

EVEREST REINSURANCE HOLDINGS INC

Form 424B2

June 02, 2014

Table of Contents

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The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION

PRELIMINARY PROSPECTUS SUPPLEMENT, DATED JUNE 2, 2014

PROSPECTUS SUPPLEMENT

June , 2014

(to prospectus dated June 2, 2014)

\$

Everest Reinsurance Holdings, Inc.

% Senior Notes due 2044

Everest Reinsurance Holdings, Inc., which we refer to in this prospectus supplement as Everest Holdings or we , is offering \$ aggregate principal amount of % Senior Notes due 2044 (the notes). Interest on the notes will be paid semi-annually in arrears on June and December of each year, beginning on December , 2014. The notes mature on June , 2044.

We may redeem the notes, at any time in whole or from time to time in part, for cash at the applicable redemption price described in this prospectus supplement in the section entitled Description of the Notes Optional Redemption .

The notes will be unsecured and rank equally with all of Everest Holdings other unsecured senior indebtedness. Neither Everest Re Group, Ltd., the ultimate parent of Everest Holdings, nor any other affiliate of Everest Holdings is issuing or guaranteeing the notes described in this prospectus supplement, and no entity other than Everest Holdings will have any liability for any of the notes described in this prospectus supplement.

The notes are a new issue of securities with no established trading market. We do not intend to list the notes on any securities exchange.

Investing in the notes involves risks. See the Risk Factors section in our Annual Report on Form 10-K for the year ended December 31, 2013 and the Risk Factors section on page S-5 of this prospectus supplement for important factors you should consider before buying the notes.

	Per Note	Total
Initial public offering price ⁽¹⁾	%	\$
Underwriting discount	%	\$
Proceeds, before expenses, to Everest Holdings ⁽¹⁾	%	\$

⁽¹⁾ Plus accrued interest, if any, from June , 2014 to date of delivery.

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

The underwriters expect to deliver the notes to purchasers through the book-entry delivery system of The Depository Trust Company for the accounts of its participants, including Clearstream Banking, *soci t  anonyme*, and Euroclear Bank S.A./N.V., on or about June , 2014, against payment in immediately available funds.

Joint Book-Running Managers

Wells Fargo Securities

Citigroup

HSBC

Prospectus Supplement dated June , 2014.

Table of Contents

TABLE OF CONTENTS

Prospectus Supplement

<u>ABOUT THIS PROSPECTUS</u>	S-i
<u>CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	S-i
<u>PROSPECTUS SUPPLEMENT SUMMARY</u>	S-1
<u>RISK FACTORS</u>	S-5
<u>USE OF PROCEEDS</u>	S-8
<u>RATIO OF EARNINGS TO FIXED CHARGES</u>	S-8
<u>CAPITALIZATION</u>	S-9
<u>DESCRIPTION OF THE NOTES</u>	S-10
<u>CERTAIN TAX CONSEQUENCES</u>	S-18
<u>CERTAIN CONSIDERATIONS FOR ERISA AND OTHER U.S. EMPLOYEE BENEFIT PLANS</u>	S-23
<u>UNDERWRITING (CONFLICTS OF INTEREST)</u>	S-25
<u>EXPERTS</u>	S-29
<u>VALIDITY OF THE NOTES</u>	S-29
<u>INCORPORATION BY REFERENCE</u>	S-29
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	S-29

Prospectus

<u>ABOUT THIS PROSPECTUS</u>	1
<u>CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	1
<u>EVEREST RE GROUP, LTD.</u>	2
<u>EVEREST REINSURANCE HOLDINGS, INC.</u>	3
<u>EVEREST RE CAPITAL TRUST III</u>	3
<u>RATIO OF EARNINGS (LOSSES) TO FIXED CHARGES</u>	5
<u>USE OF PROCEEDS</u>	6
<u>DESCRIPTION OF OUR CAPITAL STOCK</u>	7
<u>DESCRIPTION OF THE DEBT SECURITIES</u>	11
<u>DESCRIPTION OF THE WARRANTS</u>	24
<u>DESCRIPTION OF THE SHARE PURCHASE CONTRACTS AND SHARE PURCHASE UNITS</u>	26
<u>DESCRIPTION OF THE TRUST PREFERRED SECURITIES</u>	27
<u>DESCRIPTION OF THE TRUST PREFERRED SECURITIES GUARANTEES</u>	35
<u>RELATIONSHIP OF THE TRUST PREFERRED SECURITIES, THE PREFERRED SECURITIES GUARANTEES AND THE DEBT SECURITIES HELD BY EVEREST CAPITAL TRUST</u>	38
<u>EXPERTS</u>	39
<u>LEGAL MATTERS</u>	39
<u>ENFORCEMENT OF CIVIL LIABILITIES</u>	39
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	41

Table of Contents

ABOUT THIS PROSPECTUS

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

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

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

If the information set forth in this prospectus supplement differs in any way from the information set forth in the accompanying prospectus, you should rely on the information set forth in this prospectus supplement.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement and the information incorporated by reference in this prospectus supplement may contain forward-looking statements within the meaning of the U.S. federal securities laws. These forward-looking statements are intended to be covered by the safe harbor provisions for forward-looking statements in the federal securities laws. In some cases, you can identify these statements by the use of forward-looking words such as may, will, should, could, anticipate, estimate, expect, plan, believe, predict, potential and aware that these statements and any other forward-looking statements in these documents only reflect expectations and are not guarantees of performance. These statements involve risks, uncertainties and assumptions. Actual events or results may differ materially from our expectations. Important factors that could cause actual results to be materially different from expectations include those discussed under the captions Risk Factors on page S-5 of this prospectus supplement and as set forth in Everest Holdings' Annual Report on Form 10-K for the year ended December 31, 2013. Everest Holdings does not undertake any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Table of Contents

PROSPECTUS SUPPLEMENT SUMMARY

*The following summary highlights selected information contained elsewhere in this prospectus supplement and may not contain all of the information that is important to you. We encourage you to read this prospectus supplement and the accompanying prospectus, together with the documents identified under the heading **Where You Can Find More Information** on page 51 of the accompanying prospectus, in their entirety. You should pay special attention to the **Risk Factors** section of this prospectus supplement, and the **Risk Factors** section in our Annual Report on Form 10-K for the year ended December 31, 2013.*

Everest Holdings

Everest Holdings' principal business, conducted through its operating segments, is the underwriting of reinsurance and insurance in the U.S. and international markets. Everest Holdings had gross written premiums, in 2013, of \$4.4 billion, with approximately 72% representing reinsurance and 28% representing insurance. Stockholder's equity at December 31, 2013 was \$4.2 billion. The Everest Holdings underwrites reinsurance both through brokers and directly with ceding companies, giving it the flexibility to pursue business based on the ceding company's preferred reinsurance purchasing method. Everest Holdings underwrites insurance principally through general agent relationships, brokers and surplus lines brokers.

Everest Holdings, a Delaware corporation established in 1993, is a wholly-owned subsidiary of Holdings Ireland. On December 30, 2008, Everest Group contributed Everest Holdings to its recently established Irish holding company, Holdings Ireland. Holdings Ireland is a direct subsidiary of Everest Group and was established to serve as a holding company for the U.S. and Irish reinsurance and insurance subsidiaries. Everest Group is a Bermuda holding company whose common shares are publicly traded in the U.S. on the New York Stock Exchange under the symbol **RE**.

Following is a summary of Everest Holdings' operating subsidiaries:

Everest Reinsurance Company, a Delaware insurance company and a direct subsidiary of Everest Holdings, is a licensed property and casualty insurer and/or reinsurer in all states, the District of Columbia and Puerto Rico and is authorized to conduct reinsurance business in Canada, Singapore and Brazil. Everest Re underwrites property and casualty reinsurance for insurance and reinsurance companies in the U.S. and international markets. Everest Re has engaged in reinsurance transactions with Everest Bermuda, Everest International Reinsurance, Ltd., Mt. Logan Re, Ltd. and Everest Insurance Company of Canada, which are affiliated companies, primarily driven by enterprise risk and capital management considerations under which business is transacted at market rates and terms. At December 31, 2013 Everest Re had statutory surplus of \$2.8 billion.

Everest National Insurance Company, a Delaware insurance company and a direct subsidiary of Everest Re, is licensed in 50 states and the District of Columbia and is authorized to write property and casualty insurance on an admitted basis in the jurisdictions in which it is licensed. The majority of Everest National's business is reinsured by its parent, Everest Re.

Everest Indemnity Insurance Company, a Delaware insurance company and a direct subsidiary of Everest Re, writes excess and surplus lines insurance business in the U.S. on a non-admitted basis. Excess and surplus lines insurance is specialty property and liability coverage that an insurer not licensed to write insurance in a particular jurisdiction is permitted to provide to insureds when the specific specialty coverage is unavailable from admitted insurers. Everest Indemnity is licensed in Delaware and is eligible to write business on a non-admitted basis in all other states, the District of Columbia and Puerto Rico. The majority of Everest Indemnity's business is reinsured by its parent, Everest Re.

Table of Contents

Mt. McKinley Insurance Company, a Delaware insurance company. In 1985, Mt. McKinley ceased writing new and renewal insurance and commenced a run-off operation to service claims arising from its previously written business. Effective September 19, 2000, Mt. McKinley and Everest Bermuda entered into a loss portfolio transfer reinsurance agreement, whereby Mt. McKinley transferred, for arms length consideration, all of its net insurance exposures and reserves to Everest Bermuda.

Everest Security Insurance Company, a Georgia insurance company and a direct subsidiary of Everest Re, writes property and casualty insurance on an admitted basis in Georgia and Alabama. The majority of Everest Security's business is reinsured by its parent, Everest Re.

Heartland Crop Insurance, Inc., a Kansas based managing general agent and a direct subsidiary of Holdings, was acquired on January 2, 2011. Heartland specializes in crop insurance, which is written mainly through Everest National.

Specialty Insurance Group, Inc., an Indiana based managing general agent and a direct subsidiary of Holdings, was incorporated on November 29, 2012. Specialty Insurance Group specializes in event and contingency business for the sports and leisure industry, which is written through Everest National.

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

Table of Contents

The Notes

The summary below describes the principal terms of the notes. Some of the terms and conditions described below are subject to important limitations and exceptions. See "Description of the Notes" for a more detailed description of the terms and conditions of the notes.

Issuer	Everest Reinsurance Holdings, Inc.
Securities Offered	\$ principal amount of % notes due 2044.
Maturity	The notes will mature on June , 2044.
Interest	The interest rate on the notes will be %. Interest on the notes will be payable semi-annually in arrears on June and December of each year, beginning December , 2014.
Optional Redemption	<p>The notes will be redeemable, in whole or in part, at the option of Everest Holdings at any time at a redemption price equal to the greater of:</p> <p>100% of the principal amount of the notes; or</p> <p>the sum of the present values of the remaining scheduled payments of principal and interest on the notes, not including any portion of the payments of interest accrued as of the date of redemption, discounted to the redemption date on a semi-annual basis at the Treasury Rate, plus basis points;</p> <p>plus, in either case, accrued and unpaid interest on the notes to the date of redemption. The manner in which the Treasury Rate is determined is explained on page S-11 of this prospectus supplement.</p>
Ranking	The notes will be unsecured and rank equally with all of Everest Holdings' other unsecured senior indebtedness. Neither Everest Group, the ultimate parent of Everest Holdings, nor any other affiliate of Everest Holdings is issuing or guaranteeing the notes described in this prospectus supplement, and no entity other than Everest Holdings will have any liability for any of the notes described in this prospectus supplement.
Use of Proceeds	We intend to use the net proceeds from the sale of the notes for general corporate purposes, including the retirement of our outstanding 5.4% Senior Notes due 2014. Pending application of the net proceeds, we may invest the net proceeds in short-term investments.
Conflicts of Interest	

As described in Use of Proceeds, we will use a portion of the net proceeds of this offering to retire our outstanding 5.4 % Senior Notes due 2014. Certain of the underwriters (or their affiliates) may hold our 5.4% Senior Notes due 2014 and would receive a portion of the proceeds from this offering as a result of the retirement of those notes. If any one underwriter, together with its affiliates, were to receive 5% or more of the net proceeds as a result of the retirement, such underwriter would be deemed to have a conflict of interest with us in regard to this offering

S-3

Table of Contents

under Rule 5121 of the Financial Industry Regulatory Authority, Inc. (FINRA). Accordingly, this offering will be conducted in accordance with FINRA Rule 5121. No underwriter with a conflict of interest under FINRA Rule 5121 will confirm sales to any discretionary accounts without receiving specific written approval from the account holder. A qualified independent underwriter (QIU) is not necessary for this offering pursuant to FINRA Rule 5121(a)(1)(C). See Use of Proceeds and Underwriting (Conflicts of Interest).

Form and Denominations

Everest Holdings will issue the notes in the form of one or more fully registered global securities registered in the name of the nominee of The Depository Trust Company, or DTC. Beneficial interests in the notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Clearstream Banking, *société anonyme* and Euroclear Bank, S.A./N.V., as operator of the Euroclear System, will hold interests on behalf of their participants through their respective U.S. depositories, which in turn will hold such interests in accounts as participants in DTC. Except in the limited circumstances described in this prospectus supplement, owners of beneficial interests in the notes will not be entitled to have notes registered in their names, will not receive or be entitled to receive notes in definitive form and will not be considered holders of notes under the indenture. The notes will be issued only in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

Trustee

The Bank of New York Mellon Trust Company, N.A.

Table of Contents

RISK FACTORS

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

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

The notes are unsecured obligations of Everest Holdings, subordinated in right of payment to the prior payment in full of all secured indebtedness of Everest Holdings to the extent of the security and rank equal in priority with Everest Holdings outstanding senior debt. As a result, in the event of the bankruptcy, liquidation or reorganization of Everest Holdings, or upon acceleration of the notes due to an event of default, Everest Holdings assets will be available to pay its obligations on the notes only after all secured indebtedness has been paid in full. There may not be sufficient assets remaining to pay amounts due on any or all of the notes then outstanding. As of March 31, 2014, Everest Holdings had no secured indebtedness and approximately \$250 million of unsecured senior debt outstanding. See, Use of Proceeds.

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

Everest Holdings is a holding company that conducts substantially all of its business through its subsidiaries. The notes are effectively subordinated to the indebtedness and other liabilities of Everest Holdings subsidiaries. As a result, in the event of the bankruptcy, liquidation or reorganization of Everest Holdings, or upon acceleration of the notes due to an event of default, assets of Everest Holdings subsidiaries will be available to pay obligations under the notes only after all creditors of the subsidiaries have been paid in full. Accordingly, holders of the notes should look only to the assets of Everest Holdings for payments on the notes. As of March 31, 2014, Everest Holdings subsidiaries had approximately \$11.1 billion of indebtedness and other liabilities, including insurance reserves, which would rank structurally senior to the notes issued by Everest Holdings.

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

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

Everest Holdings is a holding company that relies on payments from its subsidiaries to make payments under the notes and the notes are not guaranteed.

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

Neither Everest Group, the ultimate parent of Everest Holdings, nor any other affiliate of Everest Holdings is issuing or guaranteeing the notes described in this prospectus supplement, and no entity other than Everest Holdings will have any liability for any of the notes described in this prospectus supplement.

Table of Contents

The terms of the indenture and the notes do not prohibit us from taking actions that could adversely impact your investment in the notes.

The indenture for the notes does not:

require us to maintain any financial ratios or specific levels of net worth, revenues, income, cash flow or liquidity;

limit our ability to incur additional indebtedness, including debt that is secured or equal in right of payment to the senior notes, or to engage in sale/leaseback transactions, other than as described under Description of the Notes Limitations on Liens on Restricted Subsidiaries Capital Stock ;

restrict our subsidiaries ability to issue securities or otherwise incur indebtedness that would be structurally senior to the senior notes;

restrict our ability to repurchase or prepay any of our other securities or other indebtedness;

restrict our ability to make investments or to repurchase, pay dividends or make other payments in respect of our common stock or other securities ranking junior to the senior notes;

restrict our ability to enter into transactions with affiliates;

restrict our ability to enter into highly leveraged transactions; or

require us to repurchase the senior notes in the event of a change in control.

As a result of the foregoing, when evaluating the terms of the notes, you should be aware that the terms of the indenture and the senior notes do not restrict our ability to engage in, or to otherwise be a party to, a variety of corporate transactions, circumstances and events that could have an adverse impact on your investment in the notes.

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

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

The notes may be redeemed prior to maturity and you may not be able to reinvest the proceeds in a comparable security.

We may redeem the notes, at any time in whole or from time to time in part, for cash at the applicable redemption price described in this prospectus supplement in the section entitled Description of the Notes Optional Redemption .

In the event we choose to redeem the notes, you may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on the notes.

In addition, the redemption of the notes would be a taxable event to you for U.S. federal income tax purposes.

Our credit ratings may not reflect all risks of your investments in the notes.

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Our credit ratings are an assessment by rating agencies of our ability to pay our debts when due. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the

S-6

Table of Contents

senior notes. These credit ratings may not reflect the potential impact of risks relating to the structure or marketing of the senior notes. Agency ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization.

Each agency's rating should be evaluated independently of any other agency's rating.

The investment by Everest Holdings in common shares of Everest Group expose Everest Holdings to the risk of mark-to-market fluctuations.

As of December 31, 2013, Everest Holdings owned 9,719,971 common shares of Everest Group, held for fair value at such date at approximately US\$1.5 billion, which represented approximately 16% of Everest Holdings' total investments and cash. These shares were purchased by Everest Holdings pursuant to a share repurchase program and Everest Holdings receives those dividends declared by Everest Group from time to time, as described in Note 17, "Related-party transactions", to the financial statements contained in the Form 10-K of Everest Holdings for the year ended December 31, 2013. The shares are accounted for in Everest Holdings' Consolidated Balance Sheet as "Other invested assets, fair value", and are categorized as Level 1, Quoted Prices in Active Markets for Identical Assets, since the securities are shares of the Everest Holdings' parent company which are actively traded on an exchange and the price is based on a quoted price. As a result of this investment, Everest Holdings has exposure to the operations of Everest Group, outside of Everest Holdings, to the extent that the Everest Group's operations impact the fair value of such investment. Because Everest Holdings represents 55% of the consolidated assets of Everest Group as at December 31, 2013, operating losses or gains by Everest Holdings could also impact the fair value of its investment in Everest Group.

Table of Contents**USE OF PROCEEDS**

The net proceeds will be approximately \$ from the sale of the notes, after deducting the underwriting discount and expenses incurred by Everest Holdings in connection with this offering. Everest Holdings intends to use the net proceeds from its sale of the notes for general corporate purposes, including the retirement of its outstanding 5.4% Senior Notes due 2014. Pending application of the net proceeds, Everest Holdings may invest the net proceeds in high grade short-term investments.

RATIO OF EARNINGS TO FIXED CHARGES

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

	Three Months Ended	Year Ended December 31,				
	March 31, 2014	2013	2012	2011	2010	2009
Ratio of Earnings to Fixed Charges(1)	15.9	25.5	13.7	(5.9)	4.9	8.1

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

Table of Contents**CAPITALIZATION**

The following table sets forth as of March 31, 2014 (1) our actual capitalization and (2) our capitalization as adjusted to give effect to the sale of the notes and the use of a portion of the net proceeds therefrom to retire our 5.4% Senior Notes due 2014. You should read this table together with our consolidated financial statements, including the notes to the financial statements, which are incorporated by reference in this prospectus supplement and the accompanying prospectus.

	As of March 31, 2014	
	Actual	As Adjusted
	(dollars in thousands)	
	(unaudited)	
Long-term Debt		
% Senior Notes due 2044	\$	\$
5.4% Senior Notes due 2014	249,971	
6.6% Long-term Subordinated Notes due 2067	238,361	238,361
Total long-term debt	488,332	
Stockholders' equity		
Common stock, par value \$0.01; 3,000 shares authorized; 1,000 shares issued and outstanding		
Additional paid-in capital	354,445	354,445
Accumulated other comprehensive income, net of deferred income taxes	102,678	102,678
Retained earnings	3,838,245	3,838,245
Total stockholders' equity	4,295,368	4,295,368
Total capitalization	\$ 4,783,700	\$

Table of Contents

DESCRIPTION OF THE NOTES

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

General

The notes will be issued as a series of debt securities under the indenture, dated as of March 14, 2000, as supplemented by the fourth supplemental indenture, to be dated as of June , 2014, relating to the notes, in each case between Everest Holdings and The Bank of New York Mellon Trust Company, N.A. (as successor in interest to The Chase Manhattan Bank), as trustee. For a description of the rights attaching to different series of notes under the indenture, see Description of the Debt Securities in the accompanying prospectus.

The notes will be issued as unsecured obligations of Everest Holdings. The notes will be offered in an initial aggregate principal amount of \$. We may issue from time to time, without giving notice to or seeking the consent of the holders of the notes, additional notes having the same ranking and the same interest rate, maturity and other terms as the notes of such series being offered by this prospectus supplement, except for the issue date, initial public offering price and, if applicable, the first interest payment date. Any additional notes of a series having such similar terms, together with the notes of such series being offered by this prospectus supplement, will constitute a single series of debt securities for all purposes under the indenture.

The notes will be issued only in book-entry form through the facilities of DTC, and will initially be issued in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof, and, as provided in the indenture and subject to certain limitations set forth in the indenture, the notes will be exchangeable for notes in different authorized denominations, including denominations of \$1,000, after the original issuance. Transfers or exchanges of beneficial interests in the notes in book-entry form may be effected only through a participating member of the depository. See Global Notes below.

The notes will bear interest from June , 2014, payable in arrears on each June and December , commencing December , 2014 at the rate set forth on the cover page of this prospectus supplement, to the persons in whose names the notes are registered on the preceding May and November , respectively. Interest on the notes will be computed on the basis of a 360-day year comprised of twelve 30-day months. Principal and interest will be payable, and the senior notes will be transferable or exchangeable, at the office or offices or agency maintained by us for this purpose.

Unless previously redeemed, the notes will mature, and the principal amount of the notes will become payable, on June , 2044.

Any payment otherwise required to be made in respect of the notes on a date that is not a business day for the notes may be made on the next succeeding business day with the same force and effect as if made on the originally scheduled payment date. No additional interest shall accrue as a result of such delayed payment. A business day is defined in the indenture as any day other than a Saturday, Sunday or other day on which banking institutions in New York City or any place of payment are authorized by law or regulation to close.

The notes will not be entitled to any sinking fund.

Optional Redemption

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

100% of the principal amount of the notes; or

Table of Contents

the sum of the present values of the remaining scheduled payments of principal and interest on the notes, not including any portion of the payments of interest accrued as of the date of redemption, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate, plus basis points; plus, in either case, accrued and unpaid interest on the notes to the date of redemption.

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

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

Independent Investment Banker means either Wells Fargo Securities, LLC or Citigroup Global Markets Inc. as selected by us and any successor firm or, if each firm is unwilling or unable to select the Comparable Treasury Issue, an independent investment banking institution of national standing appointed by the trustee after consultation with Everest Holdings.

Reference Treasury Dealer means (i) Wells Fargo Securities, LLC and Citigroup Global Markets Inc. and any two other primary treasury dealers (as defined herein) selected by us; provided, that (i) if any of the foregoing shall cease to be a primary treasury dealer in U.S. Government securities (a primary treasury dealer), we will substitute another primary treasury dealer in its place and (ii) if we fail to select a substitute within a reasonable period of time, then the substitute will be any other primary treasury dealer selected by the trustee after consultation with us.

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

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

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

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

Certain Covenants in the Supplemental Indenture

In addition to the covenants described in the accompanying prospectus, holders of the notes will have the benefit of the covenants described below.

Limitations on Sales of Restricted Subsidiaries - Capital Stock

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

Table of Contents

For purposes of the supplemental indenture relating to the notes, *restricted subsidiary* means a subsidiary that is a regulated insurance company principally engaged in one or more of the life, annuity, property and casualty insurance or reinsurance businesses unless such subsidiary's total assets and total revenues are less than 10% of the total assets and total revenues, respectively, of Everest Holdings and its consolidated subsidiaries, including the restricted subsidiary, unless our board of directors determines that the subsidiary is not material to the financial condition of Everest Holdings and its subsidiaries taken as a whole. As of the date of this prospectus supplement, our only restricted subsidiaries are Everest Re and Everest National. Everest Re accounted for approximately 68.2% of our consolidated revenues during 2013 and approximately 73.6% of our consolidated assets at March 31, 2014. Everest National accounted for approximately 17.4% of our consolidated revenues during 2013 and approximately 18.7% of our consolidated assets at March 31, 2014.

Limitations on Liens on Restricted Subsidiaries Capital Stock

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

Events of Default

Each of the following events will constitute an event of default under the notes (which comprise a series of debt securities under the indenture) and, unless otherwise specified, under each indenture with respect to any other series of debt securities issued under the indenture, whatever the reason for the event of default and whether it will be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body:

the issuer fails to pay principal of or any premium or additional amount on any debt securities of that series on its due date;

the issuer fails to pay any interest on any debt securities of that series within 30 days from its due date; provided, however, that the date on which the payment is due will be the date on which the issuer is required to make payment following any deferral of interest payments by the issuer under the terms of the debt securities;

the issuer fails to make any sinking fund payment on its due date;

the issuer defaults under any (1) debt for any money borrowed, including any other series of debt securities, (2) mortgage, indenture or other instrument under which there may be issued or may be secured or evidenced any indebtedness for money borrowed or (3) guarantee of payment for money borrowed, and any default shall result in the indebtedness becoming due prior to its stated maturity; provided, however, a default shall exist under this clause only if the aggregate principal amount outstanding under all of the indebtedness that has become due prior to its stated maturity exceeds \$50,000,000 and the accelerated indebtedness has not been discharged or the acceleration of the indebtedness has not been rescinded or annulled within 10 days after the senior indenture trustee or the holders of at least 25% in principal amount of the senior notes give us written notice of the default and require that we remedy the breach;

the issuer fails to perform any of its covenants in the indenture, excluding a covenant not applicable to the affected series, for 60 days after the indenture trustee or the holders of at least 25% in principal amount of the outstanding debt securities of the series give the issuer written notice of the default and require that the issuer remedy the breach. However, the 60-day period may be extended by either the indenture trustee or the indenture trustee and the holders of at least

Table of Contents

the same principal amount of the outstanding debt securities of that series that had given notice of the default, and the indenture trustee;

the indenture trustee and the holders, as the case may be, will be deemed to have agreed to an extension, if the issuer has initiated and is diligently pursuing corrective action; the issuer files for bankruptcy or other events of bankruptcy, insolvency or reorganization occur; or any other event of default specified in the applicable prospectus supplement occurs.

If an event of default with respect to the debt securities of any series occurs and is continuing, then the indenture trustee or holders of not less than 25% in principal amount of the outstanding debt securities of that series may, by written notice to the issuer, and to the indenture trustee if given by the holders, declare the unpaid principal amount and accrued interest, or a lesser amount as may be provided for in the debt securities of the series, of all outstanding debt securities of the series to be due and payable immediately.

At any time after a declaration of acceleration has been made, but before a judgment or decree for payment of money has been obtained by the trustee, and subject to applicable law and specified other provisions of the applicable indenture, the holders of a majority in aggregate principal amount of the debt securities of a series may, under specified circumstances, rescind and annul an acceleration and its consequences if:

the issuer deposits with the indenture trustee funds sufficient to pay all overdue principal of and premium and interest on the debt securities and other amounts due the debt securities trustee and, to the extent that payment of the interest is lawful, interest on the overdue interest; and

all existing events of default with respect to the debt securities have been cured or waived, except non-payment of principal or interest on the debt securities that has become due solely because of the acceleration.

The holders of a majority in principal amount of the outstanding debt securities of any series have the right to direct the time, method and place of conducting any proceedings for any remedy available to the indenture trustee or to direct the exercise of any trust or power conferred on the indenture trustee with respect to the debt securities of that series.

The indenture trustee shall be under no obligation to exercise any of the rights or powers vested in it by the indenture at the request or direction of any of the holders pursuant to the indenture, unless such holders shall have offered to the indenture trustee security or indemnity satisfactory to the indenture trustee against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

No holder of a debt security of any series will have any right to institute a proceeding with respect to the indenture for the appointment of a receiver or for any remedy under the indenture unless:

that holder has previously given the indenture trustee written notice that an event of default with respect to the debt securities of that series has occurred and is continuing;

the holders of a majority in principal amount of the outstanding debt securities of that series have made written request to institute the proceeding;