be able to declare or pay dividends in the future.

Everest Group and Everest Bermuda may not be successful in launching their start-up operations, even after incurring significant expenses.

Everest Group is newly formed and Everest Bermuda is in the process of being formed. Start-up companies must develop business relations, establish operating procedures, hire staff, obtain facilities and complete other tasks appropriate for the conduct of their intended business activities. Everest Group and Everest Bermuda may not be successful in this regard. In addition, the start-up of new operations in Bermuda and Barbados will result in
additional expenses, currently estimated to be approximately $3 million annually, and will require a significant time commitment by the senior executives of Everest Group.

Everest Group's net income will be reduced if Everest Group and/or Everest Bermuda become subject to U.S. corporate income tax.

Everest Group intends to conduct its Bermuda operations in a manner that will cause Everest Bermuda not to be engaged in the conduct of a trade or business in the United States. Based on compliance with guidelines designed to ensure that Everest Bermuda does not engage in the conduct of a U.S. trade or business, Everest Group has been advised by its United States counsel that Everest Bermuda should not be required to pay U.S. corporate income tax, other than withholding tax on some types of U.S. source income. However, if the IRS successfully contended that Everest Bermuda is engaged in a trade or business in the United States, Everest Bermuda would be subject to U.S. corporate income tax on that portion of its net income effectively connected with a U.S. trade or business, and possibly the U.S. branch profits tax.

Everest Group intends to conduct its Barbados operations in a manner that will cause it to minimize its U.S. tax exposure. Based on compliance with guidelines designed to ensure that Everest Group generates only immaterial amounts, if any, of income that is effectively connected with the conduct of a U.S. trade or business, Everest Group has been advised by its United States counsel that it should not be required to pay a significant amount of U.S. corporate income tax, other than withholding tax on some types of U.S. source income. However, if the IRS successfully contended that Everest Group has material amounts of income that is effectively connected to the conduct of a U.S. trade or business, Everest Group would be subject to U.S. corporate income tax on that income, and possibly the branch profits tax.

Everest Group intends to conduct its Barbados operations in a manner that will cause it to minimize its U.S. tax exposure. Based on compliance with guidelines designed to ensure that Everest Group generates only immaterial amounts, if any, of income that is effectively connected with the conduct of a U.S. trade or business, Everest Group has been advised by its United States counsel that it should not be required to pay a significant amount of U.S. corporate income tax, other than withholding tax on some types of U.S. source income. However, if the IRS successfully contended that Everest Bermuda is engaged in a trade or business in the United States, Everest Bermuda would be subject to U.S. corporate income tax on that portion of its net income effectively connected with a U.S. trade or business, and possibly the U.S. branch profits tax.

Everest Group shareholders could be subject to U.S. taxes on undistributed income of Everest Group and/or Everest Bermuda.
Other than as described above, U.S. holders of Everest Group common shares generally will not be subject to any U.S. tax until they receive a distribution from Everest Group or dispose of their Everest Group common shares. However, special provisions of the Code may apply to U.S. taxpayers who directly, indirectly or by attribution own 10% or more of the total combined voting power of all classes of share capital of Everest Group and/or Everest Bermuda. Under these provisions, these taxpayers generally will be required to include in their income their pro rata share of some types of income of Everest Group and/or Everest Bermuda as earned, even if not distributed. Everest Group has attempted to avoid having its shareholders become subject to these provisions by including in its bye-laws provisions that limit the ownership of the common shares to levels that will not subject U.S. shareholders to U.S. tax on undistributed income under these provisions. Based on these bye-laws, Everest Group has been advised by its United States counsel that Everest Group shareholders should not be subject to U.S. tax on undistributed income.

In addition, special provisions of the Code apply to U.S. persons who are shareholders of a foreign insurance company and have related person insurance income allocated to them. Related person insurance income, often called RPII, is investment income and premium income derived from the direct or indirect insurance or reinsurance of the risk of:

- any U.S. taxpayer who directly or indirectly through foreign entities owns shares of a foreign insurance company; or

The RPII provisions of
- the Code could apply to U.S. taxpayers who directly, indirectly or by attribution own any shares of Everest Bermuda if:
  - any person related to a U.S. taxpayer meeting the above definition.
  - 25% or more of the value or voting power of the share capital of Everest Bermuda is owned directly, indirectly or by attribution by U.S. taxpayers;
  - 20% or more of the value or voting power of the share capital of Everest Bermuda is owned directly, indirectly or by attribution by U.S. taxpayers, or persons related to U.S. taxpayers, who are insured or reinsured by Everest Bermuda;

Everest Group currently anticipates that less than 20% or more of the value or voting power of the share capital of Everest Bermuda will be owned directly, indirectly or by attribution by U.S. taxpayers insured or reinsured by Everest Bermuda or by persons related to them, and that less than 20% of the gross insurance income of Everest Bermuda for any taxable year will constitute RPII. However, if neither of these conditions is satisfied, since Everest Group's U.S. shareholders are treated by the Code as indirectly owning shares of Everest Bermuda, they will be required to include in their income their pro rata share of Everest Bermuda's RPII income as earned, even if not distributed.

Gains resulting from the sale of Everest Group common shares by U.S. shareholders could be taxed in the U.S. as dividends.

Generally, a U.S. shareholder will realize capital gain or loss on the sale or exchange of the common shares after the restructuring. However, the IRS could contend that special provisions of the Code apply and that the amount of any gain equal to Everest Group's allocable untaxed earnings and profits should be taxed as a dividend. If the IRS successfully contends that those provisions apply to Everest Group, shareholders would be taxed on that amount of gain at the rates applicable to ordinary income rather than the lower rates applicable to long-term capital gains. Everest Group has been advised by its United States counsel that these provisions of the Code should not apply to the disposition of any common shares by a U.S. shareholder who holds less than 10% of the common shares.

The Organization for Economic Cooperation and Development and the European Union are considering measures that might increase Everest Group's taxes and reduce its net income.

The Organization for Economic Cooperation and Development and the European Union are considering measures to limit harmful tax competition. These measures are largely directed at...
counteracting the effects of
tax havens and preferential tax regimes in countries
around the world. If these measures are adopted by a
substantial number of member countries and if Bermuda or
Barbados is considered to be engaged in harmful tax
competition, Everest Group might be subject to
additional taxes, which could reduce its net income.

**Everest Group's**

**net income will be reduced if Everest Group and/or
Everest Bermuda becomes subject to Bermuda tax.**

Everest Group currently is not subject to income or capital gains
taxes in Bermuda. Everest Group has received assurances from the Bermuda Minister of Finance under The Exempted Undertakings Tax Protection Act 1966 of Bermuda to the effect that if any legislation is enacted in Bermuda that imposes any tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then, subject to conditions, 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. Everest Group expects that Everest Bermuda, when it is organized, will obtain similar assurances from the Minister of Finance. However, Everest Group and Everest Bermuda could be subject to those taxes in Bermuda after March 28, 2016, which could reduce their net income.

**Everest Group's**

**net income will be reduced if it becomes subject to
Barbados tax.**

Everest Group will be licensed as an international business company under the Barbados International Business Companies Act, 1991-24. As a result, Everest Group will be entitled to special tax benefits, including a preferred rate of tax on profits and gains and an exemption from withholding tax in respect of any dividends, interest, royalties, fees or management fees deemed to be paid to another international business company or to a person not resident in Barbados. Everest Group has not received any assurance from the Barbados government regarding its continued eligibility for this preferred status or assurances that any future changes to the International Business Companies Act will not reduce or eliminate these benefits. However, Everest Group intends to apply to the Minister of Finance for these assurances, which would be applicable for a period of fifteen years. However, Everest Group could be ineligible for these benefits after that period, which could reduce its net income.

In exchange for your Everest Holdings common stock, you will receive Everest Group common shares, which may be redeemed or purchased by Everest Group and will be subject to limitations on transfer.

The Everest Holdings common stock is nonredeemable and freely transferable. In exchange for these shares, you will receive Everest Group common shares, which under some circumstances may be redeemed or purchased by Everest Group and will be subject to limitations on transfer. Everest Group's bye-laws provide that if the board of directors has reasonable cause to believe that

Ÿ Everest Bermuda has gross RPII equal to 20% or more of its gross insurance income,

Ÿ any person that is not an investment company beneficially owns more than 5.0% of any class of Everest Group's issued and outstanding share capital,

Ÿ any person controls, based on the definition of control discussed in the next paragraph, more than 9.9% of any class of Everest Group's issued and outstanding share capital or

then Everest Group will have the option, but not the obligation, to redeem or purchase, at fair market value, all or any part of the common shares held by that person to the extent the board of directors determines it is necessary or advisable to avoid or cure any adverse or potential adverse consequences. In addition, Everest Group's bye-laws require the prior approval of the board of directors for any transfer of common shares that the board of directors has reason to believe would cause any of the above three conditions to exist. Furthermore, the board of directors has the authority to request from any shareholder or proposed transferee information for the purpose of determining whether any transfer should be made. If any shareholder or proposed transferee fails to respond to a request for this information or submits incomplete or inaccurate information, the board of directors may decline to approve the transfer.

Under Everest Group's bye-laws, a person controls shares if that person

Ÿ share ownership by any person may cause adverse tax, regulatory or legal consequences to Everest Group, any of its subsidiaries or any of its shareholders,

Ÿ owns the shares directly,

Ÿ is a U.S. person and is treated as owning the shares by application of the attribution and constructive ownership rules of Sections 958 (a) and 958(b) or 544 and 554 of the Code, or

Because of the attribution and constructive ownership rules of the Code
and the rules of the SEC regarding determination of beneficial ownership, some shareholders may become subject to the redemption or purchase of their common shares, whether or not the shareholder directly holds of record more than 9.9% of Everest Group’s issued and outstanding share capital. For the same reason, some transfers may not be permitted, whether or not the transferee would directly hold of record more than 9.9% of Everest Group’s issued and outstanding share capital.

These ownership and transfer limitations, together with the voting limitations described below and the provisions of Everest Group’s bye-laws providing for a staggered board of directors, may have the effect of rendering more difficult or discouraging unsolicited takeover bids from third parties or the removal of incumbent management of Everest Group.

In exchange for your Everest Holdings common stock, you will receive Everest Group shares, which are subject to a cutback in voting rights.

The Everest Holdings common stock carries full voting rights. In exchange for these shares, you will receive Everest Group shares, which under some circumstances are subject to a cutback in voting rights. Everest Group’s bye-laws provide that if any person controls, based on the definition of control discussed above, more than 9.9% of any class of Everest Group’s issued and outstanding share capital, that person’s voting rights will be reduced so that it may not exercise more than approximately 9.9% of Everest Group’s total voting rights. Because of the attribution and constructive ownership rules of the Code and the rules of the SEC regarding determination of beneficial ownership, some shareholders’ voting rights may be reduced, whether or not they directly hold of record more than 9.9% of Everest Group’s total voting power. Furthermore, the board of directors has the authority to request from any shareholder information for the purpose of determining whether that shareholder’s voting rights should be reduced. If any shareholder fails to respond to a request for this information or submits incomplete or inaccurate information, the board of directors may determine to disregard all votes attached to that shareholder’s common shares.

These voting limitations, together with the ownership and transfer limitations described above and the provisions of Everest Group’s bye-laws providing for a staggered board of directors, may have the effect of rendering more difficult or discouraging unsolicited takeover bids from third parties or the removal of incumbent management of Everest Group.

You may not be able to recover damages from Everest Group and some of its directors, officers and experts named in this document if you sue them.

Everest Group is organized under the laws of Bermuda. Some of its directors and officers, as well as some of the experts named in this document, may reside outside the United States. A substantial portion of their assets and Everest Group’s assets may be located in jurisdictions outside the United States. Everest Group has appointed an agent in the City of New York to receive service of process with respect to actions arising out of or in connection with violations of U.S. federal securities laws relating to offers and sales of Everest Group common shares to the public in connection with the restructuring. Nevertheless, you may not be able to effect service of process within the United States upon Everest Group’s directors, officers and experts who may reside outside the United States. You also may not be able to recover against them or Everest Group on judgments of U.S. courts or to obtain original judgments against them or Everest Group in Bermuda courts, including judgments predicated on civil liability provisions of the U.S. federal securities laws.

If Everest Group and Everest Holdings are not able to raise funds in the public or private debt markets to capitalize Everest Bermuda, then Everest Group may be unable to access the Bermuda market as planned.

As soon as practicable following the restructuring, Everest Group intends to capitalize Everest Bermuda with approximately $250 million. Everest Group intends to obtain funds for this purpose from Everest Holdings. Everest Holdings, in turn, intends to obtain funds for this purpose either through offerings of its debt and/or trust preferred securities or through bridge financing. However, Everest Holdings may not be able to successfully complete the offerings of debt and/or trust preferred securities or obtain bridge financing on satisfactory terms. As a result, Everest Group may not be able to capitalize Everest Bermuda and conduct business in the Bermuda reinsurance market as contemplated.
Everest Group's net income will be reduced if U.S. excise and withholding taxes are increased.

Everest Bermuda will be subject to an excise tax on reinsurance and insurance premiums paid to Everest Bermuda with respect to risks located in the United States. In addition, Everest Bermuda may be subject to withholding tax on some types of investment income from United States sources. These taxes could increase and other taxes could be imposed on Everest Bermuda's business in the future, which could reduce Everest Group's net income.

Everest Bermuda may not receive a favorable insurance rating.

Insurance ratings are used by insurers and reinsurers 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. Everest Bermuda currently has no insurance ratings and will not receive any ratings until after it has begun operations following the restructuring. The failure of Everest Bermuda to receive a favorable rating could have a material adverse effect on its business. Moreover, any rating that Everest Bermuda receives could be lower than the ratings assigned to Everest Re or its various competitors and could be downgraded or withdrawn by the rating agency in the future, which could have a material adverse effect on Everest Group's ability to conduct business in the Bermuda market.

Bermuda statutes and regulations may restrict the ability of Everest Bermuda to write reinsurance or insurance policies and to distribute funds to Everest Group.

Everest Bermuda will be a registered Bermuda insurance company and will be subject to regulation and supervision in Bermuda. Everest Bermuda will be registered as a Class 4 insurer, eligible to write property and casualty insurance, as well as a long-term insurer, eligible to write life insurance. Among other things, Bermuda statutes and regulations will prescribe minimum levels of capital and surplus and solvency standards that Everest Bermuda must meet, will limit transfers of ownership of Everest Bermuda's capital shares and will provide for periodic examinations of Everest Bermuda and its financial condition. These statutes and regulations may restrict the ability of Everest Bermuda to write reinsurance or insurance policies and to distribute funds to Everest Group. See “Regulatory Considerations Associated with Operating in Bermuda and Barbados—Bermuda Insurance Regulation.”

Regulatory challenges abroad and in the United States could adversely affect Everest Bermuda’s ability to conduct business.

Everest Bermuda does not intend to be licensed or admitted as an insurer or reinsurer in any U.S. jurisdiction, but it will generally be permitted to reinsure U.S. risks from its office in Bermuda without obtaining those licenses. Everest Bermuda does not intend to conduct any activities that may constitute the transaction of the business of insurance in any jurisdiction in which it is not licensed or otherwise authorized to engage in such activities. However, in some jurisdictions it is not entirely clear what activities would constitute a prohibited transaction of insurance business and it is possible that insurance regulators in those jurisdictions could raise challenges to Everest Bermuda's activities. Any restriction on Everest Bermuda's activities resulting from these challenges could adversely affect Everest Bermuda's ability to conduct business.

Recently, the insurance and reinsurance regulatory framework has become subject to increased scrutiny in many jurisdictions. 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, any U.S. state or of any other jurisdiction at any time in the future, it might not be in compliance with those laws. Complying with those laws could have a material adverse effect on Everest Group's ability to conduct business in the Bermuda market.

Everest Bermuda may need to be licensed or admitted in additional jurisdictions to conduct its business.
This document and the information incorporated by reference in it include “forward-looking statements” within the meaning of the U.S. federal securities laws. Everest Holdings intends these forward-looking statements to be covered by the safe harbor provisions of these laws. These safe harbor provisions only apply to companies who have previously offered securities to the public. Because Everest Group’s offer of the common shares constitutes its initial public offering of securities, the safe harbor provisions of the U.S. federal securities laws do not apply to it. In some cases, you can identify forward-looking statements by the use of forward-looking words such as “may,” “will,” “should,” “anticipate,” “estimate,” “expect,” “plan,” “believe,” “predict,” “potential” or “intend.” All statements regarding the expected benefits of the restructuring and merger and related matters are forward-looking statements. You should be aware that these statements and any other forward-looking statements in this document only reflect current 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 in this document under the caption “Risk Factors” and the following:

- beneficially own the shares within the meaning of Section 13(d)/(3) of the Exchange Act.
- changes in the level of competition in the domestic and international reinsurance or primary insurance markets that adversely affect the volume or profitability of Everest Group’s reinsurance or insurance business, including the intensification of price and contract terms competition, the entry of new competitors, consolidation in the reinsurance and insurance industry and the development of new products by new and existing competitors;
- changes in the demand for reinsurance and insurance products of the type that Everest Group and its ceding insurance customers offer;
- Everest Group’s ability to execute its strategies;
- catastrophe losses in Everest Group’s domestic or international reinsurance or insurance business;
- adverse development on claim and claim expense liabilities related to businesses written in prior years, including evolving case law and its effect on environmental and other latent injury claims, changing government regulations, newly identified toxins, newly reported claims, new theories of liability, or new insurance and reinsurance contract interpretations, to the extent that the adverse development exceeds the limits available under or is not covered by Everest Re’s stop loss agreement with Gibraltar Casualty Company;
- greater than expected loss ratios on reinsurance or insurance written by Everest Group;
- changes in inflation that affect the profitability of Everest Group’s current reinsurance and insurance businesses or the adequacy of its claim and claim expense liabilities;
- changes in Everest Group’s retrocessional arrangements;
- lower than estimated retrocessional or reinsurance recoveries on losses, including losses due to a decline in the creditworthiness of Everest Group’s retrocessionaires or reinsurers;
- changes in the reinsurance/retrocessional market impacting Everest Group’s ability to cede risks above its desired level of retention;
- changes in interest rates, increases in which cause a reduction in the market value of Everest Group’s fixed income investment portfolio and common stockholders’ equity, and decreases in which cause a reduction of income earned on new cash flow from operations as well as on the reinvestment of the proceeds from sales, calls or maturities of existing investments;
- decline in the value of Everest Group’s common equity investments;
- changes in the composition of Everest Group’s investment portfolio;
- gains or losses related to changes in foreign currency exchange rates;
- changes in the role of reinsurance brokers and Everest Group’s relationship with those brokers;
- impact of Year 2000 computer hardware, software and microprocessors embedded in certain equipment on Everest Group’s operations and potential for Year 2000 claims under reinsurance and insurance contracts written by Everest Group;
- impact of the Euro on Everest Group’s operations or financial condition;
- adverse results in litigation matters, including litigation related to environmental, asbestos and other potential mass tort claims;
- changes in Everest Group’s capital needs;
- changes in Everest Group’s ratings;
- the impact of current and future regulatory environments, generally, and on the ability of Everest Group’s subsidiaries to enter and exit reinsurance or insurance markets; and

Everest Bermuda’s ability to write reinsurance will be severely limited if it is unable to arrange for security to back its reinsurance.

Many jurisdictions do not permit insurance companies to take credit for reinsurance obtained from unlicensed or non-admitted insurers on their statutory financial statements without appropriate security. Everest Group expects that Everest Bermuda’s reinsurance clients will typically require it to post a letter of credit or enter into other security arrangements. If Everest Bermuda is unable to obtain a letter of credit facility on commercially acceptable terms or unable to arrange for other types of security, its ability to operate its business will be severely limited. If Everest Bermuda defaults on any letter of credit that it obtains, it may be required to promptly liquidate a substantial portion of its investment portfolio and other assets pledged as collateral.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Everest Group
Everest Holdings

Everest Holdings was established in 1993 in Delaware to serve as the parent holding company of Everest Re, a property and casualty reinsurer formed in 1973. Until October 6, 1995, Everest Holdings was an indirect, wholly-owned subsidiary of The Prudential Insurance Company of America. On October 6, 1995, The Prudential sold its entire interest in Everest Holdings’ shares of common stock in an initial public offering.

Everest Holdings, through Everest Re, underwrites property and casualty reinsurance on a treaty and facultative basis for insurance and reinsurance companies in the United States and selected 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 that it has written. Insurance companies purchasing reinsurance are often referred to as ceding companies or reinsureds. Underwriting reinsurance on a treaty basis means that Everest Re reinsures one or more insurance companies pursuant to an agreement called a treaty, which sets forth the terms and conditions of the reinsurance. Treaties generally automatically reinsure a specific line or class of business. Underwriting reinsurance on a facultative basis means that Everest Re reinsures one specific policy as opposed to the reinsurance of a specific line or class of business.

Everest Re writes 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 Re and its subsidiaries also write primary property and casualty insurance. Primary insurance is purchased by insureds to pay amounts to them for economic losses sustained from unexpected events. Based on industry data at December 31, 1998 published by the Reinsurance Association of America, Everest Re is the sixth largest reinsurance company in the United States, ranked by statutory surplus. Statutory surplus is the amount by which the assets of an insurer exceed the insurer’s liabilities, including the amounts required by law to be established as reserves for the insurer’s insurance obligations.

Following is a summary of Everest Holdings’ and Everest Re’s operating subsidiaries:

- Changes in the commission or brokerage levels that competitors are willing to offer to ceding companies, brokers or agents.

- Everest National Insurance Company, an Arizona insurance company, is licensed in 42 states and the District of Columbia and is authorized to write primary insurance in the states in which it is licensed, often called writing insurance on an admitted basis.

- Everest Insurance Company of Canada, a Canadian insurance company, is licensed in all Canadian provinces and territories and is federally licensed to write primary insurance under the Insurance Companies Act of Canada.

- 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 admitted insurers. This is often called writing insurance on a non-admitted basis. Everest Indemnity is licensed in Delaware and is eligible to write business in 39 states, the District of Columbia and the Commonwealth of Puerto Rico on a non-admitted basis.

- Mt. McKinley Managers, L.L.C., a New Jersey limited liability company, is licensed in New Jersey as an insurance producer, which is any intermediary, such as an agent or broker, which acts as the conduit between an insurance company and an insured. Mt. McKinley holds licenses to allow it to act as an insurance producer in connection with policies written on both an admitted and a surplus lines basis. After a 1998 acquisition of the assets of insurance agency operations in Alabama and Georgia, the continuing insurance agency operations are now carried on by subsidiaries of Mt. McKinley. These subsidiaries are WorkCare Southeast, Inc., an Alabama insurance agency, and WorkCare Southeast of Georgia, Inc., a Georgia insurance agency.

Everest Holdings’ products include a full range of property and casualty coverages, including marine, aviation, surety, errors and omissions, directors’ and officers’ medical malpractice, other specialty liability lines, accidental and health, workers compensation, non-standard auto and loss portfolios. Everest Holdings’ distribution channels include both the direct and broker reinsurance markets, international and domestic markets, reinsurance, both treaty and facultative, and insurance, both admitted and non-admitted.

Everest Holdings’ business strategies include effective management of the underwriting cycle, which refers to the tendency of insurance premiums, profits and the demand for and availability of coverage to rise and fall over time. Everest Holdings also seeks to manage catastrophe exposures and control expenses and retrocession costs, which are incurred when reinsurers purchase reinsurance. Everest Holdings’ underwriting strategies seek to capitalize on its staff’s expertise and its flexibility to offer multiple products by underwriting reinsurance through brokers and directly with ceding companies and by writing primary insurance on an admitted and non-admitted basis in a cost efficient manner. Efforts to control expenses and to operate in a cost efficient manner are a continuing focus for Everest Holdings.
Everest Holdings' underwriting strategy emphasizes underwriting profitability rather than premium volume, the writing of specialized risks and the integration of underwriting expertise across all underwriting units. Key elements of this strategy are prudent risk selection, appropriate pricing through strict underwriting discipline and adjustment of Everest Holdings' business mix to respond to changing market conditions. Everest Holdings focuses on reinsuring companies that effectively manage the underwriting cycle through proper analysis and pricing of underlying risks and whose underwriting guidelines and performance are compatible with its objectives.

Everest Holdings' underwriting strategy also emphasizes flexibility and responsiveness to changing market conditions, such as increased demand or favorable pricing trends. Everest Holdings believes that its existing strengths, including its broad underwriting expertise, international presence, diverse distribution capabilities and substantial capital, facilitate adjustments to its mix of business geographically, by line of business and by type of coverage. Everest Holdings believes that this makes it possible to capitalize on those market opportunities that provide the greatest potential for underwriting profitability. Everest Holdings' primary insurance infrastructure further facilitates this strategy by permitting the development of business that requires the issuance of primary insurance policies. Everest Holdings carefully monitors its mix of business to avoid inappropriate concentrations of geographic or other risk.

Everest Holdings' underwriting guidelines seek to limit the accumulation of known risks in exposed areas, to require that business that is exposed to catastrophe losses be written with appropriate geographic spread and to maintain a cost-effective retrocession program. Those underwriting guidelines also seek to better reflect the relationship between premiums and risk assumed while maintaining probable maximum loss at appropriate levels.

Everest Group was recently organized under the laws of Bermuda and is wholly owned by Everest Holdings. As a result of the restructuring, Everest Group will become the new holding company for Everest Holdings and its subsidiaries. As soon as practicable following the restructuring, Everest Group intends to capitalize Everest Bermuda with approximately $250 million. Everest Group intends to obtain funds for this purpose from Everest Holdings. Everest Holdings, in turn, intends to obtain funds for this purpose either through offerings of its debt and/or trust preferred securities or through bridge financing, which it would expect to retire using the proceeds of those offerings.

Subject to regulatory approval, Everest Bermuda will be registered in Bermuda as a Class 4 insurer, eligible to write property and casualty insurance, as well as a long-term insurer, eligible to write life insurance. Initially, Everest Bermuda's revenues will derive primarily from investment of its capital. Over time, incremental revenues are also expected to be derived from premium income. Everest Bermuda intends to emphasize traditional property and casualty reinsurance lines, including property catastrophe and casualty excess reinsurance, and also to expand its product offerings into alternative risk and financial product and life reinsurance lines. Everest Bermuda will operate in the Bermuda insurance and reinsurance marketplace as well as internationally.

After the restructuring, Everest Group intends to establish a new Delaware subsidiary, Everest Global Services, Inc., to perform administrative and back-office functions for Everest Group and its U.S. based and non-U.S.-based insurance subsidiaries. After Everest Global Services is established, Everest Re employees who are currently performing administrative and back-office functions will be transferred to employment with Everest Global Services and will perform those functions on behalf of Everest Global Services.

Everest Merger was recently organized under the laws of Delaware in order
to accomplish the proposed restructuring and is wholly owned by Everest Group. Everest Merger has no significant assets or capitalization and has not engaged in any business or prior activities other than in connection with the restructuring.

MARKET PRICE AND DIVIDEND INFORMATION

The common stock of Everest Holdings is traded on the NYSE under the symbol "RE." The following table shows, for the calendar quarters indicated, the high and low sales prices per share of Everest Holdings common stock as reported on the NYSE Composite Tape.

Recent Closing Prices

On September 16, 1999, the last trading day before public announcement of the restructuring, the closing sales price of Everest Holdings common stock was $27.125 per share. On , 1999, the last practicable trading day prior to the date of this document, the closing sales price of Everest Holdings common stock was $ per share.

The market price of Everest Holdings common stock will fluctuate prior to the restructuring. Similarly, the market value of the Everest Group common shares that Everest Holdings stockholders will receive in the restructuring may fluctuate following the restructuring. You should obtain current market quotations for Everest Holdings common stock. The future prices or markets for Everest Holdings common stock or Everest Group common shares cannot be predicted.

Number of Stockholders

As of [Record Date], 1999, there were approximately [120] stockholders of record who held shares of Everest Holdings common stock, as shown on the records of Everest Holdings, transfer agent for the common stock. That number excludes the beneficial owners of shares held in “street” name or held through participants in depositories, such as The Depository Trust Company.

Everest Holdings is currently the sole shareholder of Everest Group.

Dividend History and Restrictions

In 1995, the board of directors of Everest Holdings established a policy of declaring regular quarterly cash dividends. The first quarterly dividend was $0.03 per share, declared and paid in the fourth quarter of 1995. Everest Holdings declared and paid its regular quarterly cash dividend of $0.03 per share for each quarter of 1996, $0.04 per share for each quarter of 1997, $0.05 per share for each quarter of 1998 and $0.06 per share for each of the first three quarters of 1999. Everest Holdings also has declared a dividend of $0.06 per share for the fourth quarter of 1999.

The declaration and payment of future dividends, if any, by Everest Holdings, and after the restructuring is completed by Everest Group, will be at the discretion of the board of directors and will depend upon many factors, including earnings, financial condition, business needs and growth objectives, capital and surplus requirements of operating subsidiaries, regulatory restrictions, rating agency considerations and other factors. As an insurance holding company, Everest Holdings depends, and after the restructuring is completed Everest Group will depend, on dividends and other permitted payments from its subsidiaries to pay cash dividends to its stockholders. After the restructuring is completed, the payment of dividends to Everest Group by Everest Holdings and to Everest Holdings by Everest Re will be subject to Delaware regulatory restrictions and the payment of dividends to Everest Group by Everest Bermuda will be subject to Bermuda insurance regulatory restrictions.

FINANCIAL INFORMATION

ABOUT EVEREST GROUP

The balance sheet showing the initial capitalization of Everest Group appears on page F-3 of this document. Pro Forma financial information regarding Everest Group and its consolidated subsidiaries giving effect to the restructuring has not been included in this document.
because, immediately following the restructuring, the consolidated financial statements of Everest Group will be the same as the consolidated financial statements of Everest Holdings immediately prior to the restructuring. At all times prior to the completion of the restructuring, Everest Group will have only nominal capitalization and no operations. Furthermore, there is currently no trading market for the Everest Group common shares, since Everest Holdings is, and until the restructuring will continue to be, the owner of all the issued and outstanding common shares.

THE SPECIAL MEETING

Solicitation of Proxies

This document is being furnished to Everest Holdings stockholders in connection with the solicitation of proxies by the Everest Holdings board of directors for use at the special meeting of stockholders to be held on [Meeting Date], 1999 at [Meeting Time] at [Meeting Place]. This document and the enclosed proxy card are being mailed to stockholders on or about [Mailing Date], 1999.

In addition to solicitation by mail, directors, officers and employees of Everest Holdings may solicit proxies from the stockholders of Everest Holdings personally or by telephone, telecopy or telegram or other forms of communication. None of these persons will be specifically compensated for those services but Everest Holdings may reimburse them for their reasonable out-of-pocket expenses. Everest Holdings will request brokerage houses, nominees, fiduciaries and other custodians to forward soliciting materials to beneficial owners and will reimburse them for their reasonable expenses incurred in sending those materials to beneficial owners.

Everest Holdings has also retained Corporate Investor Communications, Inc. to assist in the solicitation of proxies from its stockholders. The fee paid by Everest Holdings to Corporate Investor Communications, Inc. for these services will be approximately $6,500, plus reimbursement of reasonable out-of-pocket costs and expenses.

Record Date

The Everest Holdings board of directors has fixed the close of business on [Record Date], 1999 as the record date for the determination of the holders of Everest Holdings common stock entitled to receive notice of and to vote at the special meeting. You may vote at the special meeting only if you owned Everest Holdings common stock at that time.

As of the record date, there were shares of Everest Holdings common stock issued and outstanding. Each share of Everest Holdings common stock outstanding on the record date is entitled to one vote on each matter properly submitted at the special meeting.

Voting

Adoption of the agreement and plan of merger requires the affirmative vote of a majority of the shares of Everest Holdings common stock.

Any abstention and any broker non-vote, as explained below, will have the same effect as a vote against the adoption of the agreement and plan of merger. Under the rules of the NYSE, brokers who hold shares in street name for customers will not have authority to vote on the adoption of the agreement and plan of merger unless they receive specific instructions from the beneficial owners of those shares. Shares that are not voted because brokers did not receive any specific instructions are referred to as “broker non-votes.”

The presence, in person or represented by proxy, of a majority of the shares of Everest Holdings common stock entitled to vote at the special meeting will constitute a quorum for the transaction of business. Abstentions and broker non-votes will be counted as present for purposes of determining a quorum.

As of [Record Date], 1999, directors and executive officers of Everest Holdings.
Holdings and their affiliates owned beneficially an aggregate of shares of Everest Holdings common stock, including shares that may be acquired within 60 days of that date upon the exercise of stock options, or approximately % of the shares of Everest Holdings common stock outstanding on that date. The directors and executive officers have indicated their intention to vote the shares they hold in favor of the adoption of the agreement and plan of merger.

Proxies

Each copy of this document mailed to Everest Holdings stockholders is accompanied by a form of proxy for use at the special meeting. Shares of Everest Holdings common stock represented by a proxy properly submitted as described below and received at or prior to the special meeting, unless subsequently revoked, will be voted in accordance with the instructions on the proxy.

To submit a proxy, holders of Everest Holdings common stock should complete, sign, date and mail the proxy card provided with this document in accordance with the instructions set forth on the card. If a proxy card is signed and returned without indicating any voting instructions, shares of Everest Holdings common stock represented by the proxy will be voted “FOR” the adoption of the agreement and plan of merger.

Any person who submits a proxy with voting instructions may revoke it any time before it is voted:

- by giving written notice of revocation to Everest Holdings, addressed to Janet J. Burak, 477 Martinsville Road, P.O. Box 830, Liberty Corner, New Jersey 07938-0830, if the notice of revocation is received by Everest Holdings prior to the special meeting;
- by submitting a later dated proxy with voting instructions by mail, if the proxy is received by Everest Holdings prior to the special meeting; or
- Everest Holdings stockholders who have instructed a broker to vote their shares must follow directions received from their broker to revoke their proxy.

Other Matters

The Everest Holdings board of directors is not currently aware of any business to be acted upon at its special meeting of stockholders, other than as described in this document. If, however, other matters related to the proposed restructuring and merger are properly brought before the special meeting, the persons appointed as proxies will have discretion to vote or to act on those matters according to their best judgment, unless otherwise indicated on any particular proxy. The persons appointed as proxies also will have discretion to vote on adjournment of the special meeting. An adjournment may be proposed for the purpose of soliciting additional proxies. Notwithstanding the forementioned, shares represented by proxies voting against the adoption of the agreement and plan of merger will be voted against a proposal to adjourn the special meeting for the purpose of soliciting additional proxies.

THE PROPOSED RESTRUCTURING

Description of the Restructuring

On September 16, 1999, the board of directors of Everest Holdings approved a plan under which Everest Holdings and its subsidiaries would be restructured as follows:

- Everest Group, a company organized in Bermuda and with its principal office in Barbados, will become the new publicly-owned parent corporation of Everest Holdings.
- Everest Holdings, as a subsidiary of Everest Group, will continue to act as the holding company for the subsidiaries of Everest Holdings in the United States and Canada.

The restructuring would be accomplished in the following steps:

- Everest Group will also be the holding corporation for a new Bermuda-based reinsurance subsidiary, Everest Bermuda.
Everest Holdings has organized a subsidiary, Everest Group, under the laws of Bermuda and established its principal office in Barbados.

Everest Group has organized a Delaware subsidiary, Everest Merger.

Everest Merger will be merged into Everest Holdings, with Everest Holdings as the surviving corporation. When the merger is completed, Everest Holdings will become a subsidiary of Everest Group and each outstanding share of common stock of Everest Holdings will be converted into one common share of Everest Group.

In connection with the restructuring, Everest Group also intends to form a new Delaware subsidiary, Everest Global Services, to perform administrative and back-office functions for Everest Group and its U.S.-based and non-U.S.-based subsidiaries.

The present corporate structure of Everest Holdings and its subsidiaries and the corporate structure that would result from the proposed restructuring are illustrated on the following pages.

Background and Reasons for the Restructuring

International activities of Everest Holdings and its subsidiaries are a significant part of Everest Holdings’ activities. Everest Holdings and its subsidiaries have offices in Canada, the United Kingdom, Belgium, Hong Kong and Singapore, as well as in the United States. In 1998, approximately 31% of the gross premiums written by Everest Holdings and its subsidiaries represented non-U.S. based risks or risks written by non-U.S. based reinsurers, principally in the United Kingdom, continental Europe, Latin America, Australia and Asia. Everest Holdings does not have any operations in Bermuda, which has become one of the largest insurance markets in the world for property catastrophe and high excess liability coverages.

The board of directors of Everest Holdings believes that the proposed restructuring will provide Everest Group with an enhanced ability to compete and create better returns for stockholders by permitting Everest Group to take maximum advantage of favorable business, regulatory, tax and financing environments in Bermuda and Barbados. In particular, the board is recommending the restructuring for the following reasons:

- After the merger is completed, Everest Group will capitalize Everest Bermuda, its Bermuda-based reinsurance subsidiary.
- The board of directors believes that Bermuda is an important insurance market that attracts a significant deal flow because of its favorable business, regulatory and tax environments, and having a presence in Bermuda is important as a competitive matter.
- The board of directors believes that, compared to U.S. state regulatory environments, the Bermuda regulatory environment offers insurance companies more flexibility to price their products, develop new products and write additional lines of reinsurance and imposes fewer restrictions on an insurance company’s ability to make investments and distribute capital to shareholders.
- The board of directors believes that a holding company structure in the form proposed by the restructuring will provide a more suitable corporate structure for expansion of Everest Group’s business and future acquisitions and diversification opportunities. Everest Group currently has no specific plans for material acquisitions or to significantly diversify its business from the business that Everest Holdings is currently conducting and that Everest Bermuda is expected to conduct subsequent to the restructuring.

Accordingly, the board of directors of Everest Holdings has declared the agreement and plan of merger to be advisable, has approved it and recommends that stockholders vote "FOR" its adoption.

All statements regarding the expected benefits of the restructuring and merger and related matters are forward-looking statements. You should be aware that these statements and any other forward-looking statements in this document only reflect current 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
The board of directors believes that the establishment of Bermuda and Barbados operations will, over a period of time, reduce corporate income taxes because, unlike the U.S. tax system which imposes corporate income tax on the worldwide income of U.S. corporations, Bermuda generally imposes no corporate income taxes on foreign income and Barbados generally imposes corporate income tax only on some foreign income of a non-Barbados company managed and controlled in Barbados. Income taxes should therefore be reduced to the extent operations after the restructuring are conducted outside of the United States and outside of other countries with significant corporate taxes. To the extent that Everest Group’s taxes are reduced, it expects to be able to price its products more competitively.

Everest Merger will be merged with and into Everest Holdings, with Everest Holdings as the surviving corporation; each share of Everest Holdings common stock issued and outstanding immediately prior to the merger will be converted into one Everest Group common share; each share of Everest Merger common stock issued and outstanding immediately prior to the merger will remain outstanding and be converted into one share of the surviving corporation; the certificate of incorporation of Everest Holdings as in force and effect immediately prior to the effective time of the merger will be the certificate of incorporation of the surviving corporation; and the by-laws of Everest Holdings as in force and effect immediately prior to the effective time of the merger will be the by-laws of the surviving corporation; and

Effects of the Restructuring

As a result of the proposed restructuring, the stockholders of Everest Holdings will become the shareholders of Everest Group. The interests of the Everest Group shareholders will be the same as their interests in Everest Holdings prior to the restructuring, with each shareholder owning the same number of Everest Group common shares as the number of shares of Everest Holdings common stock owned immediately prior to the restructuring. Each shareholder’s percentage ownership in Everest Group immediately following the restructuring will be identical to that shareholder’s percentage interest in Everest Holdings immediately before the restructuring.

The rights of stockholders of Everest Holdings currently are governed by Delaware law and the certificate of incorporation and by-laws of Everest Holdings. After the restructuring, the rights of shareholders of Everest Group will be governed by Bermuda law and the memorandum of association and bye-laws of Everest Group. We have filed copies of the memorandum of association and bye-laws of Everest Group as exhibits to the registration statement of which this document is a part. For a discussion of material differences between the rights of Everest Holdings stockholders and Everest Group shareholders, see “Description of Everest Group Share Capital — Comparison of Rights of Holders of Everest Group Common Shares and Holders of Everest Holdings Common Stock.”

Conditions of the Merger

The obligation of Everest Holdings and Everest Merger to effect the merger is subject to the satisfaction or waiver of the following conditions:

The directors and officers of Everest Holdings who are in office immediately prior to the effective time of the merger will be the directors and officers of the surviving corporation and will remain in office until the election and qualification of their successors or until their tenure is otherwise terminated in accordance with the by-laws of the surviving corporation.

The Everest Holdings stockholders will have adopted the agreement and plan of merger;

The registration statement on Form S-4 filed with the SEC to register the Everest Group common shares to be issued in the merger will have become effective under the Securities Act, and no stop order or proceeding seeking a stop order with respect to that registration statement will be in effect;

The Everest Group common shares issuable to stockholders pursuant to the agreement and plan of merger will have been approved by the NYSE for listing, subject to official notice of issuance;

The merger will have received all required consents and approvals from applicable governmental and regulatory authorities and other persons, and all applicable waiting periods will have expired; and

The boards of directors of each of Everest Holdings and Everest Merger may waive any of the above conditions at any time prior to the effective time of the merger. As a practical matter, however, the parties will not be able to waive any of the conditions other than those involving listing the common shares on the NYSE and obtaining a consent or approval that has not yet been obtained where the failure to obtain that consent or approval would not have a material adverse effect on the business of Everest Group.

Effective Time of the Merger

If the Everest Holdings stockholders approve the agreement and plan of merger, the merger will become effective after the filing of a certificate of merger with the Secretary of the State of the State of Delaware in accordance with Delaware law. It is currently contemplated that the certificate of merger will be filed and the merger will
become effective on [Effective Time], 1999, or as soon thereafter as the above conditions are satisfied.

In the event the conditions to the merger are not satisfied, the merger may be abandoned or delayed even after the restructuring and merger have been approved by the Everest Holdings stockholders. In addition, the merger may be abandoned or delayed for any reason by the board of directors of Everest Holdings at any time prior to its becoming effective, even though the agreement and plan of merger has been approved by the Everest Holdings stockholders and all conditions to the merger have been satisfied.

Additional Agreements

- no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the merger will be in effect.

The agreement and plan of merger provides that, at the effective time of the merger, Everest Group will assume all of the rights and obligations of Everest Holdings under:

**Benefit Plans and Stock Options**

- the annual incentive plan,
- the executive performance annual incentive plan,
- the 1995 stock incentive plan,
- the 1995 stock option plan for non-employee directors,
- the senior executive change of control plan and

All outstanding options to purchase Everest Holdings common stock will be converted into equivalent options to purchase Everest Group common shares, with any adjustment or amendment appropriate in order to accommodate Bermuda law issues. Sponsorship of other benefit plans, such as pension, profit sharing and welfare benefit plans, should not be affected by the merger.

- all other plans, arrangements or agreements under which Everest Holdings stock options have been granted.

To the extent that the merger could constitute a "change of control" that would trigger additional benefits, including vesting of stock options awarded to its employees and directors, the affected employees and directors have agreed in writing that the restructuring will not constitute or result in a "change of control" or similar event.

**Change of Control Provisions**

The only executive officer of Everest Holdings and Everest Re who has a written employment agreement with those companies is Joseph V. Taranto, the Chairman and Chief Executive Officer. In connection with the restructuring, Mr. Taranto will enter into an amendment to his current employment agreement with Everest Holdings and Everest Re. The amendment will provide that Mr. Taranto will be the Chairman and Chief Executive Officer of Everest Group and that he will provide services to Everest Group that are comparable to those that he is required to provide for Everest Holdings under the current employment agreement. Everest Group will be a party to the employment agreement as amended and will have rights, powers, duties and obligations under the employment agreement that are generally co-extensive with those of Everest Holdings. References in Mr. Taranto’s employment agreement to benefit plans, arrangements and agreements that are being assumed by Everest Group in connection with the restructuring will be changed to references to the plans as assumed by Everest Group. Mr. Taranto will remain an employee of Everest Re until Everest Global Services is established. The amendment to Mr. Taranto’s employment agreement will provide that upon the establishment of Everest Global Services, and at the request of the board of directors of Everest Group, Mr. Taranto will become an employee of Everest Global Services and will provide services to Everest Re, as an employee of Everest Global Services, that are the same as those he has provided to Everest Re under his current employment agreement. Although Everest Global Services will be substituted for Everest Re under the employment agreement upon Mr. Taranto’s transfer of employment to Everest Global Services, Everest Re will guarantee the financial obligations of Everest Global Services under the employment agreement. Mr. Taranto’s transfer of employment to Everest Global Services will not affect his positions as Chairman and Chief Executive Officer of Everest Re, Everest Holdings and Everest Group or his participation in employee benefit plans that are the same as those provided to employees of Everest Re.
amendment to his current change of control agreement with Everest Holdings and Everest Re that will provide that, after the restructuring, transactions with respect to Everest Group will trigger benefits under the change of control agreement to the same extent that transactions with respect to Everest Holdings would trigger benefits prior to the amendment. After the amendment, any of the following events with respect to Everest Group or Everest Re will constitute a material change under the change of control agreement:

**Employment Agreements**

- the completion of a tender offer or exchange offer for the ownership of securities of Everest Re or Everest Group representing 25% or more of the combined voting power of that company’s then outstanding voting securities;
- the completion of a merger or consolidation of Everest Re or Everest Group with another corporation that results in less than 75% of the outstanding voting securities of the surviving or resulting corporation being owned by the former stockholders of Everest Re, Everest Group or their affiliates;
- the transfer by Everest Re or Everest Group of substantially all of its assets to another corporation or entity that is not a wholly owned subsidiary of Everest Re or Everest Group;
- the acquisition by any person of direct or indirect beneficial ownership of securities of Everest Re or Everest Group representing 25% or more of the combined voting power of the then outstanding securities of Everest Re or Everest Group; and

In the event that Mr. Taranto becomes an employee of Everest Global Services, Everest Global Services will become a party to the change of control agreement and Everest Re will guarantee the financial obligations of Everest Global Services under the agreement.

As amended, the change of control agreement will provide that if, within one year after the occurrence of one of those material changes, Mr. Taranto terminates his employment with Everest Re or Everest Global Services, as applicable, for any reason or if Everest Re or Everest Global Services, as applicable, terminates Mr. Taranto’s employment for any reason other than for due cause then Mr. Taranto will be entitled to the following benefits:

- a tender offer, merger, consolidation, sale of assets or contested election, or any combination of those transactions, which causes the persons who were members of the board of directors of Everest Re or Everest Group immediately before the transaction to cease to constitute at least a majority of that board of directors;
- all of Mr. Taranto’s outstanding stock options will immediately vest and become exercisable;
- Mr. Taranto will receive a cash payment equal to the lesser of:
  - 2.99 multiplied by Mr. Taranto’s annual compensation for the most recent taxable year ending prior to the date of the material change, less the value of Mr. Taranto’s gross income in the most recent taxable year ending prior to the date of a material change attributable to Mr. Taranto’s exercise of stock options, stock appreciation rights and other stock-based awards granted to Mr. Taranto, and
  - 2.99 multiplied by Mr. Taranto’s “annualized includible compensation for the base period” as that phrase is defined in Section 280G(d) of the Code;
- Mr. Taranto will continue to be covered under the medical and dental insurance plans of Everest Re or Everest Global Services, as applicable, for a period of three years from the date of termination; and

In the event that the benefits Mr. Taranto receives under the change of control agreement cause him to receive a “parachute payment” within the meaning of Section 280G of the Code, Mr. Taranto’s benefits will be reduced to an amount that is one dollar less than the amount that would cause a parachute payment. If an award made under the change of control agreement nevertheless results in an assessment against Mr. Taranto of a “parachute tax” pursuant to Section 4999 of the Code, Mr. Taranto will be entitled to receive an additional amount of money that would put him in the same net tax position had no parachute tax been incurred.

The change of control agreement will terminate on the earliest of the following events:

- Mr. Taranto will receive special retirement benefits in an amount that will equal the retirement benefits he would have received had he been continued in the employ of Everest Re or Everest Global Services, as applicable, for three years following his termination under the Everest Reinsurance Retirement Plan and any supplemental, substitute, or successor retirement plans.
- one year following a material change;
- termination by Mr. Taranto of his employment with Everest Re or Everest Global Services, as applicable, under circumstances not following a material change;
- the termination by Everest Re or Everest Global Services, as applicable, of Mr. Taranto’s employment for due cause; and

- December 31, 2001, or any date thereafter, with 60 days written notice.

On September 24, 1998, the board of directors of Everest Holdings declared a dividend of one preferred share purchase right for each outstanding share of Everest Holdings common stock. Under the terms of a rights agreement between Everest Holdings and the rights agent, First Chicago Trust Company of New York, the rights are triggered only when a person or group acquires 15% or more of Everest Holdings common stock or makes, or announces its intention to make, a tender offer for 15% or more of Everest Holdings common stock. When triggered, each right entitles its holder under some circumstances to purchase Everest Holdings common stock at half-price. The Everest Holdings rights agreement is filed as an exhibit to the registration statement of which this document is a part. You should refer to the rights agreement for more detailed information. For more information on how to obtain this document, see "Where You Can Find More Information."

The board of directors of Everest Holdings has amended the rights agreement to provide that it will not be triggered by
the agreement and plan of merger or the restructuring.

Everest Group does not currently have a rights agreement in place, and the agreement and plan of merger does not provide for the adoption of a rights agreement by Everest Group. However, the Everest Group board of directors may choose at any time following the restructuring to adopt a rights agreement, which may include some or all of the provisions of the Everest Holdings' rights agreement.

Exchange of Stock Certificates

Stockholders should not send their Everest Holdings stock certificates with their proxy cards. If the merger is completed, a transmittal form with instructions on how to exchange stock certificates for share certificates of Everest Group will be mailed to stockholders.

Stock Exchange Listing

Everest Holdings common stock is currently listed on the NYSE under the symbol "RE." Everest Group is applying to list the Everest Group common shares that will be issued in the merger on the NYSE. Everest Group is requesting that these common shares be listed on the NYSE under Everest Holdings' current trading symbol, "RE."

Absence of Appraisal Rights

Appraisal rights are statutory rights that enable stockholders who object to certain extraordinary transactions, such as mergers, to demand that the corporation pay the fair value for their shares as determined by a court in a judicial proceeding in lieu of receiving the consideration offered to stockholders in connection with the extraordinary transaction. Appraisal rights are not available in all circumstances.

Under Section 262 of the Delaware General Corporation Law, Everest Holdings stockholders are not entitled to appraisal rights in connection with the merger because Everest Holdings common stock was listed on the NYSE on the record date for the special meeting and the common shares that stockholders will be entitled to receive will be listed on the NYSE at the completion of the merger.

Resale of Everest Group Common Shares

The common shares issuable to stockholders in the merger have been registered under the Securities Act. These shares may be traded freely and without restriction by those stockholders not deemed to be "affiliates" of Everest Holdings or of Everest Group, subject to restrictions contained in the Everest Group bye-laws. "Affiliates" are generally defined as persons who control, are controlled by or are under common control with, Everest Holdings or Everest Group at the time of the special meeting. Everest Group common shares received by these stockholders of Everest Holdings who are deemed to be "affiliates" of Everest Holdings or Everest Group may be resold without registration only as provided for by Rule 144, or as otherwise permitted, under the Securities Act. The registration statement to register the Everest Group common shares to be issued in the merger, of which this document is a part, does not cover any resales of common shares received by affiliates of Everest Holdings or Everest Group in the merger.

Regulatory Filings and Approvals

Everest Holdings' insurance subsidiaries are subject to the insurance statutes and regulations of the states and foreign countries in which they are domiciled or licensed. In the United States, state insurance holding company statutes generally require approval of the acquisition of control of insurance companies domiciled or commercially domiciled in those states, whether the acquisition of control is direct or indirect. Accordingly, Everest Group has obtained the approval of its acquisition of control of Everest Holdings' insurance subsidiaries from the insurance regulatory authorities in Delaware, where Everest Re and Everest Indemnity are domiciled, and in Arizona, where Everest National is domiciled. Everest Group will also give written notice of the restructuring to the insurance regulatory authorities in some other states where Everest Holdings' insurance subsidiaries are licensed.
applications seeking approval of the restructuring with the insurance and financial services regulatory authorities in Canada, where Everest Canada is domiciled and Everest Re has branch operations, and in the United Kingdom, where Everest Re has branch operations. Everest Group will also give written notice of the restructuring to the insurance and financial services regulatory authorities in Belgium, Hong Kong and Singapore, where Everest Re has branch operations.

Receipt of approvals from the appropriate regulatory authorities in Delaware, Arizona, Canada and the United Kingdom is a condition to the merger, although the agreement and plan of merger allows Everest Holdings, Everest Group and Everest Merger to waive this condition. Everest Group and Everest Holdings cannot assure you that these approvals will be obtained, or, if obtained, will not include conditions that could result in the abandonment of the restructuring. Everest Group and Everest Holdings have not determined how they will respond to conditions that may be sought by governmental entities in connection with any requisite approvals. If any conditions are sought by governmental entities, Everest Group and Everest Holdings will make those determinations at the appropriate time.

Accounting Treatment of the Restructuring

It is anticipated that the acquisition by Everest Group of Everest Holdings in connection with the restructuring will be accounted for at historical cost in a manner similar to a pooling of interests.

MANAGEMENT Board of Directors

The board of directors of Everest Group will consist of six members and will be divided into three classes of two directors each. The Class I directors will be subject to election at the 2000 annual general meeting of shareholders, the Class II directors at the 2001 annual general meeting of shareholders and the Class III directors at the 2002 annual general meeting of shareholders. Prior to the restructuring, Everest Holdings will elect all of the current directors of Everest Holdings to serve for comparable terms as directors of Everest Group.

Information about each of those individuals is set forth below.

Martin Abrahams, 66, became a Class I director of Everest Holdings on March 12, 1996 and a director of Everest Re on March 13, 1996. Mr. Abrahams, currently retired, served with the accounting firm of Coopers & Lybrand L.L.P. from 1957 and was a partner in that firm from 1969 to 1995.

Kenneth J. Duffy, 69, became a Class II director of Everest Holdings on March 12, 1996 and a director of Everest Re on March 13, 1996. Mr. Duffy is currently a Senior Advisor to CGU plc, an insurance holding company, having been associated with that organization for more than 40 years. He served as President and Chief Executive of Commercial Union Corporation, the CGU United States subsidiary, from January 1981, as Chairman and Chief Executive from January 1993 and as Chairman from his retirement in January 1995 until October 1998. He is the President and a director of Carepool (Bermuda) Ltd. He is also a vice president of the Insurance Institute of London and a fellow of the Institute of Risk Management.

John R. Dunne, 69, became a Class I director of Everest Holdings and a director of Everest Re on June 10, 1996. Mr. Dunne, an attorney and member of the bar of both New York and the District of Columbia, has since 1994 been counsel to the law firm of Whiteman, Osterman & Hanna in Albany, New York. Mr. Dunne was counsel to the Washington DC law firm of Bayh, Connaughton & Maloney from 1993 to 1994. From 1990 to 1993, he served as an Assistant Attorney General for the United States Government, Department of Justice. From 1966 to 1989 Mr. Dunne served as a New York State Senator while concurrently practicing law as a partner in New York law firms. Mr. Dunne is a director of CGU Corporation.

Thomas J. Gallagher, 50, became a Class III director of Everest Holdings on March 13, 1996 and has served as a director of Everest Re since 1987. Elected President and Chief Operating Officer of both Everest Holdings and Everest Re on February 24, 1997, Mr. Gallagher had been Executive Vice President of both companies since December 1995 and a Senior Vice President of Everest Holdings since 1994 and of Everest Re since 1989. Since joining Everest Re in 1975, he has served as an
underwrite in the facultative and treaty departments, as vice president in charge of the facultative department and as vice president in charge of the treaty casualty department. Mr. Gallagher currently serves as a director and Chairman of Everest National, as a director and Chairman of Everest Canada, as a director and Chairman and Chief Executive Officer of Everest Indemnity and as a director of WorkCare Southeast and WorkCare Southeast of Georgia.

William F. Galtney, Jr., 47, became a Class III director of Everest Holdings on March 12, 1996 and a director of Everest Re on March 13, 1996. Since 1983, Mr. Galtney has been the Chairman and Chief Executive Officer of Healthcare Insurance Services, Inc., a managing general and surplus lines agency indirectly owned by The Galtney Group, Inc., a holding company of which he is also Chairman and Chief Executive Officer. Mr. Galtney also serves as either the chairman or a director of various subsidiaries and affiliates of The Galtney Group. Mr. Galtney is a director of Mutual Risk Management Ltd.

Joseph V. Taranto, 50, became a Class II director and Chairman of the Board and Chief Executive Officer of Everest Holdings and Everest Re on October 17, 1994 and served as President of both companies from December 1994 until Mr. Gallagher’s election as President on February 24, 1997. Mr. Taranto was a director and President of Transatlantic Holdings, Inc. and a director and President of Transatlantic Reinsurance Company and Putnam Reinsurance Company (both subsidiaries of Transatlantic Holdings, Inc.) from 1986 to 1994.

Following the restructuring, the number of directors constituting the board of directors of Everest Holdings will be reduced to three and Joseph V. Taranto, Thomas J. Gallagher and Stephen L. Limauro will serve as those directors.

Executive Officers

Prior to the restructuring, the board of directors of Everest Group will elect all of the current executive officers of Everest Holdings to serve in identical capacities as executive officers of Everest Group. In addition to Mr. Taranto, who will serve as Chairman of the Board and Chief Executive Officer, and Mr. Gallagher, who will serve as Deputy Chairman, President and Chief Operating Officer, the following current executive officers of Everest Holdings will become executive officers of Everest Group:

Stephen L. Limauro, 48, became Comptroller of Everest Holdings and Everest Re on September 25, 1997 and Chief Financial Officer and Treasurer of Everest Holdings and Everest Re on November 17, 1999. He became a Senior Vice President of Everest Holdings and Everest Re on February 23, 1999. He served as Assistant Comptroller of Everest Re from June 20, 1988 until September 25, 1997. From May 1995 until September 1997, he was Vice President, Treasurer and Assistant Comptroller of Everest Holdings. Mr. Limauro also is a director and Comptroller of Everest National and Everest Indemnity. He also serves as a director, Assistant Treasurer and Assistant Controller to Everest Canada and he is Comptroller of Mt. McKinley. He serves as a director and President of Everest Ltd. and is Comptroller of WorkCare Southeast and WorkCare Southeast of Georgia and Chief Accountant of WorkCare, Inc.

Janet J. Burak (formerly Janet Burak Melchione), 49, became Vice President, General Counsel and Secretary of Everest Holdings upon its organization on November 11, 1993. She became a Senior Vice President of Everest Holdings and Everest Re on January 31, 1994. Ms. Burak has served as General Counsel of Everest Re since 1985 and in 1986 was appointed Secretary. Ms. Burak is a director and Assistant Secretary of Everest National and Everest Indemnity. She is a director, Vice President and Assistant Secretary of Everest Ltd., Secretary of Everest Canada and Assistant Secretary of Mt. McKinley, WorkCare Southeast and WorkCare Southeast of Georgia. She serves as Associate General Counsel of WorkCare, Inc.

Transitional

Directors and Officers of Everest Group

The board of directors of Everest Group currently consists of two directors, Mr. Limauro, who serves as Chairman, and Ms. Burak, who serves as Deputy Chairman. Mr. Limauro and Ms. Burak will resign from those positions prior to the restructuring and the individuals described above under the captions "Board of Directors" and "Executive Officers" will be elected or appointed to their respective positions.
Director and Executive Compensation

Everest Group has not paid compensation to any person before the date of this document and is not expected to do so prior to the restructuring. Following the restructuring, Everest Group anticipates that the compensation received by persons serving as officers and directors of Everest Group will be similar to the compensation paid to those persons prior to the restructuring for serving as officers and directors of Everest Holdings.

Stock Ownership of Certain Beneficial Owners and Management

Information concerning stock ownership of certain beneficial owners and management of Everest Holdings is contained in Everest Holdings’ Annual Report on Form 10-K for the year ended December 31, 1998 and is incorporated in this document by reference. For more information on how to obtain this report, see “Where You Can Find More Information.”

All of the outstanding capital shares of Everest Group are currently owned, and until the completion of the restructuring will continue to be owned, by Everest Holdings.

Certain Relationships and Related Transactions

Information concerning certain relationships and related transactions of Everest Holdings is contained in Everest Holdings’ Annual Report on Form 10-K for the year ended December 31, 1998 and is incorporated in this document by reference. For more information on how to obtain this report, see “Where You Can Find More Information.”

MATERIAL TAX CONSIDERATIONS

This discussion covers the principal Bermuda, Barbados and U.S. federal income tax consequences of the restructuring and of the ownership and disposition of Everest Group common shares. Other tax considerations not discussed below may be applicable to the restructuring and to a decision to hold or dispose of Everest Group common shares. Unless explicitly noted to the contrary, this discussion applies only to investors who are, as defined below, U.S. holders holding the shares of Everest Holdings and Everest Group as capital assets. The tax treatment of any particular stockholder may vary depending on that stockholder’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 restructuring and of the ownership and disposition of Everest Group 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:

Rights Agreement

- 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

As used in this discussion, the term “U.S. holder” means a U.S. person that holds Everest Holdings common stock or Everest Group common shares as capital assets within the meaning of Section 1221 of the Code.
counsel, and is subject to the qualifications and assumptions set forth in their opinion. The discussion of Barbados tax law below is based on the opinion of Clarke & Co., Everest Group’s Barbados counsel, and is subject to the qualifications and assumptions set forth in their opinion. The discussion of U.S. federal income tax law below is based on the opinion of Mayer, Brown & Platt, Everest Group’s United States counsel, and is subject to the qualifications and assumptions set forth in their opinion.

**Tax Consequences of the Restructuring**

Under current Bermuda law, no income tax, capital gains tax or withholding tax will be payable by Everest Holdings, Everest Group or any Everest Holdings stockholder as a consequence of the restructuring.

Bermuda

No income tax, capital gains tax or withholding tax will be payable in Barbados by Everest Holdings, Everest Group or any Everest Holdings stockholder by reason of the restructuring.

Barbados

The following is a summary of the principal U.S. federal income tax consequences of the restructuring to U.S. holders of Everest Holdings common stock. This summary is not binding on the IRS, and there can be no assurance that the IRS will not take a position contrary to one or more of the positions described below, or that those positions would be upheld by the courts if challenged by the IRS. No rulings have been or will be requested from the IRS with respect to any aspect of the restructuring.

Everest Holdings has received an opinion from its United States counsel, Mayer, Brown & Platt, to the effect that the merger will be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. This opinion is based in part on representations made by Everest Holdings and particular Everest Holdings stockholders with respect to the lack of a plan or intent to dispose of the Everest Group common shares they would receive in the merger. Assuming that the merger so qualifies as a reorganization, it will not constitute a taxable event for either Everest Holdings or Everest Group at the corporate level. However, at the stockholder level, under Section 367 of the Code and the related regulations, the exchange of Everest Holdings common stock for Everest Group common shares will not qualify for nonrecognition of gain treatment. As a result:

United States

- a U.S. holder of Everest Holdings common stock will recognize gain in an amount equal to the excess, if any, of the fair market value of the Everest Group common shares at the time of the merger over the holder’s adjusted basis in the Everest Holdings common stock surrendered; and

Any gain recognized will be capital gain and will be long-term capital gain if, as of the date of the reorganization, the shares of Everest Holdings were held for more than one year. A U.S. holder that recognizes gain with respect to the reorganization will have an aggregate basis in its Everest Group shares equal to the aggregate adjusted tax basis in the Everest Holdings common stock surrendered in the merger, increased by the amount of gain recognized. The holding period for any Everest Group common shares received by a U.S. holder recognizing gain in the merger will commence at the effective time of the merger. A U.S. holder that realizes but does not recognize loss as a result of the reorganization will have an aggregate basis in its Everest Group shares equal to that of its Everest Holdings common stock surrendered in the merger, increased by the amount of gain recognized. The holding period for any Everest Group common shares received by a U.S. holder recognizing gain in the merger will commence at the effective time of the merger. A U.S. holder that realizes but does not recognize loss as a result of the reorganization will have an aggregate basis in the Everest Holdings common stock surrendered.

Pursuant to Section 6038B of the Code, a U.S. holder that realizes loss on the merger or that does not report taxable gain from the merger on its timely filed federal income tax return for the year that includes the merger is required to file an information return on IRS Form 926 reporting the merger along with specific additional information that is required to be attached to the form. Form 926 and its required attachments must be filed with the holder’s U.S. federal income tax return for the taxable year that includes the reorganization. The information that
must be included with Form 926 is described in
applicable regulations. Everest Holdings will provide
that information to its U.S. holders to enable each U.S.
holder to file its Form 926 on a timely basis. A U.S.
holder’s failure to provide the information
required by Section 6038B of the Code may result in,
among other things, the holder becoming subject to a
penalty equal to 10% of the fair market value of the
U.S. holder’s Everest Holdings common stock
exchanged in the reorganization.

In addition,
applicable regulations under Section 368 of the Code
require that a U.S. holder file with its U.S. income tax
return in the year of the reorganization all facts
pertinent to the reorganization, including (1) a
statement of the basis of Everest Holdings common stock
converted in the reorganization and (2) a statement of
the amount of Everest Group common shares received in
the reorganization, based upon the fair market value of
those common shares on the date of the reorganization.

Information Reporting

Under Section 3406
of the Code and the related regulations, a U.S. holder
that participates in the merger may become subject to
U.S. backup withholding tax at a rate of 31% with
respect to the “gross proceeds” received in
the merger unless that holder:
Backup Withholding.

Ÿ is a corporation or other exempt recipient and, if required, demonstrates that is has that status; or

Any amounts withheld
under the backup withholding rules will be allowed as a
refund or a credit against the holder’s U.S.
federal income tax liability provided that the required
information is furnished to the IRS. Presumably, the
“gross proceeds” would be the fair market
value of the Everest Group common shares received in
exchange for Everest Holdings common stock, although the
Code and regulations are not clear. Nor is it clear how
withholding would be effected since the consideration
received is stock rather than cash. Everest Holdings
stockholders are strongly urged to comply with the
taxpayer identification number and other information
furnishing requirements of Section 3406 of the Code and
the related regulations.

Taxation of Everest
Group and Its Subsidiaries

Ÿ provides a United States taxpayer identification number, certifies that the taxpayer identification number provided is correct and that the holder has not been notified by the IRS that it is subject to backup withholding due to the
under-reporting of interest or dividends, and otherwise complies with the applicable requirements of the backup withholding rules.

Under current
Bermuda law, there is no income tax or capital gains tax
payable by Everest Group or Everest Bermuda. Everest
Group and Everest Bermuda have received from the Bermuda
Minister of Finance an

assurance 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
appreciation, or any tax in the nature of estate duty or inheritance tax, then that tax will not apply to Everest
Group, to Everest Bermuda or to any of their operations
or their shares, debentures or other obligations, until
March 28, 2016. This assurance will not prevent the
imposition of any tax or duty on 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 or Everest Bermuda.
Everest Group currently pays annual Bermuda government
fees of $1,695. Everest Bermuda currently pays annual
Bermuda government fees of $7,120 and annual insurance
fees of $15,000. Everest Group anticipates that, based
on current rates, the annual governmental fee payable by
Everest Group after the issuance of additional common
shares in the merger will be $7,120. 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.

Bermuda

Everest Group will
be registered in Barbados as an external company under
the Companies Act, Cap. 308 of Barbados and will be
licensed as an international business company under the
As a result, Everest Group will be entitled to tax
benefits, including a preferred rate of corporation tax
on profits and gains and an exemption from withholding
tax in respect of any dividends, interest, royalties,
management fees, fees or other income paid or deemed to
be paid to a person who is not resident in Barbados or
who, if so resident, carries on an international
business.

Everest Group will
be subject to a Barbados corporation tax, assessed at a
rate of 2.5% on profits and gains of up to 10 million
Barbados dollars (approximately U.S. $5 million), and at
decreasing rates on profits and gains exceeding that
amount. Everest Group may elect to take a credit in respect of taxes paid to a country other than Barbados, provided, that the election does not reduce the tax payable in Barbados to a rate less than 1% of the profits and gains of Everest Group in any taxable year. As a company incorporated outside of Barbados but managed and controlled in Barbados, Everest Group’s taxable income will not include some types of distributions from non-Barbados sources.

Under Barbados law, capital gains are not taxable and so Everest Group will not be subject to any capital gains tax. The transfer of securities or assets, other than taxable assets, of Everest Group to a non-resident or to another international business company is also exempted from the payment of Barbados property transfer tax and stamp duty.

As an international business company, Everest Group also will be exempt from duties and other imposts on assets that it imports into Barbados for use in its business. These assets would include equipment, plant, machinery fixtures, appliances, apparatus, tools and spare parts, and any raw materials, goods, components and articles that are necessary for Everest Group to carry on its international business.

Barbados

In general, a foreign corporation is subject to:

United States

- 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
- 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.

- U.S. withholding tax on some types of U.S. source income, such as dividends, not effectively connected with a U.S. trade or business.

Absent the benefits of the Bermuda treaty or Barbados treaty, if either Everest Group or Everest Bermuda is 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. That 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 intend to 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. In addition, Everest Group or Everest Bermuda would be subject to the branch profits 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%. 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 would be all of its net profits subject to U.S. federal income tax.

Everest Group has received written guidelines from its United States counsel regarding practices to be avoided so that Everest Bermuda will not be engaged in the conduct of a trade or business in the United States and so that Everest Group will not inadvertently have material amounts of income effectively connected with the conduct of a trade or business within the United States. Everest Group has been advised by counsel that if Everest Bermuda and Everest Group comply with these guidelines, Everest Bermuda should not be subject to U.S. corporate income tax, other than withholding tax on some types of U.S. source income, or Everest Group should not be subject to U.S. corporate income tax, other than withholding tax on some types of U.S. source income, on material amounts of income. Everest Bermuda and Everest Group have represented to counsel that they will follow these guidelines. However, 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 subject to corporate income tax and possibly the U.S. branch profits tax.
The United States and Bermuda have entered into the Bermuda 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 Bermuda 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 Bermuda 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 Bermuda treaty only if its stock is traded in the public market or Bermuda residents or U.S. citizens or residents own 50% or more 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 Bermuda treaty because it is a subsidiary of a publicly-traded company rather than a publicly-traded company itself. No regulations interpreting the Bermuda treaty have been issued. As a result, the IRS could contend that Everest Bermuda is not entitled to the benefits of the Bermuda treaty.

Even if Everest Bermuda is entitled to the benefits of the Bermuda 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's net income will be reduced if Everest Group and/or Everest Bermuda become subject to U.S. corporate income tax. If Everest Bermuda qualified for Bermuda treaty benefits and did not have a permanent establishment in the United States, it would be subject to the branch profits tax on that income. If Everest Bermuda is a resident under the branch profits rules of the Code. For purposes of the Bermuda 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 Bermuda treaty only if its stock is traded in the public market or Bermuda residents or U.S. citizens or residents own 50% or more 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 Bermuda treaty because it is a subsidiary of a publicly-traded company rather than a publicly-traded company itself. No regulations interpreting the Bermuda treaty have been issued. As a result, the IRS could contend that Everest Bermuda is not entitled to the benefits of the Bermuda treaty.

Even if Everest Bermuda is entitled to the benefits of the Bermuda 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's net income will be reduced if Everest Group and/or Everest Bermuda become subject to U.S. corporate income tax. If Everest Bermuda qualified for Bermuda treaty benefits and did not have a permanent establishment in the United States, it would be subject to the branch profits tax on that income. If Everest Bermuda is a resident under the branch profits rules of the Code. For purposes of the Bermuda 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 Bermuda treaty only if its stock is traded in the public market or Bermuda residents or U.S. citizens or residents own 50% or more 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 Bermuda treaty because it is a subsidiary of a publicly-traded company rather than a publicly-traded company itself. No regulations interpreting the Bermuda treaty have been issued. As a result, the IRS could contend that Everest Bermuda is not entitled to the benefits of the Bermuda treaty.
the Barbados treaty and has a permanent establishment in the United States, Everest Group would be taxed at regular corporate rates on all of its income attributable to its U.S. permanent establishment. It would also be subject to a reduced rate of branch profits tax on that income.

**Corporate Income Tax and Branch Profits Tax**

Foreign corporations are subject to U.S. income tax on some “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 Bermuda treaty, the benefits of which Everest Bermuda may be entitled to, contains no provision reducing the rate of withholding tax. The Barbados treaty, the benefits of which Everest Group believes it is entitled to, contains no provision reducing the rate of withholding tax on interest to 5% and reduces the rate of withholding tax on dividends to 5% for dividends received from a subsidiary and 15% for dividends received in respect of ownership interest below 10%.

**Withholding 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.

**Taxation of Shareholders**

**Insurance Excise Tax**

There will be no Bermuda withholding tax on dividends paid by Everest Group.

**Bermuda Taxation**

Because of Everest Group’s status as an international business company, there will be no Barbados withholding tax on dividends paid by Everest Group to shareholders who are not resident in Barbados or who, if so resident, carry on an international business.

**Barbados Taxation**

**Taxation of Dividends.** Generally, cash distributions made on Everest Group 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. 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, 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:
Subpart F income does not include:

- insurance income, which is defined to include any 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.
- 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

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 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 Everest Group 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 by-laws, Everest Group has been advised by its United States counsel 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 “Risk Factors—Everest Group shareholders could be subject to U.S. taxes on undistributed income of Everest Group and/or Everest Bermuda” and “Description of Everest Group Share Capital—Common Shares.”

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 954(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 directly or indirectly through foreign entities owns 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 it is a RPII shareholder directly, indirectly or by attribution owns 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 of the Everest Group 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
Computation of RPII. In order to determine how much RPII Everest Bermuda has earned in each taxable year, Everest Group intends to obtain and rely upon information from its insureds to determine whether any of the insureds or persons related to them own Everest Group common shares and are U.S. persons. Everest Group may not be 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 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 Everest Group 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 Everest Group 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 includable 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 Everest Group 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 report 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 Everest Group 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 Everest Group 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 Everest Group 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 Everest Group 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 value or vote 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.

Tax-Exempt Shareholders. Section 512(b)(17) of the Code requires a tax-exempt entity that directly, indirectly or by attribution owns shares of Everest Group or Everest Bermuda to treat as unrelated business taxable income, often called UBTI, within the meaning of Section 512 of the Code the portion of any deemed distribution to that shareholder of subpart F income under Section 951(a) of the Code that is attributable to insurance income which, if derived directly by that shareholder, would be treated as UBTI. This rule does not apply to income attributable to a policy of insurance or reinsurance with respect to which the person directly or indirectly insured is

- “exempt insurance income” derived prior to January 1, 2000 by a “qualifying insurance company” as defined in Section 953(e) of the Code.
- the tax-exempt shareholder,
- an affiliate of the tax-exempt shareholder which itself is exempt from tax under Section 501(a) of the Code or

Section 512(b)(17) of the Code applies to amounts included in gross income in any taxable year. Thus, if a tax-exempt entity owning stock in Everest Group were required to report subpart F income because Everest Bermuda’s gross RPII were to equal or exceed 20% of its gross insurance income, or because Everest Group or Everest Bermuda were otherwise treated as a CFC for a taxable year and the tax-exempt entity was a U.S. 10% shareholder, the tax-exempt entity owning stock in Everest Group would be required to treat a portion of Everest Group’s subpart F income as UBTI. If you are a tax-exempt entity, you should consult your tax advisors as to the potential impact of Section 512(b)(17) and the UBTI provisions of the Code.

Uncertainty as to Application of RPII. The RPII provisions of the Code have never been interpreted by the courts. In 1991, the IRS proposed regulations interpreting the RPII provisions of the Code. It is not certain whether these regulations will be adopted in their proposed form or what changes or clarifications might ultimately be made or whether any changes, as well as any interpretation or application of RPII by the IRS, the courts or otherwise, might have retroactive effect. Accordingly, the meaning of the RPII provisions and their application to Everest Group and Everest Bermuda is uncertain.

Foreign Tax Credit. Only a portion of the RPII and dividends paid by Everest Group will be treated as foreign source income for purposes of computing a shareholder’s U.S. foreign tax credit limitation. This is because it is anticipated that U.S. persons will own a majority of Everest Group’s shares after the restructuring and because a substantial part of Everest Bermuda’s business includes the insurance of U.S. risks. Everest Group has been advised by its United States counsel that substantially all of the RPII and dividends that are foreign source income will constitute either “passive” or “financial services” income for foreign tax credit limitation purposes. As a result, it may not be possible for some U.S. holders to utilize excess foreign tax credits to reduce U.S. tax on that income.

Dispositions of Everest Group 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 Everest Group 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 20% 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 is 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 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.

Everest Group has been advised by its United States counsel that Section 1248 of the Code should not apply to dispositions of Everest Group common shares because Everest Group will not have any U.S. 10% shareholders and Everest Group is not directly engaged in the insurance business. 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,” often called 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 a “qualified electing fund election” or “marked to market” election as described below, 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 subsequent years.

The special PFIC tax rules described above will not apply to a U.S. holder if the U.S. holder elects to have Everest Group treated as a “qualified electing fund,” or QEF, and Everest Group provides required information to U.S. holders. If Everest Group is treated as a PFIC, it intends to notify U.S. holders and to provide to U.S. holders the information required to make a QEF election effective.

A U.S. holder that makes a QEF election will be currently taxed on its pro rata share of Everest Group’s ordinary earnings at ordinary income rates and net capital gain at capital gains rates for each taxable year, regardless of whether or not the holder receives distributions. The U.S. holder’s basis in the common shares will be increased to reflect taxed but undistributed income. Distributions of income that were previously taxed will result in a corresponding reduction of basis in the common shares and will not be taxed again upon actual distribution to the U.S. holder.

Alternatively, a U.S. holder of common shares in a PFIC that qualify as “marketable stock” may make a mark to market election. A U.S. holder who makes a mark to market election is not subject to the PFIC rules described above, but instead:

- a director or officer of, or an individual who directly or indirectly performs services for, the tax-exempt shareholder or an exempt affiliate but only if the insurance covers primarily risks associated with the performance of services in connection with the tax-exempt shareholder or exempt affiliate.

- must include in each year as ordinary income any excess of the fair market value of the common shares at the end of the taxable year over their adjusted basis; and

The U.S. holder’s basis in the common shares will be adjusted to reflect those income or loss amounts, if any. The mark to market election is only available with respect to stock traded on some U.S. exchanges and other exchanges designated by
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. Everest Group has been advised by its United States counsel 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. Everest Group has also been advised by its counsel that, 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 Holdings and its 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.

Sales of Everest Group 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.

DESCRIPTION OF
EVEREST GROUP SHARE CAPITAL

The following description of Everest Group’s share capital summarizes provisions of Everest Group’s memorandum of association and by-laws. Everest Group has filed copies of the memorandum of association and by-laws as exhibits to the registration statement of which this document is a part.

General

The authorized share capital of Everest Group consists of (1) 200,000,000 common shares, par value $.01 per share, of which approximately

will be outstanding after the restructuring, and (2) 50,000,000 preferred shares, par value $.01 per share, none of which will be outstanding after the restructuring. Everest Holdings currently owns 1,200,000 common shares, which constitute

will be permitted an ordinary loss in respect of any excess of the adjusted basis of the common shares over their fair market value at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark to market election.

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 Everest Group common shares to shareholders or to paying agents or custodians located in the United States. In addition, a holder of Everest Group common shares may be subject to backup withholding at the rate of 31% 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.
all of the outstanding common shares of Everest Group. Immediately after the merger is completed, Everest Group will repurchase the 1,200,000 common shares currently owned by Everest Holdings for an aggregate price of $12,000 and those common shares will be canceled.

From time to time prior to the restructuring, Everest Holdings may make repurchases of its common stock. From time to time after the restructuring, Everest Group may make repurchases of common shares either directly or through its subsidiaries.

Common Shares

Holders of Everest Group common shares have no pre-emptive, redemption, conversion or sinking fund rights. The quorum required for a general meeting of shareholders is two or more persons present in person and representing in person or by proxy more than 50% of the issued and outstanding common shares. Except as described below, holders of common shares are entitled to one vote per share on all matters submitted to a vote of holders of common shares.

Most matters to be approved by holders of common shares require approval by a simple majority of the votes cast at a meeting at which a quorum is present.

In the event of a liquidation, dissolution or winding-up of Everest Group, the holders of common shares are entitled to share equally and ratably in the assets of Everest Group, if any remain after the payment of all debts and liabilities of the company and the liquidation preference of any outstanding preferred shares.

Limitation on Voting Rights.

If and for as long as the aggregate number of controlled shares, as defined below, of any person exceeds 9.9% of the total voting power of all of the issued and outstanding share capital of Everest Group, each controlled share, regardless of the identity of the registered holder, will confer only a fraction of a vote as determined by the following formula:

\[
\frac{(T-C)}{(9.1 \times C)}
\]

Where:

Backup Withholding.

- "T" is the aggregate number of votes conferred by all the issued and outstanding share capital immediately prior to that application of the formula with respect to any particular person, adjusted to take into account any prior reduction taken with respect to any other person as a result of a previous application of the formula;
- "C" is the number of controlled shares attributable to the person; and
- Controlled shares of any person refers to all shares of the issued and outstanding share capital owned by that person, whether
  - directly,
  - with respect to persons who are U.S. persons, by application of the attribution and constructive ownership rules of sections 958(a) and 958(b) or 544 and 554 of the Code,

The formula will be applied successively, starting with the person to whom the largest number of controlled shares is attributable, as many times as may be necessary to ensure that the aggregate number of controlled shares of any person does not exceed 9.9% of the total voting power of all of the issued and outstanding share capital at any time.

The directors retain discretion to make final adjustments to the aggregate number of votes attaching to the shares of any shareholder that they consider fair and reasonable in all the circumstances to ensure that the aggregate number of controlled shares of any person does not exceed 9.9% of the total voting power of Everest Group.

Restrictions on Transfer.
The bye-laws of Everest Group require the prior approval of its board of directors for any transfer of shares that the board of directors has reason to believe would result in

- beneficially within the meaning of Section 13(d)(3) of the Exchange Act,
- any person that is not an investment company beneficially owning more than 5.0% of any class of the issued and outstanding share capital of Everest Group,
- any person holding controlled shares in excess of 9.9% of any class of the issued and outstanding share capital of Everest Group or

If the directors refuse to register a transfer for any reason, they must notify the proposed transferor and transferee within 30 days of their refusal. Everest Group's bye-laws also provide that the board of directors may suspend the registration of transfers at any time and for any periods that it determines, provided that they may not suspend the registration of transfers for more than 45 days in any period of 365 consecutive days.
Conyers Dill & Pearlman, Bermuda counsel to Everest Group, have advised that while the precise form of the restrictions on transfer contained in the bye-laws is untested, as a matter of general principle, restrictions on transfers are enforceable under Bermuda law and are not uncommon. A proposed transferee will be permitted to dispose of any common shares purchased that violate the restrictions and as to the transfer of which registration is refused. The transfer of those common shares will be deemed to own those common shares for dividend, voting and reporting purposes until a transfer of those common shares has been registered on the shareholder register of Everest Group.

Repurchase Rights.
The bye-laws of Everest Group provide that if the board of directors has reason to believe that

- any adverse tax, regulatory or legal consequences to Everest Group, any of its subsidiaries or any of its shareholders,
- any person that is not an investment company beneficially owns more than 5.0% of any class of the issued and outstanding share capital of Everest Group,
- any person holds controlled shares in excess of 9.9% of any class of the issued and outstanding share capital of Everest Group or

then Everest Group will have the option, but not the obligation, to redeem or purchase any or all of the common shares so held to the extent the board of directors determines it is necessary or advisable to avoid or cure any adverse or potential adverse consequences. The price to be paid for any common shares redeemed or purchased will be the fair market value of those shares, defined as the average of the high and low sale prices of the common shares on the NYSE for the last 15 trading days immediately preceding the day on which Everest Group sends a notice of redemption or purchase to the shareholder.

Information Requirements. The bye-laws of Everest Group provide that the board of directors may require any shareholder or proposed transferee of shares to certify or otherwise provide to the board of directors complete and accurate information necessary for it to give effect to the limitations on voting, restrictions on transfer and repurchase rights. If any shareholder or proposed transferee fails to respond to that request in a timely fashion or if the board of directors has reason to believe that any certification or other information provided is inaccurate or incomplete, the board of directors may decline to approve any transfer to which that request relates or may determine to disregard for all purpose all votes attached to any common shares held by that shareholder.

Transfer Agent.
The transfer agent and registrar for the Everest Group common shares is First Chicago Trust Company of New York.

Preferred Shares

Under the terms of the Everest Group bye-laws, the board of directors by resolution may establish one or more series of preferred shares having the number of shares, designation, powers, preferences, voting rights, dividend rates, redemption provisions and other rights, qualifications, limitations or restrictions that may be fixed by the board of directors without any further shareholder approval. The issuance of preferred shares could have the effect of discouraging an attempt to obtain control of Everest Group. The issuance of preferred shares also could adversely affect the voting power of the holders of common shares, deny shareholders the receipt of a premium on their common shares in the event of a tender or other offer for the common shares and have a depressive effect on the market price of the common shares. Everest Group has no present plan to issue any preferred shares.

Comparison of Rights of Holders of Everest Group Common Shares and Holders of Everest Holdings Common Stock

The rights of Everest Holdings stockholders currently are governed by Delaware law, the Everest Holdings certificate of incorporation and the Everest Holdings by-laws. After the restructuring, holders of Everest Holdings common stock will become holders of common shares of Everest Group and the rights of Everest Group shareholders will be governed by Bermuda law, the Everest Group memorandum of association and the Everest Group bye-laws. It is not practical to describe all of the differences between the Everest Holdings by-laws and the Everest Group by-laws or all of the differences between Delaware corporation law and Bermuda companies law. However, the following is a summary of the material differences between Bermuda law and the Everest Group by-laws. The Everest Group memorandum of association and the Everest Group bye-laws have been filed as exhibits to the registration statement of which this document is a part. For information on how to obtain these documents, see "Where You Can Find More Information."
Election of Directors. The Everest Group bye-laws provide for the board of directors to be elected annually at the annual meeting of shareholders or at a special meeting called for that purpose. The size of the board is fixed by resolution adopted from time to time by a majority of the directors and may be any number between three and 12. The board is divided into three approximately equal classes and each class serves for a three-year term, with the terms of each class expiring in successive years. These provisions are substantially similar to the Everest Holdings by-law provisions that currently govern the Everest Holdings board of directors, except that the size of the Everest Holdings board is not required to be in the range of three to 12 members.

Removal of Directors. The Everest Group bye-laws provide that a director may be removed prior to the expiration of his or her term, but only for cause, at a special meeting of shareholders at which the votes of 66\% of the shares entitled to vote are cast in favor of removal. The director whose removal is being considered must be served with at least 14 days prior notice of the special meeting and must be given the opportunity to be heard at the meeting. Under Delaware law, when a corporation’s board of directors is divided into classes, as is the board of Everest Holdings, directors may be removed, but only for cause, by the vote of the holders of a majority of the shares entitled to vote.

Alternate Directors. The Everest Group bye-laws provide, as permitted by Bermuda law, that each director may appoint an alternate director, who shall have the power to attend and vote at any meeting of the board of directors or committee at which that director is not personally present and to sign written consents in place of that director. Delaware law does not provide for alternate directors.

Committees of the Board of Directors. The Everest Group bye-laws provide, as permitted by Bermuda law, that the board of directors may delegate any of its powers to committees that the board appoints, and those committees may consist partly or entirely of non-directors. Delaware law allows the board of directors of a corporation to delegate many of its powers to committees, but those committees may consist only of directors.

Special Meetings of Shareholders. The Everest Group bye-laws provide that special meetings of shareholders (1) may be called by the Chairman of the Board, the Deputy Chairman, any two Directors or any Director and the Secretary and (2) shall be called at the request of shareholders holding not less than 10% of the voting shares of the company. The Everest Holdings bye-laws provide that special meetings of shareholders may be called by the Chairman of the Board and Chief Executive Officer, the President or the board of directors. They do not give shareholders the power to call a special meeting.

Fiduciary Duties of Directors and Officers. The Companies Act 1981 of Bermuda imposes two main fiduciary duties on each director and officer:

1. Duty of good faith. A director or officer must act honestly and in good faith with a view to the best interests of the company. This means that in conflict of interest situations, a director or officer must place the best interests of the company above his own personal interests. It also means that a director or officer may not use his position as a director to make a personal profit from opportunities that rightfully belong to the company. These two duties are similar to the duty of loyalty and the duty of care that directors and officers have under Delaware law. Delaware courts generally presume that directors have fulfilled their duty of care so long as their conduct does not involve fraud, illegality, conflict of interest, lack of a rational business purpose or gross negligence. A Bermuda court is likely to interfere with decisions of directors only if the directors acted in bad faith or exceeded the powers granted to them under the company’s bye-laws, or if the court finds that no reasonable board of directors could have come to the decision that was reached.

Under Bermuda law, directors and officers owe fiduciary duties to the company as a whole and not to shareholders individually. If a company suffers any losses due to acts or omissions of its directors or officers that constitute a breach of their duties to the company, then the company may be able to recover its losses from those directors or officers. Examples of this type of situation would be misappropriation of the company’s assets or transactions undertaken on behalf of the company for an unlawful purpose. Under Delaware law, directors and officers owe fiduciary duties to both the corporation and its shareholders.

Limitation of...
Liability of Directors and Officers. The Everest Group bye-laws provide that Everest Group and its shareholders waive all claims or rights of action that they might have, individually or in the right of the company, against any director or officer for any act or failure to act in the performance of that director’s or officer’s duties. However, this waiver does not apply to claims involving fraud or dishonesty. This waiver may have the effect of barring claims arising under U.S. federal securities laws. Under Delaware law, a corporation may include in its certificate of incorporation provisions limiting the personal liability of its directors to the corporation or its stockholders for monetary damages for many types of breach of fiduciary duty. However, these provisions may not limit liability for any breach of the duty of loyalty, acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, the authorization of unlawful dividends, stock repurchases or stock redemptions, or any transaction from which a director derived an improper personal benefit. Moreover, these provisions would not be likely to bar claims arising under U.S. federal securities laws.

Interested Directors. Bermuda law and the Everest Group bye-laws provide that if a director has a personal interest in a transaction to which the company is also a party and if the director discloses the nature of this personal interest at the first opportunity, either at a meeting of directors or in writing to the directors, then the company will not be able to declare the transaction void solely because of the existence of that personal interest and the director will not be liable to the company for any profit realized from the transaction. Under Delaware law, a corporation may be able to declare a transaction with an interested director to be void unless one of the following conditions is fulfilled:

(1) the material facts as to the interested director’s relationship or interests are disclosed or are known to the board of directors and the board in good faith authorizes the transaction by the affirmative vote of a majority of the disinterested directors;
(2) the material facts are disclosed or are known to the stockholders entitled to vote on the transaction and the transaction is specifically approved in good faith by the holders of a majority of the voting shares or

Under Delaware law, an interested director could be held liable for a transaction in which that director derived an improper personal benefit.

Mergers and Similar Arrangements. Everest Group may acquire the business of another Bermuda exempted company or a company incorporated outside Bermuda if that business fits within the business purpose of Everest Group as described in its memorandum of association. Everest Group may also amalgamate with another Bermuda company or with an entity incorporated outside Bermuda. In an amalgamation, two or more companies join together and continue as a single company. An amalgamation of unaffiliated companies requires the approval of a majority of the votes cast at a general meeting of the stockholders of each company. If a shareholder of an amalgamating company is not satisfied that fair value has been paid for his shares, that shareholder may apply to a Bermuda court for a proper valuation of his shares. However, the court ordinarily would not block an amalgamation for that reason unless there were evidence of fraud or bad faith. When a holding company amalgamates with one or more of its wholly-owned subsidiary companies, or when two or more wholly-owned subsidiaries of the same holding company amalgamate with each other, the directors of the amalgamating companies can approve the amalgamation without obtaining shareholder approval. Under Delaware law, a merger, consolidation or sale of all or substantially all the assets of a corporation generally must be approved by the board of directors and a majority of the outstanding voting shares. A stockholder of a Delaware corporation participating in major corporate transactions may be entitled to have the fair value of the stockholder’s shares appraised by a court and to receive that appraised value in cash instead of the consideration that the stockholder would otherwise receive in the transaction. Delaware law permits a parent corporation, acting by resolution of its board of directors and without any shareholder vote, to merge with any subsidiary of which it owns at least 90% of each class of capital stock. Upon any merger of that type, dissenting stockholders of the subsidiary have appraisal rights.

Takeovers. Under Bermuda law, if an acquire makes an offer for shares of a company and, within four months of the offer, the holders of not less than 90% of the shares that are the subject of the offer tender their shares, the acquire may give the nontendering shareholders notice requiring them to transfer their shares on the terms of the offer. Within one month of receiving the notice, dissenting shareholders may apply to the court objecting to the transfer. The burden is on the dissenting shareholders to show that the court should exercise its discretion to enjoin the transfer. The court will be unlikely to do this unless there is evidence of fraud or bad faith or collusion between the acquire and the
rendering shareholders aimed at unfairly forcing out minority shareholders. Under another provision of Bermuda law, the holders of 95% of the shares of a company may give notice to the remaining shareholders requiring them to sell their shares on the terms described in the notice. Within one month of receiving the notice, dissenting shareholders may apply to the court for an appraisal of their shares. If the court’s appraisal is higher than the price specified in the notice, then all shareholders who sold their shares under the terms of the notice are entitled to receive that higher price. There are no comparable provisions under Delaware law.

Shareholder Suits. The rights of shareholders under Bermuda law are not as extensive as the rights of shareholders under legislation or judicial precedent in many United States jurisdictions. Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. However, the Bermuda courts ordinarily would be expected to follow English case law precedent, which would permit a shareholder to bring an action in the name of Everest Group if the directors or officers are alleged to be acting beyond the corporate power of the company, committing illegal acts or violating the memorandum of association or by-laws of the company. In addition, minority shareholders would probably be able to challenge a corporate action that allegedly constituted a fraud against them or required the approval of a greater percentage of the company’s shareholders than actually approved it. The winning party in an action of this type generally would be able to recover a portion of attorneys’ fees incurred in connection with the action. Under Delaware law, class actions and derivative actions generally are available to stockholders for breach of fiduciary duty, corporate waste and actions not taken in accordance with applicable law. In these types of actions, the court has discretion to permit the winning party to recover its attorneys’ fees.

Indemnification of Directors and Officers. Under Bermuda law, a company may indemnify its directors or officers, in their capacity as directors or officers, against loss or liability for any negligence, default, breach of duty or breach of trust of which they may be guilty in relation to the company, unless their conduct involved fraud or dishonesty. The Everest Group bye-laws provide for this indemnification. Under Delaware law, a corporation may indemnify a director or officer who becomes a party to an action, suit or proceeding because of his position as a director or officer if (1) the director or officer acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and (2) if the action or proceeding involves a criminal offense, the director or officer had no reasonable cause to believe his or her conduct was unlawful.

Inspection of Corporate Records. Members of the general public have the right to inspect the public documents of Everest Group available at the office of the Registrar of Companies in Bermuda. These documents include the memorandum of association, which describes the company’s permitted purposes and powers, any amendments to the memorandum of association and documents relating to any change in the company’s authorized share capital. Shareholders of Everest Group have the additional right to inspect the company’s bye-laws, minutes of general meetings of shareholders and audited financial statements that must be presented to the annual general meeting of shareholders. The register of shareholders of Everest Group also is open to inspection by shareholders without charge, and to members of the public for a fee. Everest Group is required to maintain its share register at its registered office in Bermuda but may establish a branch register outside Bermuda. Everest Group is required to keep at its registered office a register of its directors and officers that is open for inspection by members of the public without charge. However, Bermuda law does not provide a general right for shareholders to inspect or obtain copies of any other corporate records. Under Delaware law, any shareholder may inspect or obtain copies of a corporation’s shareholder list and its other books and records for any purpose reasonably related to that person’s interest as a shareholder.

REGULATORY CONSIDERATIONS ASSOCIATED WITH OPERATING IN BERMUDA AND BARBADOS

Bermuda Insurance Regulation

The Bermuda Insurance Act 1978 and related regulations, which are referred to together in this document as the Insurance Act, regulate insurance companies, including companies such as Everest Bermuda that write insurance and reinsurance business. The Insurance Act gives the Bermuda Minister of Finance power to register, supervise, investigate and intervene in the affairs of insurance companies. The registration of an insurer under the Insurance Act is subject to compliance with the terms of its registration and any other conditions
that the Minister may impose from time to time. The
Minister is assisted by an insurance advisory committee
and its various subcommittees. In addition, the Bermuda
Registrar of Companies is responsible for the day-to-day
supervision of insurers.

Types of
Registration. Everest Bermuda is registered as both
a Class 4 insurer and a long-term insurer. A Class 4
insurer is a property and casualty insurance company
that is eligible to write property catastrophe and
excess liability business and is required to maintain a
statutory capital and surplus of not less than $100
million. A long-term insurer is an insurance company
that writes long-term business, which is generally
defined in the Insurance Act to include life and annuity
business.

Principal
Representative. Every registered insurer is required
to maintain a principal office in Bermuda and to have a
principal representative in Bermuda. For the purpose of
the Insurance Act, Everest Bermuda’s principal
office is at Richmond House, 12 Par-la-Ville Road,
Hamilton HM 08, Bermuda, and Everest Bermuda’s
principal representative is Westbroke Limited. Without a
reason acceptable to the Minister, an insurer may not
terminate the appointment of its principal
representative, and the principal representative may not
cease to act in that capacity, without giving the
Minister 30 days’ advance notice in writing. The
principal representative has the statutory duty to
submit a report to the Minister within 30 days of
becoming aware that the insurer is likely to become
insolvent, is not in compliance with some provisions of
the Insurance Act or other requirements imposed by the
Minister, is involved in any criminal proceedings or is
no longer carrying on insurance business in or from
Bermuda.

Independent
Approved Auditor. Every registered insurer must
appoint an independent auditor who annually audits and
reports on the insurer’s statutory financial
statements and statutory financial return. The
independent auditor must be approved by the Minister of
Finance and may be the same person or firm that audits
the insurer’s financial statements and reports for
presentation to its shareholders. Everest Bermuda’s
independent auditor is PricewaterhouseCoopers.

Approved Actuary. Every registered long-term insurer must appoint an
actuary approved by the Minister of Finance. The
approved actuary, who is normally a qualified life
actuary, prepares a certificate that is filed annually
with the insurer’s statutory financial return. This
certificate must state the actuary’s opinion as to
whether the aggregate amount of the insurer’s
liabilities for long-term business at the end of the
financial year exceeded the aggregate amount of those
liabilities as shown in the insurer’s statutory
balance sheet. Everest Bermuda’s approved actuary
is

Loss Reserve
Specialist. As a registered Class 4 insurer, Everest
Bermuda is required to appoint a loss reserve specialist
approved by the Minister of Finance. The loss reserve
specialist, who is normally a qualified casualty
actuary, prepares an opinion on the adequacy of the
insurer’s loss reserves that is filed annually with
the insurer’s statutory financial return. Everest
Bermuda’s approved loss reserve specialist is

Long-term
Business Fund. An insurer that writes long-term
business is required to keep its accounts for this
business separate from its other business accounts and
to credit all receipts from its long-term business to a
long-term business fund. Generally, the insurer can only
make payments from this fund for purposes related to its
long-term business. However, it can make payments from
this fund for other purposes if its approved actuary
certifies that the amount of those payments is surplus
available to persons other than policyholders.

Annual
Statutory Financial Return. Within four months after
its financial year end, Everest Bermuda is required to
file a statutory financial return with the Registrar of
Companies. This return includes Everest Bermuda’s
statutory financial statements, solvency certificates, a
report of the approved independent auditor, a
certificate of the approved actuary, the opinion of the
loss reserve specialist and a schedule of reinsurance
ceded. In the solvency certificates, Everest Bermuda
’s principal representative and at least two
the transaction is fair to the corporation as of the time it is authorized, approved or ratified.

Ÿ $100,000,000;

Ÿ 50% of net premiums written, provided that net premiums written cannot be less than 75% of gross premiums written, even if more than 25% of gross premiums written have been ceded by Everest Bermuda; and

If a Class 4 insurer fails at any time to meet its general business solvency margin, it is required to file a written report with the Minister of Finance, giving details of the circumstances and the insurer’s plans for rectifying the failure, within 30 days of becoming aware of that failure or having reason to believe that a failure has occurred. If the insurer’s total statutory capital and surplus falls to $75 million or less, this period is extended to 45 days, but the report is required to include unaudited interim statutory financial statements and additional information regarding the insurer’s solvency and the adequacy of its loss reserves.

Restrictions on Payment of Dividends. There are several restrictions on Everest Bermuda’s ability to pay dividends:

Ÿ 15% of loss and other insurance reserves.

Ÿ Everest Bermuda cannot declare or pay any dividends during a financial year if it cannot meet its minimum solvency margin or minimum liquidity ratio, or if declaring or paying those dividends would cause it to fail to meet its minimum solvency margin or minimum liquidity ratio.

Ÿ Everest Bermuda cannot declare or pay in any financial year dividends of more than 25% of its total statutory capital and surplus, as shown on its previous year’s statutory financial statements, unless at least seven days before payment of those dividends it files with the Registrar of Companies an affidavit stating that it will continue to meet the solvency and liquidity requirements.

Ÿ If Everest Bermuda fails to meet its minimum solvency margin or minimum liquidity ratio on the last day of any financial year, it cannot declare or pay any dividends during the next financial year without the approval of the Minister of Finance.

Ÿ Everest Bermuda cannot reduce the total statutory capital stated in its previous year’s statutory financial statements by 15% or more without the approval of the Minister of Finance.

Ÿ If Everest Bermuda writes long-term business, it cannot declare or pay a dividend to anyone who is not a policyholder unless, after payment of the dividend, the value of the assets in its long-term business fund, as certified by its approved actuary, will continue to meet the required margins.

Minimum Liquidity Ratio. An insurer writing general business, Everest Bermuda is required to maintain relevant assets equal in value to at least 75% of the amount of its relevant liabilities. An insurer’s relevant assets include cash and time deposits, quoted investments, unquoted bonds and debentures, first lien on real estate, investment income due and accrued, accounts and premiums receivable and reinsurance balances receivable. There are some categories of assets that do not qualify as relevant assets unless specifically permitted by the Minister of Finance. These categories include unquoted equity securities, investments in and advances to affiliates and real estate and collateral loans. An insurer’s relevant liabilities are total general business insurance reserves and total other liabilities less deferred income taxes, miscellaneous liabilities and some types of letters of credit, guarantees and other instruments.

Restrictions on Transfer of Business and Winding-Up. Everest Bermuda may not transfer all or any part of its long-term business, other than its reinsurance business, to another insurer unless notice is given to policyholders, a report on the plan of transfer is prepared by an approved actuary and the plan is sanctioned by the Bermuda Supreme Court. An insurer carrying on long-term business cannot be wound up or liquidated voluntarily, but only by order of the Supreme Court upon petition of the insurer, its creditors, its policyholders or the Registrar of Companies. This might increase the length...
of time required and costs incurred for any winding up or liquidation of Everest Bermuda, when compared to a voluntary winding up or liquidation.

Supervision, Investigation and Intervention. The Minister of Finance can appoint an inspector to investigate the affairs of an insurer in order to protect the interests of the insurer’s policyholders or persons who may become policyholders. The Minister may also order an insurer to produce documents or information relating to its business. If the Minister believes that an insurer is in danger of becoming insolvent or has violated the Insurance Act or any conditions of its registration, then the Minister can order that insurer

- The Minister of Finance may impose additional restrictions on Everest Bermuda’s ability to pay dividends, if the Minister believes that the insurer is in danger of becoming insolvent or has violated the Insurance Act or any of the conditions of its registration,
- not to take on any new insurance business,
- not to change the terms of any insurance contract in a way that would increase the insurer’s liabilities,
- not to make investments,
- to realize investments,
- to maintain assets,
- to transfer assets to the custody of a specified bank,
- not to declare or pay any dividends or other distributions,
- to limit the payment of dividends or other distributions and/or

Cancellation of Insurer’s Registration. The Minister of Finance has the power to cancel an insurer’s registration if the insurer fails to comply with its obligations under the Insurance Act or fails to carry on business in accordance with sound insurance principles.

Holding Company Regulation. The Insurance Act does not regulate the activities of insurance holding companies, such as Everest Group, or holding company systems.

Other Bermuda Law Considerations

Exchange Control Regulation and Prospectus Filing. Everest Group has obtained permission for the issue and transfer of the common shares from the Bermuda Monetary Authority as required by The Exchange Control Act 1972 of Bermuda and related regulations. In addition, Everest Group has filed this document with the Registrar of Companies in Bermuda in accordance with The Companies Act 1981 of Bermuda.

In granting this permission and in accepting this document for filing, the Bermuda Monetary Authority and the Registrar of Companies in Bermuda accept no responsibility for the financial soundness of any proposal or for the correctness of any of the statements made or opinions expressed in this document.

No further permission from the Bermuda Monetary authority will be required to transfer common shares of Everest Holdings between persons regarded as non-resident in Bermuda for exchange control purposes or to issue common shares to those persons after the restructuring. However, permission will be required to issue or transfer common shares to persons who are resident in Bermuda for exchange control purposes. Permission will also be required to transfer any common shares of Everest Bermuda. The Bermuda Monetary Authority has designated Everest Group and Everest Bermuda as non-resident for exchange control purposes. This designation allows Everest Group and Everest Bermuda to transfer funds in and out of Bermuda, and to pay dividends to non-residents of Bermuda who are holders of the common shares in currencies other than the Bermuda Dollar. There are no limitations on the rights of holders of common shares who are regarded as non-resident in Bermuda for exchange control purposes to hold or vote their common shares, subject to the provisions of Everest Group’s bye-laws.

Share Certificates. In accordance with Bermuda law, Everest Group will issue share certificates only in the names of legal entities, corporations or individuals. A record holder who is acting in a special capacity, such as an executor or trustee, may ask that the special capacity be recorded on the share certificates. However, Everest Group is not responsible for investigating the proper administration of any estate or trust. Everest Group will take no notice of any trust applicable to any of its common shares whether or not it had notice of the trust.

Exempted Company Status. Everest Group and Everest Bermuda are incorporated in Bermuda as exempted companies. Under Bermuda law, exempted companies are companies formed for the purpose of conducting business outside Bermuda from
a principal place of business in Bermuda. As a result, they are exempt from Bermuda laws restricting the percentage of share capital that may be held by non-Bermudians. Exempted companies are required to comply with resident representative requirements, but Everest Group does not believe that this compliance will result in any material expense. In addition, exempted companies are restricted from engaging in certain business transactions, including:

- to limit its premium income.
- acquiring or holding land in Bermuda without the express authorization of the Bermuda legislature, other than rental property required for their business and leased for no more than 50 years;
- taking mortgages on land in Bermuda to secure an obligation exceeding $50,000 without the consent of the Minister of Finance;
- acquiring any bonds or debentures secured by any land in Bermuda, other than some types of Bermuda government securities; or

Everest Bermuda is permitted to reinsure risks undertaken by any company incorporated in Bermuda and is permitted to engage in the insurance and reinsurance business with respect to risks located outside Bermuda. However, Everest Bermuda generally is not permitted to insure Bermuda domestic risks, other than risks of other exempted companies, without a special license granted by the Minister of Finance. Everest Group does not contemplate that Everest Bermuda will apply for that special license or insure the types of risks for which that license is required.

**Dividends.**

Under Bermuda's Companies Act, Everest Group and Everest Bermuda are prohibited from declaring or paying a dividend, or from making a distribution out of contributed surplus, if there are reasonable grounds for believing that: (1) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (2) the realizable value of the company’s assets after payment of the dividend would be less than the sum of its liabilities and its issued share capital and share premium accounts.

**Work Permits.**

Anyone who is not a Bermudian or the spouse of a Bermudian cannot engage in any gainful occupation in Bermuda without a work permit. Work permits are issued with an expiration date of up to five years. The government does not grant or extend a work permit unless the employer can show that the employment position has been publicly advertised and that no Bermudian or spouse of a Bermudian is available who meets the minimum standards for the position. This work permit requirement could make it more difficult for Everest Group and Everest Bermuda to staff their Bermuda offices, since it is possible that the government will deny a work permit to individuals that Everest Group or Everest Bermuda wishes to hire or, if it initially grants a work permit, will decline to extend that permit beyond its expiration date.

**Barbados Regulation**

Everest Group will be registered in Barbados as an external company under the Companies Act, Cap.308 of the laws of Barbados. An external company is any incorporated or unincorporated body formed under the laws of a country other than Barbados. An external company that is registered may carry on its business in Barbados in accordance with its certificate of registration and may exercise its corporate powers within Barbados.

**Incapacity of company.** An external company that is not registered under the Barbados Companies Act may not maintain any action, suit or other proceeding in any court in Barbados in respect of any contract made in whole or in part within Barbados in the course of, or in connection with, the carrying on of any business by the company in Barbados.

**Suspension of Registration.** The Minister responsible for finance may suspend or revoke the registration of any external company for failing to comply with any requirements of the Barbados Companies Act. The rights of the creditors of an external company are not affected by the suspension or revocation of the registration of an external company under the Barbados Companies Act.

**Attorney of Company.** An external company must file with the Barbados Registrar of Companies a fully executed power of attorney in the prescribed form that will empower a person named in the power and...
resident in Barbados to act as the attorney of the company for the purpose of receiving service of process in all suits and proceedings by or against the company in Barbados, and of receiving all lawful notices. A power of attorney must declare that service of process in respect of suits and proceedings by or against the company and of lawful notices on the attorney will be binding on the company for all purposes.

**Fundamental Changes.** Where in the case of an external company registered in Barbados

- conducting business of any kind in Bermuda, except in furtherance of their business conducted outside Bermuda.
- the name of the company has been changed,
- the corporate instruments of the company have been altered, or
- the objects of the company have been altered or its business has been restricted or

the company must within 30 days after the change has been made file with the Registrar of Companies duly certified copies of the instruments by which the change has been made or ordered to be made. The registration of an external company ceases to be valid 60 days after a change described above is made or ordered unless within that period the change is filed with the Barbados Registrar of Companies.

**Annual Returns.**

As an external company, Everest Group is required to file an annual return with the Barbados Registrar of Companies. This annual return, which must be certified by a director or officer and accompanied by an annual fee, includes updated information about the company’s offices, corporate structure, share capital, type of business, attorney and directors. The Barbados Registrar of Companies may strike off the register an external company that neglects or refuses to file a return required under this section.

**Audited Financial Statements.** Everest Group will be required to forward annual audited financial statements to the Minister responsible for finance.

**United States and Other Regulation**

An insurer is generally prohibited by the insurance laws of U.S. states and foreign jurisdictions from transacting the business of insurance in any jurisdiction where it is not licensed or admitted to do business. To the extent that the U.S. subsidiaries of Everest Holdings are already licensed in various U.S. and foreign jurisdictions, their ability to transact business will not be affected by the restructuring. Everest Bermuda does not intend to become licensed in any U.S. jurisdiction, but it will generally be permitted to reinsure U.S. risks from its office in Bermuda without obtaining those licenses. Everest Bermuda does not intend to conduct any activities that may constitute the transaction of the business of insurance in any jurisdiction in which it is not licensed or otherwise authorized to engage in those activities.

As a reinsurer, Everest Bermuda will be affected by regulatory requirements governing “credit for reinsurance” in the jurisdictions where its ceding companies are located. In general, a ceding company can take credit on its statutory financial statements for the unearned premiums, loss reserves, loss expense reserves and policy reserves that it cedes to a reinsurer that is licensed, accredited or approved by the jurisdiction where the ceding company files statutory financial statements. Many jurisdictions also permit ceding companies to take credit on their statutory financial statements for reinsurance obtained from unlicensed or non-admitted reinsurers if the reinsurer provides adequate security for its obligations.

**LEGAL MATTERS**

The validity under Bermuda law of the Everest Group common shares to be issued to Everest Holdings stockholders in connection with the restructuring has been passed upon for Everest Group by Conyers Dill & Pearman, Hamilton, Bermuda. Conyers Dill & Pearman also has rendered an opinion regarding Bermuda tax consequences of the restructuring referred to in “Material Tax Considerations.”

Clarke & Co. has rendered an opinion regarding Barbados tax consequences of the restructuring referred to in “Material Tax Considerations.” Mayer, Brown & Platt, Chicago, Illinois, has rendered an opinion regarding the United States federal tax consequences of the restructuring referred to in “Material Tax Considerations.”
EXPERTS

The consolidated financial statements of Everest Holdings incorporated in this registration statement by reference to Everest Holdings' Annual Report on Form 10-K for the year ended December 31, 1998, have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of that firm as experts in accounting and auditing.

The Everest Group financial statement as of September 14, 1999 included in this document has been so included in reliance upon the report of PricewaterhouseCoopers, independent accountants, given on the authority of said firm as experts in auditing and accounting.

STOCKHOLDER PROPOSALS FOR THE 2000 ANNUAL MEETING

Everest Holdings will hold an annual meeting of stockholders in the year 2000 only if the restructuring is not completed before the time of the meeting. To be considered for inclusion in the Everest Holdings proxy statement relating to the 2000 annual meeting of stockholders, a stockholder proposal must be received by the Secretary of Everest Holdings in proper form at the company's principal executive offices, 477 Martinsville Road, P.O. Box 830, Liberty Corner, New Jersey 07890-0830, no later than December 10, 1999. The proxy solicited by the board of directors relating to the 2000 annual meeting of stockholders will confer discretionary authority to vote on a stockholder proposal if the Secretary of Everest Holdings receives notice of that proposal after February 23, 2000.

ENFORCEABILITY OF CIVIL LIABILITIES UNDER UNITED STATES FEDERAL SECURITIES LAWS

Everest Group is organized under the laws of Bermuda. In addition, some of its directors and officers, as well as some of the experts named in this document, may reside outside the United States. A substantial portion of their assets and Everest Group's assets may be located in jurisdictions outside the United States. Everest Group may be served with process in the United States with respect to actions arising out of or in connection with violations of U.S. federal securities laws relating to offers and sales of Everest Group common shares to the public in connection with the merger by serving CT Corporation System, 1633 Broadway, New York, New York 10019, Everest Group's U.S. agent appointed for that purpose. Nevertheless, it may be difficult for you to effect service of process within the United States upon Everest Group's directors, officers and experts who reside outside the United States or to enforce in the United States judgments of U.S. courts obtained in actions against Everest Group or its directors and officers, as well as the experts named in this document, who reside outside the United States.

Everest Group has been advised by Conyers Dill & Pearman, its Bermuda counsel, that there is doubt whether the courts of Bermuda would (1) enforce judgments of U.S. courts obtained in actions against Everest Group or its directors and officers, as well as the experts named in this document, who reside outside the United States predicated on the civil liability provisions of the U.S. federal securities laws or (2) permit original actions to be brought in Bermuda against Everest Group or those persons predicated solely on U.S. federal securities laws. Everest Group also has been advised by Conyers Dill & Pearman that there is no treaty in effect between the United States and Bermuda providing for that enforcement, and there are grounds upon which Bermuda courts may not enforce judgments of U.S. courts. In addition, some remedies available under the U.S. federal securities laws may not be allowed in Bermuda courts as contrary to Bermuda's public policy.

WHERE YOU CAN FIND MORE INFORMATION

This document is part of a registration statement filed with the SEC. The registration statement, including the attached exhibits and schedules, contains additional relevant information about Everest Holdings and the Everest Group common shares. The rules and regulations of the SEC allow the omission of some of the information included in the registration statement from this document. In addition, Everest Holdings has filed reports, proxy statements and other information with the SEC under the Exchange Act. You may read and copy any of this information at the following locations of the SEC:

- Any change is made among its directors,
You may obtain information on the operation of the SEC’s Public Reference Room by calling the SEC at 1-800-SEC-0330.

The SEC also maintains an Internet web site that contains reports, proxy statements and other information regarding issuers, like Everest Group and Everest Holdings, that file electronically with the SEC. The address of that site is http://www.sec.gov. The SEC file number for documents filed by Everest Holdings under the Exchange Act is 1-13816.

Everest Group will become subject to the same informational requirements as Everest Holdings following the restructuring, and will file reports, proxy statements and other information with the SEC in accordance with the Exchange Act.

Everest Group will be treated as a domestic corporation for purposes of most requirements of the Exchange Act, including the proxy rules. Pursuant to Rule 3b-4 under the Exchange Act, a non-U.S. issuer is not a “foreign private issuer” if more than 50% of the outstanding voting securities of the issuer are held of record by residents of the United States and any of the following conditions are satisfied:

- the majority of the executive officers or directors of the issuer are United States citizens or residents,
- more than 50% of the assets of the issuer are located in the United States.

Based on the anticipated ownership of its voting securities and the citizenship of its executive officers and directors, Everest Group does not expect that it will be a “foreign private issuer.” If Everest Group were to be treated as a “foreign private issuer,” it would be exempted from the proxy and short-swing profit rules under Sections 14 and 16 of the Exchange Act and, for reporting purposes under the Exchange Act, would be subject to rules applicable to “foreign private issuers.”

The SEC allows Everest Holdings to “incorporate by reference” information into this document. This means that Everest Holdings can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be a part of this document, except for any information that is superseded by information included directly in this document, and later information that Everest Group or Everest Holdings files with the SEC will automatically update and supersede that information.

This document incorporates by reference the documents listed below that Everest Holdings has previously filed or will file with the SEC. They contain important information about Everest Holdings.

- the business of the issuer is administered principally in the United States.
- Annual Report on Form 10-K for the year ended December 31, 1998;
- Quarterly Reports on Form 10-Q for the quarters ended March 31, 1999, June 30, 1999 and September 30, 1999; and

You can obtain any of the documents listed above from the SEC through the SEC’s web site at the address described above, or directly from Everest Holdings, by requesting them in writing or by telephoning at the following address:

Everest Reinsurance Holdings, Inc.
477 Martinsville Road
P.O. Box 830
Liberty Corner, New Jersey 07938-0830
Attention: Janet J. Burak
(908) 604-3000

Everest Holdings will provide a copy of any of these documents without charge, excluding any exhibits unless the exhibit is specifically listed as an exhibit to the registration statement of which this document is a part. If you would like to request documents, please do so by
in order to receive them before the special meeting of stockholders.

You should rely only on the information contained or incorporated by reference in this document to vote on the proposed restructuring. Neither Everest Holdings nor Everest Group has authorized anyone to provide you with information that is different from what is contained in this document. This document is dated [Mailing Date], 1999. You should not assume that the information contained in this document is accurate as of any date other than that date, and neither the mailing of this document to stockholders nor the issuance of Everest Group common shares in the merger shall create any implication to the contrary.

For North Carolina residents: Everest Group common shares have not been approved or disapproved by the Commissioner of Insurance of the State of North Carolina, nor has the Commissioner of Insurance ruled upon the accuracy or adequacy of this document.

INDEX TO BALANCE SHEET

All documents filed with the SEC by Everest Holdings under Sections 13(a), 13(c) 14, and 15(d) of the Exchange Act after the date of this document and before the special meeting of stockholders, are considered to be part of this document, effective as of the date these documents are filed.

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors
and
Shareholder of Everest Reinsurance Group, Ltd.

In our opinion, the accompanying balance sheet presents fairly, in all material respects, the financial position of Everest Reinsurance Group, Ltd. at September 14, 1999 in conformity with generally accepted accounting principles in the United States. This financial statement is the responsibility of the Company’s management; our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this statement in accordance with generally accepted auditing standards in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers

Hamilton, Bermuda

September 17, 1999

EVEREST REINSURANCE GROUP, LTD.
BALANCE SHEET

As of September 14, 1999 (date of inception)
(Expressed in United States Dollars)

REPORT OF INDEPENDENT ACCOUNTANTS

EVEREST REINSURANCE GROUP, LTD. BALANCE SHEET AS OF SEPTEMBER 14, 1999 (date of inception)

EVEREST REINSURANCE GROUP, LTD. NOTES TO FINANCIAL STATEMENT

The accompanying notes are an integral part of this financial statement.

EVEREST REINSURANCE GROUP, LTD.
NOTES TO FINANCIAL STATEMENT

September 14, 1999 (date of inception)

1. ORGANIZATION

Everest Reinsurance Group, Ltd. (the “Company”) was incorporated on August 26, 1999 as a holding company under the laws of Bermuda. On September 14, 1999, the initial capitalization of the Company was made. The Company is a wholly owned subsidiary of Everest Reinsurance Holdings, Inc., a publicly held Delaware holding company (“Everest Holdings”).
2. OTHER MATTERS

ASSETS

Cash

$50,000

Total Assets

$50,000

SHAREHOLDER’S EQUITY

Common shares, $0.01 par value (1,200,000 shares authorized, issued and outstanding)

$12,000

Paid in capital

38,000

Total Shareholder’s Equity

$50,000

A. All cash balances are held in a non-interest bearing account at the Bank of N.T. Butterfield & Son Limited in Hamilton, Bermuda.

3. SUBSEQUENT EVENT

(PROPOSED REORGANIZATION)

On September 16, 1999, the board of directors of Everest Holdings unanimously approved a proposed corporate restructuring pursuant to which the Company will become the parent holding company of Everest Holdings. Everest Holdings, through its subsidiaries, provides property and casualty reinsurance and insurance products to national and international markets.

In connection with the restructuring, the Company has organized a Delaware subsidiary, Everest Re Merger Corporation (“Everest Merger”). Everest Merger will be merged into Everest Holdings, with Everest Holdings as the surviving corporation. Upon completion of the merger, Everest Holdings will become a subsidiary of the Company and each outstanding share of common stock of Everest Holdings will be converted into one common share of the Company. The merger must be approved by the stockholders of Everest Holdings. The board of directors and shareholder of the Company must approve a resolution to increase the number of authorized shares prior to the merger.

After the consummation of the restructuring, the Company will carry on the holding company functions currently conducted by Everest Holdings. The Company also intends to form and capitalize Everest Reinsurance (Bermuda) Ltd., which will be a wholly-owned subsidiary of the Company, the purpose of which will be to expand the Company’s underwriting operations into the Bermuda marketplace.

APPENDIX A

AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN
OF MERGER dated as of September 17, 1999 among Everest Reinsurance Holdings, Inc., a Delaware corporation (“Everest Holdings”), Everest Reinsurance Group, Ltd., a Bermuda company and wholly-owned subsidiary of Everest Holdings (“Everest Group”), and Everest Re Merger Corporation, a Delaware corporation and wholly-owned subsidiary of Everest Group (“Everest Merger”).

WHEREAS, the respective Boards of Directors of Everest Holdings, Everest Group and Everest Merger deem it advisable and in the best interests of their respective stockholders to reorganize so that Everest Group becomes the parent holding company for Everest Holdings;

WHEREAS, the respective Boards of Directors of Everest Holdings, Everest Group and Everest Merger have approved the merger of Everest Merger with and into Everest Holdings (the “Merger”), upon the terms and subject to the conditions set forth in this Agreement, whereby each outstanding share of common stock, par value $0.01 per share, of Everest Holdings (“Everest Holdings Common Stock”) (other than those shares held by Everest Holdings or any direct or indirect wholly-owned subsidiary of Everest Holdings), will be automatically converted into one common share, par value $0.01 per share, of Everest Group (“Everest Group Common Share”), and each outstanding share of common stock, par value $0.01 per share, of Everest Merger (“Everest Merger Common Stock”), will be automatically converted into one share of Everest Holdings Common Stock; and

WHEREAS, the Merger requires the approval of Everest Group, as sole stockholder of Everest Merger, and the approval of the holders of a majority of the outstanding shares of Everest Holdings Common Stock entitled to vote thereon at the meeting of holders of Everest Holdings Common Stock to be called therefor (the “Everest Holdings Stockholder Approval”);

NOW, THEREFORE, the parties agree as follows:
ARTICLE I

MERGER

1.01. Merger. Upon the terms and subject to the conditions set forth in this Agreement, and in accordance with the General Corporation Law of the State of Delaware (the “DGCL”), Everest Merger shall be merged with and into Everest Holdings at the Effective Time (as defined in Section 1.02). Following the Effective Time, the separate corporate existence of Everest Merger shall cease and Everest Holdings shall continue as the surviving corporation (the “Surviving Corporation”) and shall succeed to and assume all the rights and obligations of Everest Merger in accordance with the DGCL.

1.02. Effective Time. Subject to the provisions of this Agreement, as soon as practicable following the satisfaction or waiver of the conditions set forth in Section 5.01, the parties shall file a certificate of merger or other appropriate documents (in any case, the “Certificate of Merger”) executed in accordance with the DGCL and shall make all other filings or recordings required under the DGCL. The Merger shall become effective at the close of business on the date that the Certificate of Merger is duly filed with the Secretary of State of the State of Delaware, or at such later time as Everest Merger and Everest Holdings shall agree should be specified in the Certificate of Merger (the time the Merger becomes effective being hereinafter referred to as the “Effective Time”).

1.03. Effects of the Merger. The Merger shall have the effects set forth in Section 259 of the DGCL.

ARTICLE II

NAME, CERTIFICATE OF INCORPORATION, BY-LAWS, DIRECTORS AND OFFICERS OF THE SURVIVING CORPORATION

2.01. Name of the Surviving Corporation. The name of the Surviving Corporation shall be “Everest Reinsurance Holdings, Inc.”

2.02. Certificate of Incorporation. The Certificate of Incorporation of Everest Holdings, as in force and effect immediately prior to the Effective Time, shall, from and after the Effective Time, be the certificate of incorporation of the Surviving Corporation until thereafter changed or amended as provided therein or by applicable law.

2.03. By-Laws. The by-laws of Everest Holdings, as in force and effect immediately prior to the Effective Time, shall, from and after the Effective Time, be the by-laws of the Surviving Corporation until thereafter changed or amended as provided therein or by applicable law.

2.04. Directors. The directors of Everest Holdings in office immediately prior to the Effective Time shall be the directors of the Surviving Corporation and shall hold their respective directorships until the election and qualification of their respective successors or until their tenure is otherwise terminated in accordance with the certificate of incorporation and by-laws of the Surviving Corporation, or as otherwise provided by applicable law.

2.05. Officers. The officers of Everest Holdings in office immediately prior to the Effective Time shall be the officers of the Surviving Corporation and shall hold their respective directorships until the election and qualification of their respective successors or until their tenure is otherwise terminated in accordance with the certificate of incorporation and by-laws of the Surviving Corporation, or as otherwise provided by applicable law.

ARTICLE III

CONVERSION AND EXCHANGE OF STOCK

3.01. Conversion. At the Effective Time, by
virtual of the Merger and without any action on the part of the holder of any shares:

B. All amounts are reported in U.S. dollars.

(a) Conversion of Everest Holdings Common Stock. Each issued and outstanding share of Everest Holdings Common Stock (other than shares to be canceled in accordance with Section 3.01(c)(3)) shall be automatically converted into and shall become one fully paid, fully paid and non-assessable Everest Group Common Share.

(b) Everest Merger Common Stock. Each issued and outstanding share of Everest Merger Common Stock shall be converted into and become one fully paid and non-assessable share of Everest Holdings Common Stock.

ARTICLE IV
EMPLOYEE BENEFIT AND COMPENSATION PLANS

4.01. Plans Assumed by Everest Group. At the Effective Time, Everest Group shall assume all the rights and obligations of Everest Holdings under the Annual Incentive Plan, the Executive Performance Annual Incentive Plan, the 1995 Stock Incentive Plan, the 1995 Stock Option Plan for Non-Employee Directors, the Senior Executive Change of Control Plan and all other plans, arrangements or agreements pursuant to which options with respect to Everest Holdings Common Stock have been or may be granted, as each such plan, arrangement or agreement has been or may be amended prior to the Effective Time (collectively, the “Plans”). The outstanding options assumed by Everest Group shall be exercisable upon the same terms and conditions as under the Plans and the agreements relating thereto immediately prior to the Effective Time, except that upon the exercise of such options Everest Group Common Shares shall be issuable in lieu of shares of Everest Holdings Common Stock. The number of Everest Group Common Shares issuable upon the exercise of an option immediately after the Effective Time and the option price of each such option shall be the number of shares and option price in effect immediately prior to the Effective Time.

4.02. Other Benefit Plans. At the Effective Time, each employee benefit plan and incentive compensation plan other than the Plans to which Everest Holdings is then a party shall be assumed by, and continue to be the plan of, the Surviving Corporation.

ARTICLE V
CONDITIONS PRECEDENT

5.01. Conditions to Each Party’s Obligation to Effect the Merger. The respective obligation of each party to effect the Merger is subject to the satisfaction or waiver of the following:

(a) No Further Ownership Rights in Everest Holdings Common Stock. All Everest Group Common Shares issued upon the surrender for exchange of certificates in accordance with the terms of this Article III shall be deemed to have been issued and paid for in full satisfaction of all rights pertaining to the shares of Everest Holdings Common Stock theretofore represented by such certificates, subject, however, to the Surviving Corporation’s obligation (if any) to pay any dividends or make any other distributions with a record date prior to the Effective Time which may have been declared or paid by Everest Holdings on such shares of Everest Holdings Common Stock in accordance with the terms of this Agreement or prior to the date of this Agreement and which remain unpaid at the Effective Time. Following the Effective Time, there shall be no further registration of transfers on the stock transfer books of the Surviving Corporation of the shares of Everest Holdings Common Stock that were outstanding immediately prior to the Effective Time. If, after the Effective Time, certificates are presented to the Surviving Corporation, they shall be canceled and exchanged as provided in this Article III, except as otherwise provided by law.

(b) Stockholder Approval. The Everest Holdings Stockholder Approval shall have been obtained.

(c) Form S-4. The registration statement on Form S-4 filed with the Securities and Exchange Commission by Everest Group in connection with the issuance of the Everest Group Common Shares in the Merger shall have become effective under the Securities Act of 1933, as amended, and shall not be the subject of any stop order or proceedings seeking a stop order.

(d) NYSE Listing. The Everest Group Common Shares issuable pursuant to the terms of this Agreement shall have been approved for listing by the New York Stock Exchange, Inc., subject to official notice of issuance.

(e) Governing, Regulatory and Other Consents. All filings required to be made prior to the Effective Time with, and all consents, approvals, permits and authorizations required to be obtained prior to the Effective Time from, any court or governmental or regulatory authority or agency, domestic or foreign, or other person, in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will have been made or obtained (as the case may be) and all applicable waiting periods shall have expired.

ARTICLE VI
TERMINATION, AMENDMENT AND WAIVER

6.01. Termination. This Agreement may be terminated at any time prior to the Effective Time, whether or not the Everest Holdings Stockholder Approval shall have been obtained, by action of the Board of Directors of Everest Holdings or of Everest Group.
6.02. Effect of Termination. In the event of termination of this Agreement as provided in Section 6.01, this Agreement shall forthwith become void and have no effect, without any liability or obligation on the part of Everest Holdings, Everest Merger or Everest Group, other than the provisions of this Article VI and Article VII.

6.03. Amendment. This Agreement may be amended by the parties at any time before or after the Stockholder Approval shall have been obtained; provided, however, that after any such approval, there shall be made no amendment that by law requires further approval by the stockholders of Everest Holdings without the further approval of such stockholders. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties.

6.04. Waiver. At any time prior to the Effective Time, the parties may waive compliance by the other parties with any of the agreements or conditions contained in this Agreement. Any agreement on the part of a party to any such waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party. The failure of any party to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of such rights.

6.05. Procedure for Termination, Amendment, Extension or Waiver. A termination of this Agreement pursuant to Section 6.01, an amendment of this Agreement pursuant to Section 6.03, or a waiver pursuant to Section 6.04 shall, in order to be effective, require in the case of Everest Holdings, Everest Merger or Everest Group, action by its Board of Directors.

ARTICLE VII

GENERAL PROVISIONS

7.01. Notices. All notices, requests, claims, demands and other communications under this Agreement shall be in writing and shall be deemed given if delivered personally, telecopied (which is confirmed) or sent by overnight courier (providing proof of delivery) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to Everest Holdings:
   Everest Reinsurance Holdings, Inc.
   477 Martinsville Road
   P.O. Box 830
   Liberty Corner, New Jersey 07938-0830

(b) if to Everest Group:
   Everest Reinsurance Group, Ltd.
   c/o ABG Financial & Management Services Inc.
   Parkside House
   Wildey Business Park, Wildey Road
   St. Michael, Barbados

(c) if to Everest Merger:
   Everest Re Merger Corporation
   c/o Everest Reinsurance Holdings, Inc.
   477 Martinsville Road
   P.O. Box 830

7.02. Entire Agreement; No Third-Party Beneficiaries. This Agreement (including the documents and instruments referred to herein) (a) constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter of this Agreement and (b) except for the provisions of Articles III and IV, are not intended to confer upon any person other than the parties any rights or remedies.

7.03. Further Assurances. The parties shall execute and deliver such further instruments and do such further acts and things as may be required to carry out the intent and purposes of this Agreement.

7.04. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof.

IN WITNESS WHEREOF, the undersigned have caused this Agreement to
Item 20. Indemnification of Directors and Officers.

(i) Everest Group is a Bermuda company. Section 98 of the Companies Act 1981 of Bermuda (the “Act”) provides generally that a Bermuda company may indemnify its directors, officers and auditors against any liability which by virtue of rule of law otherwise would be imposed on them, except in cases where such liability arises from fraud or dishonesty of which such director, officer or auditor may be guilty in relation to the company. Section 98 further provides that a Bermuda company may indemnify its directors, officers and auditors against any liability incurred by them in defending any proceedings, whether civil or criminal, in which judgment is awarded in their favor or they are acquitted or in which they are acquitted or granted relief by the Supreme Court of Bermuda in certain proceedings arising under Section 281 of the Act.

Section 30 of Everest Group’s bye-laws provides that: (a) the directors, officers and employees of Everest Group shall be indemnified out of the funds of Everest Group from and against (and the agents of Everest Group may be indemnified from and against) all actions, costs, charges, losses, damages and expenses which they shall incur by reason of any act done in connection with their duty as a director, officer, employee or agent of Everest Group; and (b) expenses will be paid in advance of the final disposition of any action upon receipt of an undertaking to repay such amounts if it is ultimately determined that they are not entitled to indemnification.

Section 31 of Everest Group’s bye-laws provides that each shareholder agrees to waive any claim or right of action such shareholder might have against any director or officer on account of any action taken by such director or officer, or the failure of such director or officer to take any action in the performance of his or her duties with or for Everest Group, provided that such waiver does not extend to any matter in respect of any fraud or dishonesty that may attach to such director or officer.

(ii) Everest Holdings is a Delaware corporation. Under Delaware law, a corporation may indemnify a director or officer who becomes a party to an action, suit or proceeding because of his position as a director or officer if (1) the director or officer acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and (2) if the action or proceeding involves a criminal offense, the director or officer had no reasonable cause to believe his conduct was unlawful. Article VII of the certificate of incorporation of Everest Holdings provides that Everest Holdings shall, to the fullest extent permitted by Delaware General Corporation Law: (c) indemnify its
officers, directors, employees and agents and (y) advance expenses incurred by its officers, directors, employees or agents in relation to any action, suit or proceeding. Article VII of the certificate of incorporation of Everest Holdings further provides that Everest Holdings may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of Everest Holdings, or who is or was serving at the request of Everest Holdings as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him and incurred by him arising in such capacity, whether or not Everest Holdings would be able to indemnify him against such liability under the provisions of the Delaware General Corporation Law. In addition, Article VII of the certificate of incorporation of Everest Holdings provides that its directors shall not be personally liable to Everest Holdings or its stockholders for monetary damages for breach of fiduciary duty, except for liability (a) for any breach of the director’s duty of loyalty; (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (c) under Section 174 of the Delaware General Corporation Law (relating to dividends and repurchases of stock); and (d) for any transaction from which the director derived an improper personal benefit.

In addition to reiterating the indemnification provisions of certificate of incorporation of Everest Holdings, Article VI, Section 11 of the by-laws of Everest Holdings provides that the indemnification of any director, officer, employee or agent includes reimbursement of expenses (including attorneys’ fees), judgments, fines and amount paid in settlement actually and reasonably incurred by him in connection with the defense or settlement of an action, suit or proceeding. Article VII, Section 11 also provides that advancements of expenses shall be paid to the director, officer, employee or agent at reasonable intervals in advance of the final disposition of such action, suit or proceeding, upon receipt of an undertaking to repay such amounts if it shall ultimately be determined that such person is not entitled to indemnification. If an indemnification claim is not paid in a timely manner to the director, officer, employee or agent, such person has the right to bring suit against Everest Holdings to recover the unpaid amount of the claim.

(iii) Everest Group and Everest Holdings also maintain insurance on their respective directors and officers, which covers liabilities under the federal securities laws, excluding losses arising from any claim relating to any deliberately dishonest or fraudulent act or omission, any criminal or malicious act or omission, any willful violation of law or any accounting for profits for the purchase or sale of securities of Everest Group or Everest Holdings within the meaning of Section 16(b) of the Exchange Act.


<table>
<thead>
<tr>
<th>Exhibit Number</th>
<th>Description of Document</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Agreement and Plan of Merger among Everest Holdings, Everest Group and Everest Merger, dated as of September 17, 1999 (included as Appendix A to the proxy statement/prospectus contained in this Registration Statement).</td>
</tr>
<tr>
<td>*3.1</td>
<td>Memorandum of Association of Everest Group.</td>
</tr>
<tr>
<td>3.2</td>
<td>Form of Bye-laws of Everest Group.</td>
</tr>
<tr>
<td>*3.3</td>
<td>Certificate of Incorporation of Everest Holdings (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-8 (No. 333-05771)).</td>
</tr>
<tr>
<td>*3.4</td>
<td>By-laws (as amended and restated) of Everest Holdings (incorporated by reference to Exhibit 3.2 to the Annual Report on Form 10-K for the year ended December 31, 1997).</td>
</tr>
<tr>
<td><strong>4.1</strong></td>
<td>Specimen Everest Group common share certificate.</td>
</tr>
<tr>
<td>*4.2</td>
<td>Rights Agreement, dated as of September 24, 1998, between Everest Holdings and First Chicago Trust Company of New York, as Rights Agent (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on September 28, 1998).</td>
</tr>
<tr>
<td>*4.3</td>
<td>Amendment dated as of September 16, 1999 to Rights Agreement, dated as of September 24, 1998, between Everest Holdings and First Chicago Trust Company of New York (incorporated by reference to Exhibit 4.2 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 1999).</td>
</tr>
<tr>
<td><strong>5.1</strong></td>
<td>Opinion of Conyers Dill &amp; Pearlman as to the validity of the Everest Group common shares.</td>
</tr>
<tr>
<td><strong>5.2</strong></td>
<td>Opinion of Conyers Dill &amp; Pearlman as to certain Bermuda tax matters.</td>
</tr>
<tr>
<td><strong>5.3</strong></td>
<td>Opinion of Mayer, Brown &amp; Platt as to certain United States tax matters.</td>
</tr>
</tbody>
</table>
| **10.2**       | Everest Holdings Amended 1995 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to...
<table>
<thead>
<tr>
<th>Exhibit Number</th>
<th>Description of Document</th>
</tr>
</thead>
<tbody>
<tr>
<td>*10.4</td>
<td>Everest Holdings 1995 Stock Option Plan for Non-Employee Directors (incorporated by reference to Exhibit 4.3 to the Registration Statement on Form S-8 (No. 333-45771)).</td>
</tr>
<tr>
<td>*10.5</td>
<td>Amended and Restated Employment Agreement between Everest Re and Joseph V. Taranto effective as of October 11, 1994 (incorporated by reference to Exhibit 10.5 to the Registration Statement on Form S-1 (No. 33-71652)).</td>
</tr>
<tr>
<td>*10.6</td>
<td>Resolution adopted by the Compensation Committee of Everest Holdings on February 24, 1997 establishing a Chief Executive Officer’s Bonus Plan (incorporated by reference to Exhibit 10.6 to the Annual Report on Form 10-K for the year ended December 31, 1997).</td>
</tr>
<tr>
<td>*10.7</td>
<td>Form of Non-Qualified Stock Option Award Agreement to be entered into between Everest Holdings and participants in the 1995 Stock Incentive Plan (incorporated by reference to Exhibit 10.15 to the Annual Report on Form 10-K for the year ended December 31, 1995).</td>
</tr>
<tr>
<td>*10.8</td>
<td>Form of Restricted Stock Agreement to be entered into between Everest Holdings and participants in the 1995 Stock Incentive Plan (incorporated by reference to Exhibit 10.16 to the Annual Report on Form 10-K for the year ended December 31, 1995).</td>
</tr>
<tr>
<td>*10.9</td>
<td>Form of Stock Option Agreement (Version 1) to be entered into between Everest Holdings and participants in the 1995 Stock Option Plan for Non-Employee Directors (incorporated by reference to Exhibit 10.17 to the Annual Report on Form 10-K for the year ended December 31, 1995).</td>
</tr>
<tr>
<td>*10.10</td>
<td>Form of Stock Option Agreement (Version 2) to be entered into between Everest Holdings and participants in the 1995 Stock Option Plan for Non-Employee Directors (incorporated by reference to Exhibit 10.18 to the Annual Report on Form 10-K for the year ended December 31, 1995).</td>
</tr>
<tr>
<td>*10.15</td>
<td>Resolution adopted by the board of directors of Everest Holdings on April 1, 1999 awarding stock options to outside directors (incorporated by reference to Exhibit 10.25 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 1999).</td>
</tr>
<tr>
<td>*10.17</td>
<td>Amendment to Amended and Restated Employment Agreement between Everest Re, Everest Holdings and Joseph V. Taranto dated September 23, 1999 (incorporated by reference to Exhibit 10.28 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 1999).</td>
</tr>
<tr>
<td>10.18</td>
<td>Form of Amendment to Employment Agreement by and among Everest Re, Everest Holdings, Everest Group and Joseph V. Taranto.</td>
</tr>
<tr>
<td>10.19</td>
<td>Form of Amendment to Change of Control Agreement by and among Everest Re, Everest Holdings, Everest Group and Joseph V. Taranto.</td>
</tr>
<tr>
<td>21.1</td>
<td>Subsidiaries of Everest Group, giving effect to the proposed restructuring.</td>
</tr>
<tr>
<td>**23.1</td>
<td>Consent of Conyers Dill &amp; Pearman (included in Exhibit 5.1).</td>
</tr>
<tr>
<td>**23.2</td>
<td>Consent of Clarke &amp; Co. (included in Exhibit 8.2).</td>
</tr>
<tr>
<td>**23.3</td>
<td>Consent of Mayer, Brown &amp; Platt (included in Exhibit 8.3).</td>
</tr>
<tr>
<td>23.4</td>
<td>Consent of PricewaterhouseCoopers LLP.</td>
</tr>
</tbody>
</table>

*Previously filed

**To be filed by amendment

Item 22.

Undertakings.
(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:
   (i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;
   (ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement;
   (iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) (i) The undersigned registrant undertakes as follows: that prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this Registration Statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.

(2) The undersigned registrant hereby undertakes that every prospectus (i) that is filed pursuant to paragraph (1) immediately preceding, or (ii) that purports to meet the requirements of Section 10(a)(3) of the Securities Act of 1933 and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the Registration Statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time will be deemed to be the initial bona fide offering thereof.

(d) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in Section 11(f) of the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

(e) The undersigned registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Item 4, 10(b), 11 or 13 of this form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this amendment to registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Liberty Corner, State of New Jersey on the 23rd day of November, 1999.

Stephen L. Limauro
Chairman and Director

Chairman and Director (Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer)

DEPUTY CHAIRMAN AND DIRECTOR

Chairman and Director

AUTHORIZED REPRESENTATIVE IN THE UNITED STATES

EXHIBIT INDEX

/s/ STEPHEN L. LIMAUCO
Stephen L. Limauro

/s/ JANET J. BURAK
Janet J. Burak

/s/ STEPHEN L. LIMAUCO
Stephen L. Limauro
Agreement and Plan of Merger among Everest Holdings, Everest Group and Everest Merger, dated as of September 17, 1999 (included as Appendix A to the proxy statement/prospectus contained in this Registration Statement).

Memorandum of Association of Everest Group.

Certificate of Incorporation of Everest Holdings (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-8 (No. 333-05771)).

By-laws (as amended and restated) of Everest Holdings (incorporated by reference to Exhibit 3.2 to the Annual Report on Form 10-K for the year ended December 31, 1997).

Specimen Everest Group common share certificate.

Rights Agreement, dated as of September 24, 1998, between Everest Holdings and First Chicago Trust Company of New York, as Rights Agent (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on September 28, 1998).

Amendment dated as of September 16, 1999 to Rights Agreement, dated as of September 24, 1998, between Everest Holdings and First Chicago Trust Company of New York (incorporated by reference to Exhibit 4.2 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 1999).

Opinion of Conyers Dill & Pearman as to the validity of the Everest Group common shares.

Opinion of Conyers Dill & Pearman as to certain Bermuda tax matters (included in Exhibit 5.1).

Opinion of Clarke & Co. as to certain Barbados tax matters.

Opinion of Maye, Brown & Platt as to certain United States tax matters.


Everest Holdings Amended 1995 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to the Annual Report on Form 10-K for the year ended December 31, 1995).

Everest Holdings Amended Annual Incentive Plan (incorporated by reference to Exhibit 10.4 to the Annual Report on Form 10-K for the year ended December 31, 1995).

Everest Holdings 1995 Stock Option Plan for Non-Employee Directors (incorporated by reference to Exhibit 4.3 to the Registration Statement on Form S-8 (No. 333-05771)).

Amended and Restated Employment Agreement between Everest Re and Joseph V. Taranto effective as of October 11, 1994 (incorporated by reference to Exhibit 10.50 to the Registration Statement on Form S-1 (No. 33-71652)).

Resolution adopted by the Compensation Committee of Everest Holdings on February 24, 1997 establishing a Chief Executive Officer’s Bonus Plan (incorporated by reference to Exhibit 10.8 to the Annual Report on Form 10-K for the year ended December 31, 1997).

Form of Non-Qualified Stock Option Award Agreement to be entered into between Everest Holdings and participants in the 1995 Stock Incentive Plan (incorporated by reference to Exhibit 10.15 to the Annual Report on Form 10-K for the year ended December 31, 1995).

Form of Restricted Stock Agreement to be entered into between Everest Holdings and participants in the 1995 Stock Incentive Plan (incorporated by reference to Exhibit 10.16 to the Annual Report on Form 10-K for the year ended December 31, 1995).

*Previously filed

**To be filed by amendment

Form of Stock Option Agreement (Version 2) to be entered into between Everest Re participants in the 1995 Stock Option Plan and stockholders of Everest Re who become participants therein.

Deferred Compensation Plan, as amended, for certain United States employees of Everest Re and its participating subsidiaries (incorporated by reference to Exhibit 10.20 to the Annual Report on Form 10-K for the year ended December 31, 1998).


Change of Control Agreement by and among Everest Re, Everest Group and Joseph V. Taranto.

Senior Executive Change of Control Plan (incorporated by reference to Exhibit 10 Report on Form 10-Q for the quarter ended September 30, 1998).

Resolution adopted by the board of directors of Everest Holdings on April 1, 1999. options to outside directors (incorporated by reference to Exhibit 10.25 to the Form 10-K for the year ended December 31, 1998).


Amendment to and Restated Employment Agreement between Everest Re and Joseph V. Taranto dated November 29, 1999 (incorporated by reference to Exhibit 10.32 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 1999).

Consent of PricewaterhouseCoopers LLP.

Financial data schedule.

Form of proxy card of Everest Holdings.

Consent of Martin Abrahams.

Consent of Kenneth J. Duffy.

Consent of John R. Dunne.

Consent of Thomas I. Gallagher.

Consent of William F. Gallwey, Jr.

Consent of Joseph V. Taranto.

Subsidiaries of Everest Group, giving effect to the proposed restructuring.

Consent of PricewaterhouseCoopers, PricewaterhouseCoopers LLP.

Consent of Mayer, Brown & Platt (included in Form 10-K for the year ended December 31, 1998).

Exhibit of Amendment to Change of Control Agreement by and among Everest Re, Everest Group and Joseph V. Taranto.
BYE-LAWS

of

EVEREST REINSURANCE GROUP, LTD.

(as adopted on November ___, 1999)
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INTERPRETATION

1. Interpretation

(a) In these Bye-laws the following words and expressions shall, where not inconsistent with the context, have the following meanings respectively:

(i) "Act" means the Companies Act 1981 of Bermuda, as amended, or any Bermuda statute then in effect that has replaced such statute, and any reference in these Bye-laws to a provision of the Act means such provision as amended from time to time or any provision of a Bermuda law from time to time in effect that has replaced such provision;

(ii) "Alternate Director" means an alternate Director appointed in accordance with these Bye-laws;

(iii) "Auditor" includes any individual, company or partnership;

(iv) "Board" means the Board of Directors appointed or elected pursuant to these Bye-laws and acting by resolution in accordance with the Act and these Bye-laws or the Directors present at a meeting of Directors at which there is a quorum;

(v) "Business Day" means any day, other than a Saturday, a Sunday or any day on which banks in Hamilton, Bermuda or the City of New York, United States are authorised or obligated by law or executive order to close;

(vi) "Code" means the United States Internal Revenue Code of 1986, as amended, or any United States federal statute then in effect that has replaced such statute, and any reference in these Bye-laws to a provision of the Code or a rule or regulation promulgated thereunder means such provision, rule or regulation as amended from time to time or any provision of a United States federal law, or any United States federal rule or regulation, from time to time in effect that has replaced such provision, rule or regulation;
(vii) "Common Shares" means the common shares, initially having a par value U.S. $0.01 per share, of the Company and includes a fraction of a Common Share;

(viii) "Company" means the company for which these Bye-laws are approved and confirmed;

(ix) "Controlled Shares" of any Person means all shares of the issued and outstanding share capital of the Company owned by such Person, whether:

(A) directly;

(B) with respect to Persons who are U.S. Persons, by application of the attribution and constructive ownership rules of Sections 958(a) and 958(b) of the Code;

(C) with respect to Persons who are U.S. Persons, by application of the attribution and constructive ownership rules of Sections 544 and 554 of the Code; or

(D) beneficially, directly or indirectly, within the meaning of Section 13(d)(3) of the Exchange Act and the rules and regulations thereunder;

(x) "Director" means a director of the Company and shall include an Alternate Director;

(xi) "Exchange Act" means the United States Securities Exchange Act of 1934, as amended, or any United States Federal statute from time to time in effect that has replaced such statute, and any reference in these Bye-laws to a provision of the Exchange Act or a rule or regulation promulgated thereunder means such provision, rule or regulation as amended from time to time or any provision of a United States Federal law, or any United States Federal rule or regulation, from time to time in effect that has replaced such provision, rule or regulation;

(xii) "Fair Market Value" means, with respect to a redemption or purchase of any shares of the Company in accordance with these Bye-laws, (A) if such shares are listed on a securities exchange (or quoted in a securities quotation system), the average of the high and low sale (or bid) prices of such shares on such exchange (or in such quotation system), or, if such shares are listed on (or quoted in) more than one exchange (or quotation system), the average of the high and low sale (or bid) prices of the shares on the principal securities exchange (or quotation system) on which such shares are then traded, or, if such shares are not then listed on a securities exchange (or quotation system) but are traded in the over-the-counter...
market, the average of the latest bid and asked quotations for
such shares in such market, in each case for the last 15
trading days immediately preceding the day on which notice of
the redemption or purchase of such shares is sent pursuant to
these Bye-laws or (B) if no such sales (or bid) prices or
quotations are available because such shares are not publicly
traded or otherwise, the Fair value of such shares as
determined by one independent nationally recognized investment
banking firm chosen by the Board and reasonably satisfactory
to the Member whose shares are to be so repurchased by the
Company, provided, that the calculation of the Fair Market
Value of the shares made by such appointed investment banking
firm (x) shall not include any discount relating to the
absence of a public trading market for, or any transfer
restrictions on, such shares and (y) such calculation shall be
final and the fees and expenses stemming from such calculation
shall be borne by the Company or its assignee, as the case may
be;
(xiii) "Investment Company" means a registered investment company
pursuant to the Investment Company Act;
(xiv) "Investment Company Act" means the United States Investment
Company Act of 1940, as amended from time to time, or any
Federal statute from time to time in effect that has replaced
such statute, and any reference in these Bye-laws to a
provision of the Investment Company Act or a rule or
regulation promulgated thereunder means such provision, rule
or regulation as amended from time to time or any provision of
a federal law, or any federal rule or regulation, from time to
time in effect that has replaced such provision, rule or
regulation;
(xv) "Maximum Percentage" means, with respect to any Person, nine
and nine-tenths percent (9.9%) or, if applicable, such other
percentage as the Board shall have previously approved for
such Person in accordance with these Bye-laws;
(xvi) "Member" means the Person registered in the Register of
Members as the holder of shares in the Company and, when two
or more Persons are so registered as joint holders of shares,
means the Person whose name stands first in the Register of
Members as one of such joint holders or all of such Persons as
the context so requires;
(xvii) "notice" means written notice as further defined in these Bye-
laws unless otherwise specifically stated;
(xviii) "Officer" means any individual appointed by the Board to hold
an office in the Company;
“Person” means an individual, firm, trust, estate, partnership, association, company, corporation, fire or other legal entity or enterprise;

“Preferred Shares” means the preferred shares, initially having a par value U.S. $0.01 per share, of the Company and includes a fraction of a Preferred Share;

“Registered office” means the office of the Company selected to be the registered office in accordance with the provisions of the Act and Bye-law 88;

“Register of Directors and Officers” means the Register of Directors and Officers referred to in Bye-law 28;

“Register of Members” means the Register of Members referred to in Bye-law 59; and

“Repurchase Price” means the Fair Market Value of the shares to be redeemed or purchased on the date the Repurchase Notice (as defined in paragraph (b) of Bye-law 55) with respect thereto is sent by the Company;

“Secretary” means the individual appointed to perform any or all the duties of secretary of the Company and includes any deputy, assistant or acting secretary;

“Securities Act” means the United States Securities Act of 1933, as amended, or any United States federal statute from time to time in effect which has replaced such statute, and any reference in these Bye-laws to a provision of the Securities Act or a rule or regulation promulgated thereunder means such provision, rule or regulation as amended from time to time or any provision of a United States federal law, or any United States federal rule or regulation, from time to time in effect that has replaced such provision, rule or regulation;

“share” means any share in the share capital of the Company;

“United States” means the United States of America and dependent territories or any part thereof;

“U.S. Person” means, except as otherwise indicated, an individual who is 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 any political subdivision thereof, an estate whose income is includable in gross income for United States federal income tax purposes, regardless of its source, or a trust, if and only if (A) a court within the United States is able to exercise primary supervision over the
administration of the trust and (B) one or more U.S. Persons have the authority to control all substantial decisions of the trust;

(b) In these Bye-laws, where not inconsistent with the context:

(i) words denoting the plural number include the singular number and vice versa;

(ii) words denoting the masculine gender include the feminine gender;

(iii) the word:

(A) "may" shall be construed as permissive;

(B) "shall" shall be construed as imperative; and

(iv) unless otherwise provided herein words or expressions defined in the Act shall bear the same meaning in these Bye-laws.

(c) Expressions referring to writing or written shall, unless the contrary intention appears, include facsimile, printing, lithography, photography, electronic-mail and other modes of representing words in a legible and non-transitory form.

(d) Headings used in these Bye-laws are for convenience only and are not to be used or relied upon in the construction hereof.

(e) In these Bye-laws, (i) powers of delegation shall not be restrictively construed but the widest interpretation shall be given thereto, (ii) the word "Board" in the context of the exercise of any power contained in these Bye-laws includes any committee consisting of one or more individuals appointed by the Board, any Director holding executive office and any local or divisional Board, manager or agent of the Company to which or, as the case may be, to whom the power in question has been delegated in accordance with these Bye-laws, (iii) no power of delegation shall be limited by the existence of any other power of delegation and (iv) except where expressly provided by the terms of delegation, the delegation of a power shall not exclude the concurrent exercise of that power by any Person who is for the time being authorised to exercise it under these Bye-laws or under another delegation of the powers.

BOARD OF DIRECTORS

2. Board of Directors

The business of the Company shall be managed and conducted by the Board.
3. Management of the Company

[a] In managing the business of the Company, the Board may exercise all such powers of the Company as are not, by statute or by these Bye-laws, required to be exercised by the Company in general meeting and the business and affairs of the Company shall be so controlled by the Board. The Board also may present any petition and make any application in connection with the winding up or liquidation of the Company.

[b] No regulation or alteration to these Bye-laws made by the Company in general meeting shall invalidate any prior act of the Board which would have been valid if that regulation or alteration had not been made.

[c] Subject to Section 39 of the Act, the Board may procure that the Company pays to Members or third parties all expenses incurred in promoting and incorporating the Company.

[d] The Board may exercise all the powers of the Company to discontinue the Company to a named country or jurisdiction outside Bermuda pursuant to Section 1326 of the Act.

4. Power to appoint managing director or chief executive officer

The Board may from time to time appoint one or more Directors to the office of managing director or chief executive officer of the Company who shall, subject to the control of the Board, supervise and administer all of the general business and affairs of the Company.

5. Power to appoint manager

Without limiting the provisions of Bye-law 4, the Board may appoint a Person or body of Persons to act as manager of all or some of the Company’s day to day business and may entrust to and confer upon such manager such powers and duties as it deems appropriate for the transaction or conduct of such business.

6. Power to authorise specific actions

The Board may from time to time and at any time authorise any Director, Officer or other Person or body of Persons to act on behalf of the Company for any specific purpose and in connection therewith to execute any agreement, document or instrument on behalf of the Company.

7. Power to appoint attorney

The Board may from time to time and at any time by power of attorney appoint any Person or body of Persons, whether nominated directly or indirectly by the Board, to be an attorney of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board) and for such period (or for an unspecified length of time) and subject to such conditions as it may think fit and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board
may think fit and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions so vested in the attorney. Such attorney may, if so authorised under the seal of the Company, execute any deed or instrument under such attorney’s personal seal with the same effect as the affixation of the seal of the Company.

B. Power to delegate to a committee

The Board may delegate any of its powers to a committee of one or more individuals appointed by the Board (and the Board may appoint alternative committee members or authorize the members to appoint their own alternates), which committee may consist partly or entirely of non-directors. Without limiting the foregoing, such committees may include:

(a) an Executive Committee, which shall have all of the powers of the Board between meetings of the Board;

(b) an Underwriting Committee, which shall, among other things, establish, review and monitor the underwriting policies of the Company’s subsidiary companies or other companies associated with the Company, review underwriting decisions, monitor any appointed underwriting services provider, advise the Board with respect to actuarial services, review actuarial decisions, monitor any provider of actuarial services and otherwise monitor the risks insured or reinsured by the Company’s subsidiary companies or other companies associated with the Company;

(c) an Investment Committee, which shall, among other things, establish, review and monitor the investment policies of the Company and the Company’s subsidiary companies or other companies associated with the Company, review investment decisions and review and monitor any provider of investment services;

(d) an Audit Committee, which shall, among other things, review the internal administrative and accounting controls of the Company and the Company’s subsidiary companies or other companies associated with the Company and recommend to the Board the appointment of independent auditors;

(e) a Compensation Committee, which shall, among other things, establish and review the compensation of Officers and the compensation policies and procedures of the Company and the Company’s subsidiary companies or other companies associated with the Company; and

(f) a Nominating Committee, which shall, among other things, propose to the Members or to continuing Directors, before any election of Directors by Members or the filling of any vacancy by the Board, a slate of director candidates equal in number to the vacancies to be filled (for purposes of paragraph (f) of this Bye-law 8 only, “Director” shall not include Alternate Director).

All Board committees shall conform to such directions as the Board shall impose on them; provided, that each member shall have one vote, and each committee shall have the right as it deems appropriate to retain outside advisors and experts. Each committee may adopt rules for the conduct of its affairs, including rules governing the adoption of resolutions by unanimous written consent, and the place, time, and notice of meetings, as shall be advisable and as shall not be inconsistent.
with these Bye-laws regarding Board meetings or with any applicable resolution adopted by the Board, each committee shall cause minutes to be made of all meetings of such committee and of the attendance thereat and shall cause such minutes and copies of resolutions adopted by unanimous consent to be promptly inscribed or incorporated by the Secretary in the minute book.

9. Power to appoint and dismiss employees

The Board may appoint, suspend or remove any officer, manager, secretary, clerk, agent or employee of the Company and may fix their remuneration and determine their duties.

10. Power to borrow and charge property

The Board may exercise all the powers of the Company to borrow money, to assume, guarantee or otherwise become directly or indirectly liable for indebtedness for borrowed money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and may issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or any third party.

DIRECTORS

11. Election of Directors

(a) The Board shall consist of not less than three and not more than 12 Directors, the exact number to be determined from time to time by resolution adopted by the affirmative vote of more than fifty percent (50%) of the Directors then in office; provided, that if no such resolution shall be in effect the number of Directors shall be six. Each Director shall be elected, except in the case of casual vacancy, by the Members in the manner set forth in paragraph (b) of this Bye-law II at the annual general meeting or any special general meeting called for the purpose and who shall hold office for the term set forth in paragraph (c) of this Bye-law II.

(b) Except as permitted under paragraph (d) of this Bye-law II, no individual shall, unless recommended for election by the Board or any Nominating Committee of the Board, be eligible for election as a Director unless advance notice of the nomination of such individual shall have been given to the Company in the manner provided in Bye-law II.

(c) The Board shall be divided into three classes of Directors, namely Class I, Class II and Class III. Each class shall have approximately the same number of Directors as determined by the Board or any Nominating Committee of the Board. The initial term of the Class I Directors shall expire at the first annual general meeting of the Company’s shareholders following the date that the Company is subject to the reporting requirements of the Exchange Act. The initial term of the Class II Directors shall expire at the second annual general meeting following the date that the Company is subject to the reporting requirements of the Exchange Act. The initial term of the Class III Directors shall expire at the third annual general meeting following the date that the Company is subject to the reporting requirements of the Exchange Act. Following their initial terms, all classes of Directors shall be elected to three-year terms. Each Director shall serve until the expiration of
such Director's term or until such Director's successor shall have been duly elected or appointed or until such Director's office is otherwise vacated.

(d) Whenever the holders of any one or more classes or series of Preferred Shares issued by the Company shall have the right, voting separately by class or series, to elect Directors at an annual or special general meeting, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of the Board resolution creating such classes or series of Preferred Shares, and such directors so elected shall not be divided into classes pursuant to this Bye-law 11 unless expressly provided by such terms.

(e) For the purposes of this Bye-law 11 only, "Director" shall not include an Alternate Director.

12. Nominations proposed by Members

(a) If a Member desires to nominate one or more individuals for election as Directors at any general meeting duly called for the election of Directors, written notice of such Member's intent to make such a nomination must be received by the Company at the Registered Office (or at such other place or places as the Board may otherwise specify for this purpose) not less than 120 days nor more than 150 days before the first anniversary of the date of the notice convening the Company's annual general meeting of shareholders for the prior year. Such notice shall set forth (i) the name and address, as it appears in the Register of Members, of the Member who intends to make such nomination; (ii) a representation that the Member is a holder of record of shares of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to make such nomination; (iii) the class and number of shares of the Company which are held by the Member; (iv) the name and address of each individual to be nominated; (v) a description of all arrangements or understandings between the Member and any such nominee and any other person or persons (naming such person or persons) pursuant to which such nomination is to be made by the Member; (vi) such other information regarding any such nominee proposed by such Member as would be required to be included in a proxy statement filed pursuant to Regulation 14A under the Exchange Act, whether or not the Company is then subject to such Regulation; and (vii) the consent of any such nominee to serve as a Director, if so elected. The chairman of such general meeting shall, if the facts warrant, refuse to acknowledge a nomination that is not made in compliance with the procedure specified in this Bye-law 12, and any such nomination not properly brought before the meeting shall not be considered.

13. Defects in appointment of Directors

All acts done bona fide by any meeting of the Board or by a committee of the Board or by any individual acting as a Director shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any Director or individual acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such individual had been duly appointed and was qualified to be a Director.
14. Alternate Directors

(a) Any Director may appoint an individual or individuals to act as a Director in the alternative to himself or herself by notice in writing received by the Company at the Registered Office (or at such other place or places as the Board may otherwise specify for this purpose). Any individual so appointed shall have all the rights and powers of the Director or Directors for whom such individual is appointed in the alternative; provided, that such individual shall not be counted more than once in determining whether or not a quorum is present.

Any Director may, upon notice in writing received by the Company at the Registered Office (or at such other place or places as the Board may otherwise specify for this purpose), remove or replace any individual so appointed as his or her alternate with or without cause.

(b) An Alternate Director shall be entitled to receive notice of all meetings of the Board and to attend and vote at any such meeting at which a Director for whom such Alternate Director was appointed in the alternative is not personally present and generally to perform at such meeting all the functions of such Director for whom such Alternate Director was appointed.

(c) An Alternate Director shall be entitled to receive any proposed written resolutions being circulated among the Directors for signature and an Alternate Director may sign any written resolution in the absence of a Director for whom such Alternate Director was appointed.

(d) An Alternate Director shall cease to be such if the Director for whom such Alternate Director was appointed ceases for any reason to be a Director but may be re-appointed as an alternate to the individual appointed to fill the vacancy in accordance with these Bye-laws.

15. Removal of Directors

(a) The Members shall not be entitled to remove a Director other than for cause.

(b) Subject to any provision to the contrary in these Bye-laws, the Members may, at any special general meeting convened for that purpose and held in accordance with these Bye-laws, remove any Director for cause with the sanction of a resolution passed by the holders of not less than sixty-six and two-thirds percent (66 2/3%) of the issued and outstanding shares conferring the right to vote on such resolution; provided, that (i) the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention so to do and be served on such Director not less than 14 days before the meeting and (ii) at such meeting such Director shall be entitled to be heard on the motion for such Director’s removal.

(c) A vacancy on the Board created by the removal of a Director under the provisions of paragraph (a) of this Bye-law 15 may be filled by the Members at the meeting at which such Director is removed and, in the absence of such appointment, the Board may fill any such vacancy in accordance with Bye-law 16. A Director so appointed shall hold office for the balance of the term of such vacant Board position, or until such Director’s successor is elected or appointed or such Director’s office is otherwise vacated.

16. Vacancies on the Board

(a) The Members shall not be entitled to remove a Director other than for cause.

(b) Subject to any provision to the contrary in these Bye-laws, the Members may, at any special general meeting convened for that purpose and held in accordance with these Bye-laws, remove any Director for cause with the sanction of a resolution passed by the holders of not less than sixty-six and two-thirds percent (66 2/3%) of the issued and outstanding shares conferring the right to vote on such resolution; provided, that (i) the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention so to do and be served on such Director not less than 14 days before the meeting and (ii) at such meeting such Director shall be entitled to be heard on the motion for such Director’s removal.

(c) A vacancy on the Board created by the removal of a Director under the provisions of paragraph (a) of this Bye-law 15 may be filled by the Members at the meeting at which such Director is removed and, in the absence of such appointment, the Board may fill any such vacancy in accordance with Bye-law 16. A Director so appointed shall hold office for the balance of the term of such vacant Board position, or until such Director’s successor is elected or appointed or such Director’s office is otherwise vacated.

17. Vacancies on the Board

(a) The Members shall not be entitled to remove a Director other than for cause.

(b) Subject to any provision to the contrary in these Bye-laws, the Members may, at any special general meeting convened for that purpose and held in accordance with these Bye-laws, remove any Director for cause with the sanction of a resolution passed by the holders of not less than sixty-six and two-thirds percent (66 2/3%) of the issued and outstanding shares conferring the right to vote on such resolution; provided, that (i) the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention so to do and be served on such Director not less than 14 days before the meeting and (ii) at such meeting such Director shall be entitled to be heard on the motion for such Director’s removal.

(c) A vacancy on the Board created by the removal of a Director under the provisions of paragraph (a) of this Bye-law 15 may be filled by the Members at the meeting at which such Director is removed and, in the absence of such appointment, the Board may fill any such vacancy in accordance with Bye-law 16. A Director so appointed shall hold office for the balance of the term of such vacant Board position, or until such Director’s successor is elected or appointed or such Director’s office is otherwise vacated.
(a) The Board shall have the power from time to time and at any time to appoint any individual as a Director to fill a vacancy on the Board occurring as the result of the death, disability, disqualification, resignation or removal of any Director or if such Director’s office is otherwise vacated and to appoint an Alternate Director to any Director so appointed. A Director so appointed shall hold office for the balance of the term of such vacant Board position or until such Director’s successor is elected or appointed or such Director’s office is otherwise vacated.

(b) The Board may act notwithstanding any vacancy in its number but, if and so long as its number is reduced below the number fixed by these Bye-laws as the minimum number necessary for the transaction of business at meetings of the Board, the continuing Directors or Director may, notwithstanding that the number of Directors is below the number fixed by or in accordance with these Bye-laws as the quorum or that there is only one continuing Director, act for the purpose of (i) filling vacancies on the Board, (ii) summoning a general meeting of the Company or (iii) preserving the assets of the Company, but not for any other purpose.

(c) The office of Director shall be vacated if the Director:

(i) is removed from office pursuant to these Bye-laws or is prohibited from being a Director by law;

(ii) is or becomes bankrupt or makes any arrangement or composition with his creditors generally;

(iii) is or becomes of unsound mind as determined by the Board in its sole discretion or dies;

(iv) resigns his or her office by notice in writing to the Company.

17. Notice of meetings of the Board

(a) The Chairman or Deputy Chairman, or any two Directors may, and the Secretary on the requisition of the Chairman, Deputy Chairman or any two Directors shall, at any time summon a meeting of the Board by not less than three (3) Business Days’ notice in writing to each Director and Alternate Director, unless such Director or Alternate Director consents to shorter notice.

(b) Notice of a meeting of the Board shall specify the general nature of the business to be considered at such meeting and shall be deemed to be duly given to a Director if it is given to such Director in person or otherwise communicated or sent to such Director by mail, courier service, cable, telex, teletypewriter, facsimile, electronic-mail or other mode of representing words in a legible and non-transitory form at such Director’s address in the Register of Directors and Officers or any other address given by such Director to the Company for this purpose. If such notice is sent by next-day courier, cable, telex, teletypewriter, facsimile or electronic-mail it shall be deemed to have been given the Business Day following the sending thereof and, if by registered mail, three Business Days following the sending thereof.
(c) Meetings of the Board may be held within or outside of Bermuda and shall be held outside of the United States.

18. Quorum at meetings of the Board

The quorum necessary for the transaction of business at a meeting of the Board shall be a majority of the Directors then in office, present in person or represented by an Alternate Director or another Director appointed in accordance with the provisions of Section 91A of the Act.

19. Meetings of the Board

(a) The Board may meet for the transaction of business, adjourn and otherwise regulate its meetings as it sees fit.

(b) Directors may participate in any meeting of the Board by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting. No Director may participate in any such meeting of the Board while in the United States.

(c) A resolution put to the vote at a duly constituted meeting of the Board at which a quorum is present and acting throughout shall be carried by the affirmative votes of a majority of the votes cast. Each Director shall have one vote on all matters put to the Board for resolution, except that in the case of an equality of votes the Chairman, if he or she is present (and if he or she is not present, the Deputy Chairman, if he or she is present), shall have a second or casting vote, otherwise no Director has a second or casting vote.

20. Unanimous written resolutions

A resolution in writing signed by all the Directors, which may be in counterparts, shall be as valid as if it had been passed at a meeting of the Board duly called and constituted, such resolution to be effective on the date on which the last Director signs the resolution. An Alternate Director may sign a resolution in writing in the stead of any Director for whom he or she has been appointed an Alternate Director. Any resolution in writing may be signed within or outside of the United States; provided, that the last Director to sign the resolution must sign outside of the United States.

21. Contracts and disclosure of Directors' interests

(a) Any Director, or any Director's firm, partner or any company or enterprise with whom any Director is associated, may act in a professional capacity for the Company and such Director or such Director's firm, partner or such company or enterprise shall be entitled to remuneration for professional services as if such Director were not a Director; provided, that nothing herein contained shall authorise a Director or Director's firm, partner or such company to act as Auditor of the Company.
(b) A Director who is directly or indirectly interested in a contract or proposed contract or arrangement with the Company shall declare the nature of such interest as required by the Act.

(c) Following a declaration being made pursuant to this Bye-law 21, and unless disqualified by the chairman of the relevant Board meeting, a Director may vote in respect of any contract or arrangement or proposed contract or arrangement in which such Director is interested and may be counted in the quorum at such meeting.

22. Remuneration of Directors

(a) The remuneration (if any) of the Directors shall be determined by the Board and shall be deemed to accrue from day to day. The Directors shall also be reimbursed for all travel, hotel and other expenses properly incurred by them in attending and returning from meetings of the Board, any committee appointed by the Board, general meetings of the Company, or in connection with the business of the Company or their duties as Directors generally.

(b) A Director may hold any other office or place of profit under the Company (other than the office of Auditor) in conjunction with his or her office of Director for such period on such terms as to remuneration and otherwise as the Board may determine.

(c) The Board may by resolution award special remuneration to any Director undertaking any special work or services for, or undertaking any special mission on behalf of, the Company other than his ordinary routine work as a Director. Any fees paid to a Director who is also counsel or attorney to the Company, or otherwise serves it in a profession capacity, shall be in addition to his or her remuneration as a Director.

OFFICERS

23. Officers of the Company

The Officers of the Company shall consist of a Chairman, a Deputy Chairman, a Secretary and such additional Officers as the Board may from time to time determine to be necessary or advisable in the conduct of the affairs of the Company, all of whom shall be deemed to be Officers for the purposes of these Bye-laws. The same individual may hold two or more offices in the Company, except for the offices of Chairman and Deputy Chairman.

24. Appointment of Officers

The Board shall, as soon as possible after each annual general meeting, appoint the Chairman and the Deputy Chairman who shall be Directors. The Secretary and additional Officers, if any, shall be appointed by the Board from time to time; provided, that the Chairman may appoint any Officer ranking equal or junior to a Vice President, and such appointee shall be deemed to be an Officer for the purposes of these Bye-laws.

25. Remuneration of Officers

The remuneration (if any) of the Directors shall be determined by the Board and shall be deemed to accrue from day to day. The Directors shall also be reimbursed for all travel, hotel and other expenses properly incurred by them in attending and returning from meetings of the Board, any committee appointed by the Board, general meetings of the Company, or in connection with the business of the Company or their duties as Directors generally.
The Officers shall receive such remuneration as the Board may from time to
time determine; provided, that the Chairman shall be entitled to determine the
remuneration for those Officers appointed by the Chairman pursuant to Bye-law
24.

26. Duties of Officers

The Officers shall have such powers and perform such duties in the
management, business and affairs of the Company as may be delegated to them from
time to time by these Bye-laws, or the Board or, in the case of those Officers
appointed by the Chairman pursuant to Bye-law 24, the Chairman.

27. Chairman of meetings

The Chairman shall act as chairman at all meetings of the Members and of
the Board at which such individual is present. In his or her absence, the Deputy
Chairman shall act as chairman and in the absence of both of then a chairman
shall be appointed or elected by those present at the meeting and entitled to
vote.

28. Register of Directors and Officers

(a) The Board shall cause to be kept in one or more books at the
Registered Office a Register of Directors and Officers and shall enter therein
the particulars required by the Act.

(b) The Register of Directors and Officers shall be open to inspection by
Members at the Registered Office in compliance with the requirements of the Act,
subject to such reasonable restrictions as the Board may impose.

MINUTES

29. Obligations of Board to keep minutes

(a) The Board shall cause minutes to be duly entered in books provided for
the purpose:

(i) of all elections and appointments of Officers;

(ii) of the names of the Directors present at each meeting of the
Board and of any committee appointed by the Board; and

(iii) of all resolutions and proceedings of general meetings of the
Members, meetings of the Board, meetings of managers and
meetings of committees appointed by the Board.

(b) Minutes prepared in accordance with the Act and these Bye-laws shall
be kept by the Secretary at the Registered Office.
30. Indemnification of Directors and Officers of the Company

(a) The Company shall indemnify its Officers and Directors to the fullest extent possible except as prohibited under the Act. Without limiting the foregoing, the Directors, Secretary and other Officers (such term to include for the purposes of Bye-laws 30 and 31, any Alternate Director or Person appointed to any committee by the Board or any Person who is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan)) and employees of the Company acting in relation to any of the affairs of the Company and the liquidator or trustees (if any) acting in relation to any of the affairs of the Company, and every one of them, and their heirs, executors and administrators, shall be indemnified and secured harmless out of the assets of the Company (and the Company, in the discretion of the Board, may so indemnify and secure harmless a Person by reason of the fact that such Person was an agent of the Company or was serving at the request of the Company in any other capacity for or on behalf of the Company) from and against all actions, costs, charges, losses, damages and expenses (including, without limitation, attorneys' fees) which they or any of them, their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted (actual or alleged) in or about the execution of their duty, or supposed duty, or in their respective offices or trusts, including, without limitation, any acts taken or omitted with regard to subsidiary companies of the Company, and none of them shall be answerable for the acts, receipts, neglects or defaults of the others of them or for being in any receipts for the sake of conformity, or for the acts of or the solvency or honesty of any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto; provided, that this indemnity shall not extend to any matter prohibited by the Act.

(b) Any indemnification under this Bye-law 30, unless ordered by a court, shall be made by the Company only as authorised in the specific case upon a determination that indemnification of such Person is proper in the circumstances because such Person has met the applicable standard of conduct set forth in paragraph (a) of this Bye-law 30. Such determination shall be made (i) by the Board by a majority vote of disinterested Directors or (ii) if a majority of the disinterested Directors so directs, by independent legal counsel in a written opinion or (iii) by the Members.

(c) Expenses (including, without limitation, attorneys' fees) actually and reasonably incurred by any Director, Secretary, other officer or employee of the Company in defending any civil, criminal, administrative or investigative action, suit or proceeding or threat thereof for which indemnification is sought pursuant to paragraph (a) of this Bye-law 30 shall be paid by the Company in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such Person to repay such amount if it shall be ultimately determined that such Person is not entitled to be indemnified by the Company as authorised in these Bye-laws or otherwise pursuant to applicable law, provided, that if it is determined by either (i) a majority vote of Directors who were not parties to such action, suit or proceeding or (ii) if a majority of the disinterested Directors so directs, by independent legal counsel in a written opinion, that there is no
reasonable basis to believe that such Person is entitled to be indemnified by
the Company as authorised in these Bye-laws or otherwise pursuant to applicable
law, then no expense shall be advanced in accordance with this paragraph (c) of
this Bye-law 30. The Company, in the discretion of the Board, may pay such
expenses (including attorneys’ fees) incurred by agents of the Company or by
Persons serving at the request of the Company in any other capacity for or on
behalf of the Company upon the receipt of the aforesaid undertaking and such
terms and conditions, if any, as the Board deems appropriate.

(d) The indemnification and advancement of expenses provided in these Bye-
laws shall not be deemed exclusive of any other rights to which those seeking
indemnification and advancement of expenses may now or hereafter be entitled
under any statute, agreement, vote of Members or otherwise, both as to action in
an official capacity and as to action in another capacity while holding such
office.

(g) The indemnification and advancement of expenses provided by, or
granted pursuant to, this Bye-law 30 shall, unless otherwise provided when
authorised or ratified, continue as to a Person who has ceased to hold the
position for which such Person is entitled to be indemnified or advanced
expenses and shall inure to the benefit of the heirs, executors and
administrators of such a Person.

(f) The Company may purchase and maintain insurance to protect itself and
any Director, Officer or other Person entitled to indemnification pursuant to
this Bye-law to the fullest extent permitted by law.

(g) No amendment or repeal of any provision of this Bye-law 30 shall
alter, to the detriment of any Person, the right of such Person to the
indemnification or advancement of expenses related to a claim based on an act or
failure to act which took place prior to such amendment, repeal or termination.

31. Waiver of claim

The Company and each Member agrees to waive any claim or right of action it
might have, whether individually or by or in the right of the Company, against
any Director or Officer on account of any action taken by such Director or
Officer, or the failure of such Director or Officer to take any action in the
performance of his or her duties with or for the Company, provided, that such
waiver shall not extend to any matter in respect of any fraud or dishonesty
which may attach to such Director or Officer.

MEETINGS

32. Notice of annual general meeting

The annual general meeting of the Company shall be held in each year at
such time and place as the Chairman, the Deputy Chairman or any two Directors or
any Director and the Secretary or the Board shall appoint. At least five days
written notice of such meeting shall be given to each Member entitled to vote
thereat as at the relevant record date determined pursuant to Bye-law 61.
stating the date, place and time at which the meeting is to be held, that the
election of Directors will take place thereat, and as far as practicable, the
other business to be conducted at the meeting. The annual general meeting may be
held within or outside of Bermuda and shall be held outside of the United
States.

33. Notice of special general meeting

The Chairman, the Deputy Chairman or any two Directors or any Director and
the Secretary or the Board may convene a special general meeting of the Company
whenever in their judgment such a meeting is necessary, upon not less than five
days' written notice to each Member entitled to attend and vote thereat as at
the relevant Record Date, which shall state the date, time, place and the
general nature of the business to be considered at the meeting. Any special
general meeting may be held within or outside of Bermuda and shall be held
outside of the United States.

34. Accidental omission of notice of general meeting

The accidental omission to give notice of a general meeting to, or the non-
receipt of notice of a general meeting by, any Member entitled to receive notice
shall not invalidate the proceedings at that meeting.

35. Meeting called on requisition of Members

Notwithstanding anything herein, the Board shall, on the requisition of
Members holding at the date of the deposit of the requisition not less than one-
tenth of such of the paid-up share capital of the Company as at the date of the
deposit carries the right to vote at general meetings of the Company, forthwith
proceed to convene a special general meeting of the Company and the provisions
of Section 74 of the Act shall apply.

36. Short notice

A general meeting of the Company shall, notwithstanding that it is called
by shorter notice than that specified in these Bye-laws, be deemed to have been
properly called if it is so agreed by (a) all the Members entitled to attend and
vote thereat in the case of an annual general meeting; and (b) a majority in
number of the Members having the right to attend and vote at the meeting, being
a majority together holding not less than ninety-five percent (95%) in nominal
value of the shares conferring a right to attend and vote thereat in the case of
a special general meeting.
37. postponement of meetings

The Chairman or the Board may postpone any general meeting called in accordance with the provisions of these Bye-laws (other than a meeting requisitioned under Bye-law 35); provided, that notice of postponement is given before the time for such meeting to each Member entitled to attend and vote thereat as at the relevant Record Date for the meeting being postponed. Fresh notice of the date, time and place for the postponed meeting shall be given to each Member entitled to attend and vote thereat as at the relevant Record Date for the meeting being postponed in accordance with the provisions of these Bye-laws.

38. quorum for general meeting

At any general meeting of the Company two or more individuals present in person and representing in person or by proxy in excess of fifty percent (50%) of the total issued and outstanding shares conferring a right to attend and vote at such meeting throughout the meeting shall form a quorum for the transaction of business; provided, that if the Company shall at any time have only one Member, one Member present in person or by proxy shall constitute a quorum for the transaction of business at any general meeting of the Company held during such time. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned to the same day one week later, at the same time and place or to such other day, time or place as the Chairman or the Board may determine. Unless the meeting is so adjourned to a specific date and time, fresh notice of the date, time and place for the resumption of the adjourned meeting shall be given to each Member in accordance with the provisions of these Bye-laws. No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business and continues throughout the meeting, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman of the meeting which shall not be treated as part of the business of the meeting.

39. adjournment of meetings

The chairman of a general meeting may, with the consent of the Members at any general meeting whether or not a quorum is present (and shall if so directed), adjourn the meeting. Unless the meeting is so adjourned to a specific date and time, fresh notice of the date, time and place for the resumption of the adjourned meeting shall be given to each Member in accordance with the provisions of these Bye-laws with respect to a special general meeting.

40. business to be conducted at meetings

Subject to the Act, business to be brought before a general meeting of the Company must be specified in the notice of the meeting. Only business that the Board has determined can be properly brought before a general meeting in accordance with these Bye-laws and applicable law shall be conducted at any general meeting, and the chairman of the general meeting may refuse to permit any business to be brought before such meeting that has not been properly brought before it in accordance with these Bye-laws and applicable law.
41. Attendance at meetings

Unless the Chairman or the Board determines otherwise, Members may participate in any general meeting by means of such telephone, electronic or other communication facilities as permit all individuals participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting; provided, that no Member may participate in any such meeting while in the United States.

42. Written resolutions

(a) Subject to paragraph (f) of this Bye-law 42, anything which may be done by resolution of the Company in general meeting or by resolution of a meeting of any class of the Members of the Company, may, without a meeting and without any previous notice being required, be done by resolution in writing signed by, or, in the case of a Member that is a corporation whether or not a company within the meaning of the Act, on behalf of, all the Members who at the date of the resolution or, if earlier, the record date determined pursuant to Bye-law 61 would be entitled to attend the meeting and vote on the resolution.

(b) A resolution in writing may be signed by, or, in the case of a Member that is a corporation whether or not a company within the meaning of the Act, on behalf of, all the Members, or any class thereof, in as many counterparts as may be necessary.

(c) For the purposes of this Bye-law 42, the date of the resolution is the date when the resolution is signed by, or, in the case of a Member that is a corporation whether or not a company within the meaning of the Act, on behalf of, the last Member to sign and any reference in any Bye-law to the date of passing of a resolution is, in relation to a resolution made in accordance with this Bye-law, a reference to such date. Any resolution in writing may be signed within or outside the United States; provided, that the last Member to sign the resolution must sign outside of the United States.

(d) A resolution in writing made in accordance with this Bye-law is as valid as if it had been passed by the Company in general meeting or by a meeting of the relevant class of Members, as the case may be, and any reference in any Bye-law to a meeting at which a resolution is passed or to Members voting in favor of a resolution shall be construed accordingly.

(e) A resolution in writing made in accordance with this Bye-law shall constitute minutes for the purposes of Sections 81 and 82 of the Act.

(f) This Bye-law shall not apply to:

(i) a resolution passed pursuant to Section 89(5) of the Act; or

(ii) a resolution passed for the purpose of removing a Director before the expiration of his term of office under these Bye-laws.
43. Attendance of Directors

The Directors of the Company shall be entitled to receive notice of and to attend and be heard at any general meeting.

44. Voting at meetings

Subject to the provisions of the Act and these Bye-laws, any question proposed for the consideration of the Members at any general meeting shall be decided by the affirmative vote of a majority of the votes cast in accordance with the provisions of these Bye-laws and in the case of an equality of votes the resolution shall fail.

45. Voting on show of hands

At any general meeting a resolution put to the vote of the meeting shall, in the first instance, be voted upon by a show of hands and, subject to any rights or restrictions for the time being lawfully attached to any class of shares and subject to the provisions of these Bye-laws, every Member present in person and every individual holding a valid proxy at such meeting shall be entitled to one vote and shall cast such vote by raising his or her hand.

46. Decision of chairman

At any general meeting a declaration by the chairman of the meeting that a question proposed for consideration has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in a book containing the minutes of the proceedings of the Company shall, subject to the provisions of these Bye-laws, be conclusive evidence of that fact.

47. Demand for a poll

(a) Notwithstanding the provisions of the immediately preceding two Bye-laws, at any general meeting of the Company, in respect of any question proposed for the consideration of the Members (whether before or on the declaration of the result of a show of hands as provided for in these Bye-laws), a poll may be demanded by any of the following Persons:

(i) the chairman of such meeting; or

(ii) at least three Members present in person or represented by proxy; or

(iii) any Member or Members present in person or represented by proxy and holding between them not less than one-tenth (1/10) of the total voting rights of all the Members having the right to vote at such meeting; or

(iv) any Member or Members present in person or represented by proxy holding shares conferring the right to attend and vote at such meeting on which an aggregate sum has been paid up equal to not less than one-tenth (1/10) of the total sum paid up on all Common Shares.
(b) Where, in accordance with the provisions of paragraph (a) of this Bye-law 47, a poll is demanded, subject to any rights or restrictions for the time being lawfully attached to any class of shares and subject to the provisions of these Bye-laws, every Member present in person or by proxy at such meeting shall have one vote for each share conferring the right to attend and vote at such meeting of which such Member is the registered holder or for which such a proxyholder holds a proxy and such votes shall be counted in the manner set out in paragraph (d) of this Bye-law 47 or, in the case of a general meeting at which one or more Members or proxyholders are present by telephone, in such manner as the chairman of the meeting may direct, and the result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded and shall replace any previous resolution upon the same matter which has been the subject of a show of hands.

(c) A poll demanded in accordance with the provisions of paragraph (a) of this Bye-law 47, for the purpose of electing a chairman of the meeting or on a question of adjournment, shall be taken forthwith and a poll demanded on any other question shall be taken in such manner and at such time and place as the chairman (or acting chairman) may direct and any business other than that upon which a poll has been demanded may be proceeded with pending the taking of the poll.

(d) Where a vote is taken by poll, each Member present in person or by proxy and entitled to vote shall be furnished with a ballot on which such Member or proxyholder shall record his or her vote in such manner as shall be determined at the meeting having regard to the nature of the question on which the vote is taken, and each ballot paper shall be signed or initialed or otherwise marked so as to identify the voter and the registered holder in the case of a proxy. The Board may appoint one or more inspectors to act at any general meeting where a vote is taken by a poll. Each inspector shall take and sign an oath faithfully to exercise the duties of inspector at such meeting with strict impartiality and according to the best of his, her or its ability. The inspectors shall determine the number of shares outstanding and the voting power of each by reference to the Register of Members, the number of shares represented at the meeting, the existence of a quorum, the validity and effect of proxies and examine and count all ballots and determine the results of any vote. The inspector shall also hear and determine challenges and questions arising in connection with the right to vote. No Director or candidate for the office of Director shall act as an inspector. The determination and decision of the inspectors shall be final and binding.

48. Seniority of joint holders voting

In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.

49. Instrument of proxy

(a) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his or her attorney authorised by him or her in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
Any Member may appoint a standing proxy or (if a corporation) representative by depositing at the Registered Office, or at such place or places as the Board may otherwise specify for the purpose, a proxy or (if a corporation) an authorisation and such proxy or authorisation shall be valid for all general meetings and adjournments thereof or, resolutions in writing, as the case may be, until notice of revocation is received at the Registered Office, or at such place or places as the Board may otherwise specify for the purpose. Where a standing proxy or authorisation exists, its operation shall be deemed to have been suspended at any general meeting or adjournment thereof at which the Member is present or in respect to which the Member has specially appointed a proxy or representative. The Board may from time to time require such evidence as it shall deem necessary as to the due execution and continuing validity of any such standing proxy or authorisation and the operation of any such standing proxy or authorisation shall be deemed to be suspended until such time as the Board determines that it has received the requested evidence or other evidence satisfactory to it.

Subject to paragraph (b) of this Bye-law 49, the instrument appointing a proxy together with such other evidence as to its due execution as the Board may from time to time require shall be delivered at the Registered Office (or at such place or places as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in the case of a written resolution, in any document sent therewith) not less than 24 hours or such other period as the Board may determine, prior to the holding of the relevant meeting or adjourned meeting at which the individual named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, before the time appointed for the taking of the poll, or, in the case of a written resolution, prior to the effective date of the written resolution and in default the instrument of proxy shall not be treated as valid.

Instruments of proxy shall be in any common form or other form as the Board may approve and the Board may, if it thinks fit, send out with the notice of any meeting or any written resolution forms of instruments of proxy for use at that meeting or in connection with that written resolution. The instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a written resolution or amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall unless the contrary is stated therein be valid as well for any adjournment of the meeting as for the meeting to which it relates.

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or unsoundness of mind of the principal, or revocation of the instrument of proxy or of the authority under which it was executed, provided, that no intimation in writing of such death, insanity or revocation shall have been received by the Company at the Registered Office (or such other place as may be specified for the delivery of instruments of proxy in the notice convening the meeting or other documents sent therewith) at least one hour before the commencement of the meeting or adjourned meeting, or the taking of the poll, or the day before the effective date of any written resolution at which the instrument of proxy is used.

Subject to the Act, the Board may at its discretion, or the chairman of the relevant meeting may at his or her discretion with respect to such meeting only, waive any of the provisions of these Bye-laws related to proxies or authorisations and, in particular, may accept such verbal or
other assurances as it thinks fit as to the right of any person to attend and vote on behalf of any Member at general meetings or to sign written resolutions.

50. Representation of corporations at meetings
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A corporation which is a Member may, by written instrument, authorise such individual as it thinks fit to act as its representative at any meeting of the Members and the individual so authorised shall be entitled to exercise the same powers on behalf of the corporation which such individual or individuals represents as that corporation could exercise if it were an individual Member. Notwithstanding the foregoing, the chairman of the meeting may accept such assurances as he or she thinks fit as to the right of any individual or individuals to attend and vote at general meetings on behalf of a corporation which is a Member.

SHARE CAPITAL AND SHARES
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51. Authorisation of shares
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(a) Upon adoption of these Bye-laws, the share capital of the Company shall initially be divided into two classes of shares consisting of (i) two hundred million (200,000,000) Common Shares and (ii) fifty million (50,000,000) Preferred Shares. The Board may create classes of shares and may increase or decrease the number of shares of any class as it sees fit. The Board also may, subject to the Act, cancel, redeem or purchase shares of any class of shares.

(b) Subject to the provisions of these Bye-laws, the Common Shares shall entitle the holders thereof to:

(i) one vote per Common Share;

(ii) such dividends as the Board may from time to time declare;

(iii) in the event of a winding-up or dissolution of the Company, whether voluntary or involuntary or for the purpose of an amalgamation, a reorganization or otherwise or upon any distribution of capital, share equally and ratably in the assets of the Company, if any, remaining after the payment of all debts and liabilities of the Company and the liquidation preference of any issued and outstanding Preferred Shares or other shares ranking ahead of the Common Shares; and

(iv) generally be entitled to enjoy all of the rights attaching to shares.

(c) Subject to these Bye-laws, the Act and to any resolution of the Members to the contrary, the unissued share capital of the Company (as it stands from time to time) shall be at the disposal of the Board and the Board shall have power to issue, offer, allot, exchange or otherwise dispose of any unissued shares of the Company, at such times, for such consideration and on such terms and conditions as it may determine and any shares or class of shares may be issued as a new or existing class of shares and with such preferred, deferred or other special rights or such
restrictions or as comprising a new or existing class of shares, whether in regard to dividend, voting, return of capital or otherwise as the Board may from time to time prescribe and the Board may generally exercise the powers set out in Sections 45(1)(b), (c), (d) and (e) of the Act. Further the Board shall have the power to issue, offer, allot, exchange or otherwise dispose of options, warrants or other rights to purchase or acquire shares or securities convertible into or exchangeable for shares (including any employee benefit plan providing for the issuance of shares or options or rights in respect thereof), at such times, for such consideration and on such terms and conditions as it may determine.

The Board is authorised, subject to the Act, to issue the Preferred Shares in series, at such times, for such consideration and on such terms and conditions as it may determine with similar or different rights or restrictions as any other series and to establish from time to time the number of Preferred Shares to be included in each such series, and to fix the designation, powers, preferences, voting rights, dividend rates, redemption provisions, and other rights, qualifications, limitations or restrictions thereof. The terms of any series of Preferred Shares shall be set forth in a Certificate of Designation in the minutes of the Board authorizing the issuance of such Preferred Shares and such Certificate of Designations shall be attached as an exhibit to these Bye-laws, but shall not form part of these Bye-laws, and may be examined by any Member on request. The rights attaching to any Common Share or any Preferred Share shall be deemed not to be altered by the allotment of any other Preferred Share even if such Preferred Share does or will rank in priority for payment of a dividend or in respect of capital or which confer on the holder thereof voting rights more favorable than those conferred by such Common Share or existing Preferred Share and shall not otherwise be deemed to be altered by the creation or issue of further shares ranking pari passu therewith.

52. Limitation on voting rights of controlled shares

(a) If and for so long as the aggregate number of Controlled Shares of any person exceeds the Maximum Percentage of the total voting power of all of the issued and outstanding share capital of the Company (calculated after giving effect to any prior reduction in voting rights attaching to Controlled Shares of other Persons as provided in this Bye-law 52), each such Controlled Share, regardless of the identity of the registered holder thereof, shall confer only a fraction of a vote as determined by the following formula (the “Formula”):

\[
\frac{T - C}{9.1 \times C}
\]

Where:

"T" is the aggregate number of votes conferred by all the issued and outstanding share capital immediately prior to that application of the Formula with respect to any particular Person, adjusted to take into account any prior reduction taken with respect to any other Person pursuant to paragraph (b) of this Bye-law 52 as at the same date;

"C" is the number of Controlled Shares attributable to such Person.
(b) The Formula shall be applied successively as many times as may be necessary to ensure that the number of Controlled Shares of any Person does not exceed the Maximum Percentage of the total voting power of all of the issued and outstanding share capital of the Company at any time. For the purposes of determining the votes exercisable by Persons as at any date, the Formula shall be applied to the shares of each Person in declining order based on the respective numbers of total Controlled Shares attributable to each Person. Thus, the Formula will be applied first to the votes of shares held by the Person to whom the largest number of total Controlled Shares is attributable and thereafter sequentially with respect to the Person with the next largest number of total Controlled Shares. In each case, calculations shall be made on the basis of the aggregate number of votes conferred by the shares as of such date, as reduced by the application of the Formula to any issued shares of any Person with a larger number of total Controlled Shares as of such date.

(c) Notwithstanding the provisions of paragraphs (a) and (b) of this Bye-law 52, having applied the provisions thereof as best as they consider reasonably practicable, the Board may make such final adjustments to the aggregate number of votes attaching to the Controlled Shares of any Person that it considers fair and reasonable in all the circumstances to ensure that the number of Controlled Shares of any Person does not exceed the Maximum Percentage of the total voting power of all of the issued and outstanding share capital of the Company at any time.

(d) Notwithstanding anything in these Bye-laws, this Bye-law 52 shall not apply for so long as the Company shall have only one Member.

S3. Limitations on the power to issue shares

(b) The Board shall, in connection with the issue of any share, have the power to pay such commissions and brokerage fees and charges as may be permitted by law.

(c) The Company shall not give, whether directly or indirectly, whether by means of loan, guarantee, provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any Person of or for any shares.
(d) The Company may from time to time do any one or more of the following things:

(i) make arrangements on the issue of shares for a difference between the Members in the amounts and times of payments of calls on their shares;

(ii) accept from any Member the whole or a part of the amount remaining unpaid on any shares held by such Member, although no part of that amount has been called up;

(iii) pay dividends in proportion to the amount paid up on each share where a larger amount is paid up on some shares than on others; and

(iv) issue its shares in fractional denominations and deal with such fractions to the same extent as its whole shares and shares in fractional denominations shall have in proportion to the respective fractions represented thereby all of the rights of whole shares including (but without limiting the generality of the foregoing) the right to vote, to receive dividends and distributions and to participate in a winding up.

54. Variation of rights and alteration of share capital

(a) If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound-up, be varied with the consent in writing of the holders of not less than a majority of the issued and outstanding shares of that class or with the sanction of a resolution passed by the holders of not less than a majority of the issued and outstanding shares of that class at a separate general meeting of the holders of the shares of the class held in accordance with Section 47 (7) of the Act. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith. The rights of the holders of Common Shares shall not be deemed to be varied by the creation or issue of shares with preferred or other rights, which may be effected by the Board as provided in these Bye-laws without any vote or consent of the holders of Common Shares.

(b) The Company may from time to time by resolution of the Members alter the conditions of its Memorandum of Association by all or any of those actions listed in Section 45(1) of the Act and accordingly may change the currency denomination of, increase, alter or reduce its share capital in accordance with the provisions of Sections 45 and 46 of the Act; provided, that any resolution of the Members to alter or reduce its share capital be by the affirmative vote of Members representing not less than a majority of the votes conferred by the issued and outstanding shares entitled to vote. Where, on any alteration of share capital, fractions of shares or some other difficulty would arise, the Board may deal with or resolve the same in such manner as it thinks fit.
including, without limiting the generality of the foregoing, the issue to Members, as appropriate, of fractions of shares and/or arranging for the sale or transfer of the fractions of shares of Members to a purchaser thereof who shall not be bound to see to the application of the purchase money, nor shall his or her title to the same be affected by any irregularity in, or in invalidity of, the proceedings relating to sale.

55. Purchase of shares by Company

(a) Exercise of power to redeem and purchase shares of the Company

The Company shall have the power to, and may from time to time, redeem or purchase all or any part of its own shares pursuant to Sections 42 and 42A of the Act. The Board may, at its discretion and without the sanction of a resolution of the Members, authorise any redemption or purchase by the Company of its own shares (all or any part thereof), of any class, at any price (whether at par or above or below par), and so that any share to be so redeemed or purchased may be selected in any manner whatsoever, upon such terms as the Board may in its discretion determine; provided, that such redemption or purchase is effected in accordance with the provisions of the Act. The rights attaching to any share shall be deemed not to be altered (unless such right specifically provides otherwise) by any redemption or purchase by the Company of any of its own shares.

(b) Unilateral repurchase right

Subject to Section 42A of the Act, if the Board has reason to believe that (i) any Person that is not an Investment Company beneficially owns (within the meaning of Section 13(d)(3) of the Exchange Act and the rules and regulations thereunder) in excess of five percent (5%) of any class of issued and outstanding share capital of the Company, (ii) the aggregate number of Controlled Shares of any Person exceeds the Maximum Percentage of any class of issued and outstanding share capital of the Company or (iii) the direct or indirect share ownership in the Company of any Person may result in adverse tax, regulatory or legal consequences to the Company, any of its subsidiaries, any of the Members or any Person who beneficially owns (within the meaning of Section 13(d)(3) of the Exchange Act and the rules and regulations thereunder) any of the issued and outstanding share capital of the Company, the Company shall have the option, but not the obligation, to redeem or purchase all or any part of the shares so owned (to the extent the Board, in the reasonable exercise of its discretion, determines necessary or advisable to avoid or cure any adverse or potential adverse consequences) for the Repurchase Price by delivering written notice to the Person that owns the shares to be redeemed or purchased specifying the number of shares to be redeemed or purchased and the Repurchase Price therefor (the “Repurchase Notice”). The Company shall use all commercially reasonable efforts to exercise its redemption or purchase option ratably among similarly situated Persons to the extent possible under the circumstances. Within 10 days after the delivery of the Repurchase Notice, the Company or its designee shall redeem or purchase from such Person, and such Person shall sell to the Company or its designee, the number of shares specified in the Repurchase Notice at a mutually agreeable time and place. At such closing, the Company or its designee shall pay to such Person the Repurchase Price by wire transfer of immediately available funds and such Person shall deliver to the Company or its designee share certificates representing the redeemed or purchased shares duly endorsed in blank or accompanied by duly executed stock.
powers. The Company may revoke the Repurchase Notice at any time prior to payment for the shares.

(c) Unilateral repurchase right in the event of involuntary transfer

If a Person shall be involuntarily wound up, dissolved or liquidated or shall have entered into a court order, foreclosure, tax lien, government seizure, death or otherwise, and, in any such case as a result thereof, any or all of such Person's shares (the "Involuntary Transfer Shares") shall be actually or purportedly transferred or otherwise disposed of, such Person, or its legal representative or successor, shall promptly give notice to the Company of such transfer and the Company shall have the option, but not the obligation, to redeem or purchase all or any part of the Involuntary Transfer Shares for the Repurchase Price by delivering a Repurchase Notice to such Person. Within 10 days after the delivery of the Repurchase Notice, the Company or its designee shall redeem or purchase from such Person, and such Person shall sell to the Company or its designee, the number of Involuntary Transfer Shares specified in the Repurchase Notice at a mutually agreeable time and place. At such closing, the Company or its designee shall pay to such Person the Repurchase Price by wire transfer of immediately available funds and such Person shall deliver to the Company or its designee share certificates representing the Involuntary Transfer Shares duly endorsed in blank or accompanied by duly executed stock powers. The Company may revoke the Repurchase Notice at any time prior to the payment for shares.

56. Registered holder of shares

(a) The Company shall be entitled to treat the registered holder of any share as the absolute owner thereof and, accordingly, except as ordered by a court of competent jurisdiction or as required by law or as specifically provided in these Bye-laws, no Person shall be recognized by the Company as holding any share upon trust and the Company shall not be bound by or required in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except only as otherwise provided in these Bye-laws or by law) any other right in respect of any share except an absolute right to the entirety thereof in the registered holder.

(b) Any dividend, interest or other monies payable in cash in respect of shares may be paid by cheque or draft sent through the post directed to the Member at such Member's address in the Register of Members or, in the case of joint holders, to such address of the holder first named in the Register of Members, or to such Person and to such address as the holder or joint holders may in writing direct. If two or more Persons are registered as joint holders of any shares, any one can give an effectual receipt for any dividend paid in respect of such shares.

57. Death of a joint holder

Where two or more Persons are registered as joint holders of a share or shares, then in the event of the death of any joint holder or holders the remaining joint holder or holders shall be
absolutely entitled to the said share or shares and the Company shall recognize no claim in respect of the estate of any joint holder except in the case of the last survivor of such joint holders.

58. Share certificates

(a) Every Member shall be entitled to a share certificate under the seal of the Company (or a facsimile or representation thereof as the Board may determine) specifying the number and, where appropriate, the class of shares held by such Member and whether the same are fully paid up and, if not, how much has been paid thereon. The Board may determine, either generally or in a particular case, that any or all signatures on share certificates may be printed thereon or affixed by mechanical means. Notwithstanding the provisions of Bye-law 91, the Board may determine that a share certificate need not be signed on behalf of the Company.

(b) The Company shall be under no obligation to complete and deliver a share certificate unless specifically called upon to do so by the Person to whom such shares have been allotted.

(c) If any such share certificate shall be proved to the satisfaction of the Board to have been worn out, lost, mislaid or destroyed, the Board may cause a new share certificate to be issued and may request an indemnity with or without security for the lost share certificate as it sees fit.

REGISTER OF MEMBERS

59. Contents of Register of Members

The Board shall cause to be kept in one or more books a Register of Members and shall enter therein the particulars required by the Act. Unless the Board so determines, no Member or intending Member shall be entitled to have entered in the Register of Members any indication of any trust or any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share and if any such entry exists or is permitted by the Board it shall not be deemed to abrogate any of the provisions of paragraph (a) of Bye-law 96.

60. Inspection of Register of Members

(a) The Register of Members shall be open to inspection by Members or other entitled Persons at the Registered Office (or at such other place or places in Bermuda as the Board may determine) during business hours, subject to such reasonable restrictions as the Board may impose, so that not less than two hours in each normal day of business in Bermuda be allowed for inspection. The Register of Members may, after notice has been given by advertisement in an appointed newspaper to that effect, be closed for any time or times not exceeding in the whole 30 days in each year.

(b) Subject to the provisions of the Act, the Company may keep one or more overseas or branch registers in any place, and the Board may make, amend and revoke any such regulations as it may think fit respecting the keeping of such registers and the contents thereof.

61. Setting of record date
Notwithstanding any other provision of these Bye-laws, the Board shall fix any date as the record date for:

(a) determining the Members entitled to receive any dividend;

(b) determining the Members entitled to receive notice of and to vote at any general meeting of the Company; and

(c) determining the Members entitled to execute a resolution in writing.

TRANSFER OF SHARES

62. Instrument of transfer

(a) An instrument of transfer shall be in such common form or other form as the Board or any transfer agent appointed from time to time may accept. Such instrument of transfer shall be signed by or on behalf of the transferor. The transferor shall be deemed to remain the holder of such share until the same has been transferred to the transferee in the Register of Members.

(b) The Board may refuse to recognize any instrument of transfer unless it is accompanied by the certificate in respect of the shares to which it relates and by such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.

63. Restrictions on transfer

(a) Subject to the Act, this Bye-law 63 and such other restrictions contained in these Bye-laws and elsewhere as may be applicable, any Member may sell, assign, transfer or otherwise dispose of shares of the Company for which the Member is the registered holder at the time and, upon receipt of a duly executed form of transfer in writing, the Board shall procure the timely registration of the same. If the Board refuses to register a transfer for any reason it shall notify the proposed transferor and transferee within 30 days of such refusal.

(b) Without the prior written approval of the Board, no transfer of any share shall be registered if the Board has reason to believe that the effect of such transfer would be to (i) increase the number of shares beneficially owned (within the meaning of Section 13(d)(3) of the Exchange Act and the rules and regulations thereunder) by any Person that is not an Investment Company to more than five percent (5%) of any class of issued and outstanding share capital of the Company, (ii) to increase the aggregate number of Controlled Shares of any Person to more than the Maximum Percentage of any class of issued and outstanding share capital of the Company or (iii) to result in adverse tax, regulatory or legal consequences to the Company, any of its subsidiaries, any of the Members or any Person who beneficially owns (within the meaning of Section 13(d)(3) of the Exchange Act and the rules and regulations thereunder) any of the issued and outstanding share capital of the Company.
(c) Without limiting the foregoing, no transfer of any share shall be registered unless all applicable consents, authorisations, permissions or approvals of any governmental body or agency in Bermuda, the United States or any other applicable jurisdiction required to be obtained prior to such transfer shall have been obtained.

(d) The registration of transfers may be suspended at such time and for such periods as the Board may from time to time determine; provided, that such registration shall not be suspended for more than 45 days in any period of 365 consecutive days.

(e) The Board may, by notice in writing, require any Member, any Person that beneficially owns (within the meaning of Section 13(d)(3) of the Exchange Act and the rules and regulations thereunder) any of the issued and outstanding share capital of the Company or any Person proposing to acquire shares of the Company, to certify or otherwise provide to the Board, within 10 Business Days of request, complete and accurate information in writing as to such matters as the Board may request for the purpose of giving effect to Bye-laws 52(a), 52(b), 53(a), 55(b), 55(c) and paragraph (b) of this Bye-law 63, including information in respect of the following matters:

(i) the number of shares of the Company in which such Person is legally or beneficially interested;

(ii) the Persons who are beneficially interested in shares in respect of which any Member is the registered holder;

(iii) the relationship, association or affiliation of such Person with any other Member or Person whether by means of common control or ownership or otherwise; and

(iv) any other facts or matters which the Board in its absolute discretion may consider relevant to the determination of the number of shares beneficially owned by any Person or the number of Controlled Shares attributable to any Person.

If any Member, any Person that beneficially owns (within the meaning of Section 13(d)(3) of the Exchange Act and the rules and regulations thereunder) any of the issued and outstanding share capital of the Company or any proposed acquiror does not respond to any such request within the time specified therein, or if the Board has reason to believe that any certification or other information provided pursuant to any such request is inaccurate or incomplete, the Board may decline to approve any transfer or issuance to which such request relates or may determine to disregard for all purposes the votes attached to any shares held by such Person.

(f) The restrictions on transfer authorised or imposed by these Bye-laws shall not be imposed in any circumstances in a way that would interfere with the settlement of trades or transactions entered into through the facilities of a stock exchange on which the shares are listed or traded from time to time; provided, that the Company may decline to register transfers in accordance with these Bye-laws and resolutions of the Board after a settlement has taken place.
64. Transfers by joint holders

The joint holders of any share or shares may transfer such share or shares to one or more of such joint holders, and the surviving holder or holders of any share or shares previously held by them jointly with a deceased Member may transfer any such share to the executors or administrators of such deceased Member.

TRANSMISSION OF SHARES

65. Representative of deceased Member

In the case of the death of a Member, the survivor or survivors where the deceased Member was a joint holder, and the legal personal representatives of the deceased Member where the deceased Member was a sole holder, shall be the only persons recognized by the Company as having any title to the deceased Member's interest in the shares. Nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by such deceased Member with other persons. Subject to the provisions of Section 92 of the Act, for the purpose of this Bye-law, "legal personal representative" means the executor or administrator of a deceased Member or such other person as the Board may in its absolute discretion decide as being properly authorised to deal with the shares of a deceased Member.

66. Registration on death or bankruptcy

Any Person becoming entitled to a share in consequence of the death or bankruptcy of any Member may be registered as a Member upon such evidence as the Board may deem sufficient or may elect to nominate some Person to be registered as a transferee of such share, and in such case the Person becoming entitled shall execute in favor of such nominee an instrument of transfer in a form satisfactory to the Board. On the presentation thereof to the Board, accompanied by such evidence as the Board may require to prove the title of the transferor and such other information as the Board shall deem necessary or appropriate, and the transferee shall be registered as a Member but the Board shall, in either case, have the same right to decline or suspend registration as it would have had in the case of a transfer of the share by that Member before such Member's death or bankruptcy, as the case may be.

67. Registration Fees

A fee may be charged by the Company for registering any transfer, probate, letters of administration, certificate of death or marriage, power of attorney, distraint or stop notice, order of court or other instrument relating to or affecting the title to any share, or otherwise making an entry in the Register of Members relating to any share.

DIVIDENDS AND OTHER DISTRIBUTIONS

68. Declaration of dividends by the Board
Subject to any rights or restrictions at the time lawfully attached to any class or series of shares and subject to the provisions of these Bye-laws, the Board may, in accordance with Section 54 of the Act, declare a dividend to be paid to the Members, in proportion to the number of shares held by them, and such dividend may be paid in cash or wholly or partly in specie in which case the Board may fix the value for distribution in specie of any assets.

69. Other distributions

The Board may declare and make such other distributions (in cash or in specie) to the Members as may be lawfully made out of the assets of the Company.

70. Reserve fund

The Board may from time to time before declaring a dividend set aside, out of the surplus or profits of the Company, such sum as it thinks proper as a reserve fund to be used to meet contingencies or for equalizing dividends or for any other special or general purpose.

71. Deduction of Amounts due to the Company

The Board may deduct from the dividends or distributions payable to any Member all monies due from such Member to the Company.

72. Unclaimed dividends

Any dividend or distribution unclaimed for a period of six years from the date of declaration of such dividend or distribution shall be forfeited and shall revert and belong to the Company and the payment by the Board of any unclaimed dividend or distribution, interest or other sum payable on or in respect of the share into a separate account shall not constitute the Company a trustee in respect thereof.

73. Interest on dividend

No dividend or distribution shall bear interest against the Company.

CAPITALIZATION

74. Capitalization

(a) The Board may resolve to capitalize any part of the amount for the time being standing to the credit of any of the Company’s share premium or other reserve accounts or funds or to the credit of the profit and loss account or otherwise available for distribution by applying such sum in paying up unissued shares to be allotted as fully paid shares pro rata to the Members.

(b) The Board may resolve to capitalize any sum standing to the credit of a reserve account or funds or sums otherwise available for dividend or distribution by applying such amounts

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in paying up in full partly paid shares of those Members who would have been entitled to such sums if they were distributed by way of dividend or distribution.

ACCOUNTS AND FINANCIAL STATEMENTS

75. Records of account

The Board shall cause to be kept proper records of account with respect to all transactions of the Company and in particular with respect to:

(a) all sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure relates;

(b) all sales and purchases of goods by the Company; and

(c) the assets and liabilities of the Company.

Such records of account shall be kept at the Registered Office or, subject to Section 83(2) of the Act, at such other place as the Board thinks fit and shall be available for inspection by the Directors during normal business hours.

No Member in its capacity as a Member shall have any right to inspect any accounting record or book or document of the Company except as conferred by the Act or as authorised by the Board.

76. Financial year end

The financial year end of the Company may be determined by resolution of the Board and failing such resolution shall be December 31 in each year.

77. Financial statements

Subject to any rights to waive laying of accounts pursuant to Section 88 of the Act, financial statements as required by the Act shall be laid before the Members in general meeting.

AUDIT

78. Appointment of Auditor

Subject to Section 88 of the Act, at the annual general meeting or at a subsequent special general meeting in each year, an independent representative of the Members shall be appointed by them as Auditor of the accounts of the Company. Such Auditor may be a Member but no Director, Officer or employee of the Company shall, during his or her continuance in office, be eligible to act as an Auditor of the Company.

79. Remuneration of Auditor

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The remuneration of the Auditor shall be fixed by the Company in general meeting or in such manner as the Members may determine.

80. Vacation of office of Auditor

If the office of Auditor becomes vacant by the resignation or death of the Auditor, or by the Auditor becoming incapable of acting by reason of illness or other disability at a time when the Auditor’s services are required, the Board may fill the vacancy thereby created.

81. Access to books of the Company

The Auditor shall at all reasonable times have access to all books kept by the Company and to all accounts and vouchers relating thereto, and the Auditor may call on the Directors or Officers of the Company for any information in their possession relating to the books or affairs of the Company.

82. Report of the Auditor

(a) Subject to any rights to waive laying of accounts or appointment of an Auditor pursuant to Section 88 of the Act, the accounts of the Company shall be audited at least once in every year.

(b) The financial statements provided for by these Bye-laws shall be audited by the Auditor in accordance with generally accepted auditing standards. The Auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the Auditor shall be submitted to the Members in general meeting.

(c) The generally accepted auditing standards referred to in paragraph (b) of this Bye-law 82 shall be those of the United States and the financial statements and the report of the Auditor shall disclose this fact.

GRATUITIES, PENSIONS AND INSURANCE

83. Benefits

The Board may (by establishment of or maintenance of schemes or otherwise) provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any past or present Director, Officer or employee of the Company or any of its subsidiaries or affiliates and for any member of his or her family (including a spouse and a former spouse) or any individual who is or was dependent on him or her, and may (as well before as after he ceases to hold such office or employment) contribute to any fund and pay premiums for the purchase or provision of any such benefit.

84. Insurance

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Without prejudice to the provisions of Bye-laws 30 and 31, the Board shall have the power to purchase and maintain insurance for or for the benefit of any individuals who are or were at any time Directors, Officers or employees of the Company, or of any of its subsidiaries or affiliates, or who are or were at any time trustees of any pension fund in which Directors, Officers or employees of the Company or any such subsidiary or affiliate are interested, including (without prejudice to the generality of the foregoing) insurance against any liability incurred by such individuals in respect of any act or omission in the actual or purported execution or discharge of their duties or in the exercise or purported exercise of their powers or otherwise in relation to their duties, powers or offices in relation to the Company or any such other company, subsidiary, affiliate or pension fund.

85. Limitation on Accountability

No Director or former Director shall be accountable to the Company or the Members for any benefit provided pursuant to Bye-law 83 or 84 and the receipt of any such benefit shall not disqualify any individual from being or becoming a Director of the Company.

NOTICES

86. Notices to Members of the Company

A notice may be given by the Company to any Member either by delivering it to such Member in person or by sending it to such Member’s address in the Register of Members or to such other address given for the purpose. For the purposes of this Bye-law, a notice may be sent by mail, courier service, cable, telex, telecopier, facsimile, electronic-mail or other mode of representing words in a legible and non-transitory form. If such notice is sent by next-day courier, cable, telex, telecopier, facsimile or electronic-mail, it shall be deemed to have been given the Business Day following the sending thereof and, if by registered mail, three Business Days following the sending thereof.

87. Notices to joint Members

Any notice required to be given to a Member shall, with respect to any shares held jointly by two or more Persons, be given to whichever of such Persons is named first in the Register of Members and notice so given shall be sufficient notice to all the holders of such shares.

88. Service and delivery of notice

Subject to Bye-law 86, any notice shall be deemed to have been served at the time when the same would be delivered in the ordinary course of transmission and, in proving such service, it shall be sufficient to prove that the notice was properly addressed and prepaid, if posted, and the time when it was posted, delivered to the courier or to the cable company or transmitted by telex, facsimile or other method as the case may be.

REGISTERED OFFICE

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89. **Registered Office**

The Registered Office shall be at such address as the Board may fix from time to time by resolution.

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**SEAL OF THE COMPANY**

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90. **The seal**

The seal of the Company shall be in such form as the Board may from time to time determine. The Board may adopt one or more duplicate seals.

91. **Manner in which seal is to be affixed**

The seal of the Company shall not be affixed to any instrument except attested by the signature of a Director and the Secretary or any two Directors, or any person appointed by the Board for the purpose; provided, that any Director or Officer may affix the seal of the Company attested by such Director's or Officer's signature only to any authenticated copies of these Bye-laws, the incorporating documents of the Company, the minutes of any meetings or any other documents required to be authenticated by such Director or Officer. Any such signature may be printed or affixed by mechanical means on any share certificate, debenture, stock certificate or other security certificate.

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92. ** Destruction of Documents**

The Company shall be entitled to destroy all instruments of transfer of shares which have been registered, and all other documents on the basis of which any entry is made in the Register of Members, at any time after the expiration of six years from the date of registration thereof and all dividends mandates or variations or cancellations thereof and notifications of change of address at any time after the expiration of two years from the date of recording thereof and all share certificates which have been canceled at any time after the expiration of one year from the date of cancellation thereof and all paid dividends, warrants and checks (cheques) at any time after the expiration of one year from the date of actual payment thereof and all instruments of proxy which have been used for the purpose of a poll at any time after the expiration of one year from the date of such use and all instruments of proxy which have not been used for the purpose of a poll at any time after one month from the end of the meeting to which the instrument of proxy relates and at which no poll was demanded. It shall conclusively be presumed in favor of the Company that every entry in the Register of Members purporting to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made, that every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered, that every share certificate so destroyed was a valid and effective certificate duly and properly canceled and that every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company; provided, that:

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(a) the provisions aforesaid shall apply only to the destruction of a
document in good faith and without notice of any claim (regardless of
the parties thereto) to which the document might be relevant;

(b) nothing herein contained shall be construed as imposing upon the
Company any liability in respect of the destruction of any such
document earlier than as aforesaid or in any other circumstances which
would not attach to the Company in the absence of this Bye-law; and

(c) references herein to the destruction of any document include
references to the disposal thereof in any manner.

93. Sale of Shares

The Company shall be entitled to sell at the best price reasonably
obtainable, or if the shares are listed on a stock exchange to purchase at the
trading price on the date of purchase, the shares of a Member or the shares to
which a Person is entitled by virtue of transmission on death, bankruptcy or
otherwise by operation of law; provided, that:

(a) during the period of 12 years prior to the date of the publication of
the advertisements referred to in paragraph (b) of this Bye-law 93
(or, if published on different dates, the first thereof) at least
three dividends in respect of the shares in question have been
declared and all dividends, warrants and checks (cheques) that have
been sent in the manner authorised by these Bye-laws in respect of the
shares in question have remained uncashed;

(b) the Company shall as soon as practicable after expiry of the said
period of 12 years have inserted advertisements both in a national
daily newspaper and in a newspaper circulating in the area of the last
known address of such Member or other Person giving notice of its
intention to sell or purchase the shares;

(c) during the said period of 12 years and the period of three months
following the publication of the said advertisements the Company shall
have received no indication either of the whereabouts or of the
existence of such Member or Person; and

(d) if the shares are listed on a stock exchange, notice shall have been
given to the relevant department of such stock exchange of the
Company's intention to make such sale or purchase prior to the
publication of advertisements.

If during any 12 year period referred to above, further shares have been issued
in right of those held at the beginning of such period or of any previously
issued during such period and all the other requirements of this Bye-law 93
(other than the requirement that they be in issue for 12 years) have been
satisfied in regard to the further shares, the Company may also sell or purchase
the further shares.
94. Instrument of Transfer

To give effect to any such sale or purchase pursuant to Bye-law 93, the Board may authorise some person to execute an instrument of transfer of the shares sold or purchased to, or in accordance with the directions of, the purchaser and an instrument of transfer executed by that person shall be as effective as if it had been executed by the holder of, or person entitled by transmission to, the shares. The transferee of any shares sold shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity in, or invalidity of, the proceedings relating to the sale.

95. Proceeds of Sale

The net proceeds of sale or purchase of shares pursuant to Bye-law 93 shall belong to the Company which, for the period of six years after the transfer or purchase, shall be obliged to account to the former Member or other Person previously entitled as aforesaid for an amount equal to such proceeds and shall enter the name of such former Member or other Person in the books of the Company as a creditor for such amount. No trust shall be created in respect of the debt, no interest shall be payable in respect of the same and the Company shall not be required to account for any money earned on the net proceeds, which may be employed in the business of the Company or invested in such investments as the Board from time to time thinks fit. After the said six-year period has passed, the net proceeds of share shall become the property of the Company, absolutely, and any rights of the former Member or other Person previously entitled as aforesaid shall terminate completely.

WINDING-UP

96. Determination to liquidate

Subject to the Act, the Company shall be wound up voluntarily by resolution of the Members; provided, that the Board shall have the power to present any petition and make application in connection with the winding up or liquidation of the Company.

97. Winding-up/distribution by liquidator

If the Company shall be wound up the liquidator may, with the sanction of a resolution of the Members, divide among the Members in specie or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he or she deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Members as the liquidator shall think fit, but so that no Member shall be compelled to accept any shares or other securities or assets whereon there is any liability.
ALTERATION OF BYE-LAWS

98. Alteration of Bye-laws

No Bye-law shall be rescinded, altered or amended and no new Bye-law shall be made until the same has been approved by a resolution of the Board and confirmed by a resolution of the Members. Paragraph (b) of Bye-law 11 and all of Bye-law 12 shall not be rescinded, altered or amended and no new Bye-law inconsistent with such existing Bye-laws shall be made until the same has been approved by a resolution of the Board and confirmed by a resolution of Members holding at least sixty-six and two-thirds percent (66 2/3 %) of the issued and outstanding share capital of the Company.

******

*
WHEREAS, Everest Reinsurance Company (the "Company"), Everest Reinsurance Holdings, Inc. ("Holdings") and Joseph V. Taranto ("Taranto") are parties to an employment agreement which is effective as of January 1, 2000 (the "Employment Agreement");

WHEREAS, a restructuring of Holdings is proposed pursuant to which Holdings will become a wholly-owned subsidiary of Everest Reinsurance Group, Ltd. ("Everest Group");

WHEREAS, in connection with the restructuring, it is contemplated that Everest Group will establish a subsidiary, Everest Global Services, Inc. ("Everest Services"); and

WHEREAS, in connection with the restructuring and in anticipation of the establishment of Everest Services, certain amendments to the Employment Agreement are desirable;

NOW, THEREFORE, the Employment Agreement is hereby amended in the following particulars, all effective as of and conditioned upon the consummation of the restructuring transaction described in the Registration Statement on Form S-4 (File Number 333-87361) filed with the Securities Exchange Commission by Everest Group:

1. By adding the following new Section 1.1A to the Employment Agreement immediately preceding Section 1.1 thereof:

   "1.1A. For periods on and after the effective date of the restructuring transaction described in the Registration Statement on Form S-4 (File Number 333-87361) filed with the Securities Exchange Commission by Everest Reinsurance Group, Ltd. ("Everest Group") pursuant to which Holdings shall become a wholly-owned subsidiary of Everest Group [the 'Restructuring'], Everest Group shall be a party to this Agreement. For periods on and after the Restructuring, Holdings and Everest Group shall have co-extensive rights, duties, powers and responsibilities to or with respect to Taranto hereunder, except as applied to Sections 1.5, 4 and 5 hereof, and Taranto shall have rights, duties, powers and responsibilities to or with respect to Holdings and Everest Group which are the same as those that he had to or with respect to Holdings immediately prior to the Restructuring."

2. By substituting the following for the second and third paragraphs, respectively, of Section 1.1 of the Employment Agreement:

   "Holdings hereby employs Taranto and Taranto hereby agrees to serve during the term of this Agreement without additional compensation, on similar terms and conditions as set forth in the preceding paragraph, as Chairman and Chief Executive Officer of each of Holdings and Everest Group and, subject to his election, as a director of Everest Reinsurance Company and as
It is the intention of Holdings and Everest Reinsurance Company to cause Taranto to continue to be a member of the Board and to continue his appointment as a member of the Executive Committee of the Board. It is the intention of Everest Group to cause Taranto to be a member of the Board of Directors of Everest Group (the "Group Board") following the Restructuring and to cause his appointment as a member of the Executive Committee of the Group Board.

3. By adding the following new Sections 1.4 and 1.5 to the Employment Agreement immediately after Section 1.3 thereof:

"1.4 Notwithstanding the foregoing provisions of this Section 1, in the event that Everest Group establishes a subsidiary or affiliate (referred to herein as 'Everest Services') that employs individuals who perform services for more than one member of the group of companies consisting of Everest Group and its subsidiaries, Taranto agrees that he will, at the request of the Group Board, transfer to employment with Everest Services. For periods after Taranto becomes an employee of Everest Services, he shall, as an employee of Everest Services, provide services for Everest Reinsurance Company, Everest Group and Holdings as described in the foregoing provisions of this Section 1. In the event that Taranto transfers to employment with Everest Services pursuant to the preceding sentence, (i) Everest Services shall be substituted for the Company hereunder without any further action of the parties being required, (ii) neither Taranto's transfer of employment to Everest Services nor the substitution of Everest Services for the Company hereunder shall constitute a 'Termination for Good Reason' within the meaning of Section 8.6 hereof or a termination of employment with the Company for any other purpose hereunder, (iii) Taranto agrees to continue to serve during the term of this Agreement, without additional compensation, as the Chairman and Chief Executive Officer of Everest Reinsurance Company, and (iv) Everest Group will cause Everest Services to become a party to this Agreement.

1.5 Taranto understands that, in connection with the restructuring, Everest Group will assume all of the rights and obligations of Holdings under the Everest Reinsurance Holdings, Inc. 1995 Stock Incentive Plan, Everest Reinsurance Holdings, Inc. Executive Performance Annual Incentive Plan and Everest Reinsurance Holdings, Inc. Annual Incentive Plan. Taranto agrees that, following the Restructuring, all references in this Agreement to such plans or arrangements (or benefits thereunder) shall be to the plans or arrangements as assumed by Everest Group."

4. By adding the following new Section 6.4 to the Employment Agreement immediately after Section 6.3 thereof:

"6.4 In the event that Everest Group establishes Everest Services and in the event that Taranto transfers to employment with Everest Services, Everest Group shall cause Everest Services to provide Taranto with employee benefit plans, policies, programs and arrangements..."
works of authorship belonging to the Company, its subsidiaries or its affiliated entities hereunder. Taranto agrees, upon request, to assist the Company, its subsidiaries or its affiliated entities to protect and records relating to such Developments and shall execute any documents deemed necessary by the Company, its subsidiaries or its affiliated entities to protect their rights hereunder.

7. By substituting the phrase "the Company, its subsidiaries and affiliated entities" for the phrase "the Company either" where the latter phrase appears in the first sentence of Section 9.2 of the Employment Agreement; and by substituting the phrase "the Company, its subsidiaries and affiliated entities means" for the phrase "the Company means" where the latter phrase appears in the second sentence of Section 9.2 of the Employment Agreement.

8. By substituting the phrase "while employed by the Company, its subsidiaries and affiliated entities" for the phrase "while employed by the Company" where the latter phrase appears in Section 9.3 of the Employment Agreement.

9. By substituting the phrase "termination of employment with the Company, its subsidiaries and affiliated entities" for the phrase "termination of employment with the Company" where the latter phrase occurs in Section 9.4 of the Employment Agreement.

10. By substituting the following for Section 9.5 of the Employment Agreement:

"Taranto will promptly disclose to the Company all inventions, processes, original works of authorship, trademarks, patents, improvements and discoveries related to the business of the Company, its subsidiaries and affiliated entities (collectively 'Developments'), conceived or developed during Taranto’s employment with the Company, its subsidiaries or affiliated entities and based upon information to which he had access during such employment, whether or not conceived during regular working hours, through the use of Company time, material or facilities [or those of the Company’s subsidiaries or affiliated entities], or otherwise. All such Developments shall be the sole and exclusive property of the Company, its subsidiaries and its affiliated entities, and upon request, Taranto shall deliver to the Company, its subsidiaries or its affiliated entities, as applicable, all outlines, descriptions and other data and records relating to such Developments and shall execute any documents deemed necessary or appropriate by the Company, its subsidiaries or its affiliated entities to protect their rights hereunder. Taranto agrees, upon request, to assist the Company, its subsidiaries and its affiliated entities to obtain United States or foreign letters patent and copyright registrations covering inventions and original works of authorship belonging to the Company, its subsidiaries or its affiliated entities hereunder. If the Company, its subsidiaries or its affiliated entities are unable because of Taranto’s mental or physical incapacity to secure Taranto’s signature or apply for or to pursue any application for any United States or foreign letters patent or copyright registrations covering inventions and original works of authorship belonging to the Company, its subsidiaries or its affiliated entities hereunder, then Taranto hereby irrevocably designates and appoints the Company, its subsidiaries and affiliated entities, and their duly authorized officers and agents, or any of them, as his agent and attorney in fact, to act for and on his behalf and in his stead to execute and file any such applications and to do all other lawfully permitted actions to further the prosecution and issuance of letters patent or copyright registrations thereon with the same legal force and effect as if executed by him. Taranto hereby waives and relinquishes to the Company, its subsidiaries and its affiliated entities any and all claims, of any nature whatsoever, that he may hereafter have for infringement of any patents or copyright resulting from any such application for letters patent or copyright registrations belonging to the Company, its subsidiaries or its affiliated entities hereunder."

11. By substituting the phrase "the Company, its subsidiaries and its affiliated entities, in addition to any other remedies that as may be available to any of them," for the phrase "the company, in addition to any other remedies as may be available to it," where the latter phrase appears in Section 9.8 of the Plan.
12. By substituting the following for Section 14 of the Employment Agreement:

"14. Amendment or Modification; Waiver.

No provision of this Agreement may be amended or modified unless such amendment or modification is agreed to in writing, signed by Taranto and by a duly authorized officer of each of the other parties. Except as otherwise specifically provided in this Agreement, no waiver by either party hereto of any breach by any other party of any condition or provision of the Agreement to be performed by such other party shall be deemed a waiver of a similar or dissimilar provision or condition at the same or any prior or subsequent time."

IN WITNESS WHEREOF, the parties have executed this amendment to the Employment Agreement as of the date set forth above.

Everest Reinsurance Company
By:_____________________________________
Its:____________________________________

Everest Reinsurance Holdings, Inc.
By:_____________________________________
Its:____________________________________

Everest Reinsurance Group, Ltd.
By:_____________________________________
Its:____________________________________

Joseph V. Taranto

-4-
WHEREAS, Everest Reinsurance Company (the “Company”), Everest Reinsurance Holdings, Inc. (“Holdings”) and Joseph V. Taranto (“Taranto”) are parties to a Change of Control Agreement effective as of July 15, 1998 (the “Change of Control Agreement”);

WHEREAS, a restructuring of Holdings is proposed pursuant to which Holdings will become a wholly-owned subsidiary of Everest Reinsurance Group, Ltd. (“Everest Group”);

WHEREAS, in connection with the restructuring, certain amendments to the Change of Control Agreement are desirable;

NOW, THEREFORE, the Change of Control Agreement is hereby amended, effective as of and conditioned upon the consummation of the restructuring transaction described in the Registration Statement on Form S-4 (File Number 333-87361) filed with the Securities Exchange Commission by Everest Group, by adding the following new paragraph 1.J to the Change of Control Agreement immediately after paragraph 1.I thereof:

"1.J. For periods on and after the effective date of the restructuring transaction described in the Registration Statement on Form S-4 (File Number 333-87361) filed with the Securities Exchange Commission by Everest Reinsurance Group, Ltd. (‘Everest Group’) pursuant to which Holdings shall become a wholly-owned subsidiary of Everest Group (the ‘Restructuring’), Everest Group shall be substituted for Holdings hereunder and all references to Holdings hereunder shall be changed to references to Everest Group. In addition, in the event that, pursuant to the terms of Taranto’s employment agreement among the Company, Holdings and Everest Group effective as of January 1, 2000, as amended in connection with the Restructuring (the ‘Employment Agreement’), Taranto is transferred to employment with Everest Services (as defined in the Employment Agreement), Everest Group shall be substituted for Holdings hereunder and all references to Holdings hereunder shall be changed to references to Everest Group. In addition, in the event that, pursuant to the terms of Taranto’s employment agreement among the Company, Holdings and Everest Group effective as of January 1, 2000, as amended in connection with the Restructuring (the ‘Employment Agreement’), Taranto is transferred to employment with Everest Services (as defined in the Employment Agreement), all references herein to the Company (other than in paragraph 1.C hereof) shall be changed to references to Everest Services and Everest Group will cause Everest Services to become a party to this Agreement; provided, however, that (i) Taranto’s transfer of employment from the Company to Everest Services shall not be treated as a termination of employment for purposes of this Agreement, and (ii) to the extent that Everest Services fails, for any reason, to meet its financial obligations hereunder, the Everest Reinsurance Company shall have full responsibility and liability for all such obligations."
IN WITNESS WHEREOF, the parties have executed this amendment to the Employment Agreement as of the date set forth above.

Everest Reinsurance Company

By: ______________________________
   Its: __________________________

Everest Reinsurance Holdings, Inc.

By: ______________________________
   Its: __________________________

Everest Reinsurance Group, Ltd.

By: ______________________________
   Its: __________________________

Joseph V. Taranto
SUBSIDIARIES OF EVEREST GROUP

The following is a list of subsidiaries of Everest Reinsurance Group, Ltd., giving effect to the proposed restructuring:

<table>
<thead>
<tr>
<th>Name of Subsidiary</th>
<th>Jurisdiction of Incorporation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Everest Reinsurance Holdings, Inc.</td>
<td>Delaware</td>
</tr>
<tr>
<td>Everest Reinsurance Company</td>
<td>Delaware</td>
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<tr>
<td>Everest Indemnity Insurance Company</td>
<td>Delaware</td>
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<tr>
<td>Everest Insurance Company of Canada</td>
<td>Canada</td>
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<tr>
<td>Everest National Insurance Company</td>
<td>Arizona</td>
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<tr>
<td>WorkCare, Inc.</td>
<td>Texas</td>
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<tr>
<td>Everest Re Holdings, Ltd.</td>
<td>Bermuda</td>
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<tr>
<td>Everest Re Ltd.</td>
<td>United Kingdom</td>
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<tr>
<td>Mt. McKinley Managers, L.L.C.</td>
<td>New Jersey</td>
</tr>
<tr>
<td>WorkCare Southeast, Inc.</td>
<td>Alabama</td>
</tr>
<tr>
<td>WorkCare Southeast of Georgia, Inc.</td>
<td>Georgia</td>
</tr>
<tr>
<td>Everest Reinsurance (Bermuda), Ltd.</td>
<td>Bermuda</td>
</tr>
<tr>
<td>Everest Global Services, Inc.</td>
<td>Delaware</td>
</tr>
</tbody>
</table>
We hereby consent to the incorporation by reference in this Registration Statement on Form S-4 of Everest Reinsurance Group, Ltd. of our report dated February 17, 1999 except for Note 14, as to which the date is March 11, 1999 relating to the financial statements and financial statement schedules, which appears in Everest Reinsurance Holdings, Inc. Annual Report on Form 10-K for the year ended December 31, 1998. We also consent to the references to us under the headings “Experts” and “Selected Financial Data” in such Registration Statement.

PricewaterhouseCoopers LLP
November 23, 1999
New York, New York
Consent of Independent Accountants

We hereby consent to the use in this Registration Statement on Form S-4 of Everest Reinsurance Group, Ltd. of our report dated September 17, 1999 relating to the financial statement of Everest Reinsurance Group, Ltd., which appears in such Registration Statement. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

PricewaterhouseCoopers
November 23, 1999
Hamilton, Bermuda