

BAFCO I.

Slip 50455

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EXCESS OF LOSS REINSURANCE AGREEMENT

between

Home Insurance Company

(hereinafter called the "Reassured")

and

BAFCO Reinsurance Company, Ltd. of Bermuda

(hereinafter called the "Reinsurer")

RECEIVED

DEC 22 1983

PRICE WATERHOUSE

WHEREAS IT IS agreed that this Agreement is to indemnify the Reassured with respect to all losses arising from its acceptance of certain original contracts of reinsurance, howsoever and wheresoever arising, for all underwriting years up to and including 1981, subject, however, to the following terms and conditions.

ARTICLE I

This Agreement is to indemnify the Reassured for 100% (one hundred percent) of the claims and claims related payments made by the Reassured on or after May 12, 1981, on account of the liability of the Reassured arising from its acceptance of the original contracts listed below:

Original Contracts

A.G.C. Palmdale

Folksam

Avner (1)

Avner (2)

R.A.C.V.

ARTICLE 2

This Agreement shall take effect from and including May 12th, 1981 and shall continue in force for the entire run-off period of all the contracts hereunder.

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ARTICLE 3

Should at any time either party:

Lose the whole of its paid-up capital, or

Commit any breach of the conditions of this Agreement, or

Should the Reinsurers:

Be domiciled or incorporated in a country which becomes involved in any war, declared or undeclared,

Either party shall have the right to terminate this Agreement at any time by giving notice in writing by registered letter to the last known address.

In the event of this Agreement being terminated in accordance with the terms of this Article, the settlement of liabilities, if any, and the premium to be returned to the Reassured, if any, shall be mutually agreed to by the Reassured and Reinsurer at the time of cancellation.

ARTICLE 4

The term 'net loss' shall mean the sum actually paid by the Reassured in settlement of losses or liability after making deductions for all recoveries, all salvages, and all claims upon other insurance, whether collected or not, and shall include all adjustment expenses arising from the settlement of claims other than the salaries of employees and the office expenses of the Reassured.

All salvages, recoveries or payments recovered or received subsequent to a loss settlement under this Agreement shall be applied as if recovered or received prior to the aforesaid settlement and all necessary adjustments shall be made by the parties hereto. Provided always that nothing in this clause shall be construed to mean that losses under this Agreement are not recoverable until the Reassured's ultimate net loss has been ascertained.

is further agreed that the Reassured did maintain each and every loss reinsurance in force for years covered by this Agreement and it is warranted that recoveries from such reinsurances inure to the benefit of the Reinsurer hereon.

ARTICLE 5

business covered hereunder shall be subject to the same terms, clauses and conditions in every respect as the original Contract or Contracts and shall follow all settlements by the Reassured absolutely as original.

The Reinsurer shall recognize all measures taken by the Reinsured and agree to all and every kind of settlement either by adjustment or by amicable arrangements or by legal judgement and hereby bind themselves to pay their proportion of all claims and/or deposits and/or payments on account of any such claims as well as legal and other expenses and charges incurred in connection therewith, including salaries and office expenses of the Reinsured.

ARTICLE 6

The Premium for this Agreement shall be U. S. \$15,000,000.

ARTICLE 7

The Reassured shall furnish the Reinsurer with annual summaries as soon as possible but in any event not later than twenty six weeks after the close of the fiscal year.

The summaries shall give details of:

Reinsurance premiums, net of commission, and

Paid and outstanding losses (split by underwriting year).

The summaries shall be rendered separately for each reporting currency, Pounds Sterling, Canadian Dollars and United States Dollars.

ARTICLE 8

All loss settlements made by the Reassured, including ex gratia and compromised settlements, provided same are within the terms of this Agreement, shall be unconditionally binding upon the reinsurer and amounts falling to the share of the Reinsurer shall be payable by them upon reasonable evidence of the amount paid being given by the Reassured.

ARTICLE 9

It is hereby understood and agreed that any inadvertent delays, omissions or errors made in connection with this Agreement shall not be held to relieve either of the parties hereto from any liability which would have attached to them hereunder if such delay, omission or error had not occurred, provided that rectification is made upon discovery. It is further agreed that in all things coming within the scope of the reinsurance the Reinsurer shall share to the extent of their interest the fortunes of the Reinsured.

ARTICLE 10

No further particulars shall be required by the Reinsurer but the books of the Reinsured, so far as they concern the reinsurances falling within the scope of this reinsurance, shall be open to the inspection of an authorised representative of the Reinsurer at any reasonable time during the continuance of this Agreement or of any liability hereunder.

ARTICLE 11

It is hereby understood and agreed that any amendments and/or alterations to this Agreement that are agreed, in writing, shall be automatically binding hereon and shall be considered to form an integral part hereof, subject nevertheless to the issue of a Contract Addendum, if specifically requested by the Reinsurer.

ARTICLE 12

All matters in difference between the Reinsured and the Reinsurer in relation to this Agreement,

cluding its formation and validity, and whether arising during or after the period of this agreement, shall be referred to an arbitration tribunal in the manner hereinafter set out.

Unless the parties agree upon a single arbitrator within 30 days of one receiving a written request from the other for arbitration, the claimant (the party requesting arbitration) shall appoint his arbitrator and give written notice thereof to the respondent. Within 30 days of receiving such notice the respondent shall appoint his arbitrator and give written notice thereof to the claimant, failing which the claimant may apply to the appointor hereinafter named to nominate an arbitrator on behalf of the respondent.

Should the arbitrators fail to agree, then they shall within 30 days of such disagreement appoint an umpire to whom the matter in difference shall be referred. Should the arbitrators fail within such period to appoint an umpire, then either of them or either of the parties may apply to the appointor for the appointment of an umpire.

Unless the parties otherwise agree, the arbitration tribunal shall consist of persons employed in, or retired from, a senior position in insurance or reinsurance underwriting.

The arbitration tribunal shall have power to fix all procedural rules for the holding of the arbitration including discretionary power to make orders as to any matters which it may consider proper in the circumstances of the case with regard to pleadings, discovery, inspection of documents, examination of witnesses and any other matter whatsoever relating to the conduct of the arbitration and may receive and act upon such evidence whether oral or written strictly admissible or not as it shall in its discretion think fit.

The appointor shall be the President of AFIA.

All costs of the arbitration shall be in the discretion of the arbitration tribunal who may direct to and by whom and in what manner they shall be paid.

- (A) The seat of the arbitration shall be in London and the arbitration tribunal shall apply the laws of England as the proper law of this Agreement.
- (B) The arbitration shall be conducted under, and the arbitration tribunal shall be governed by, the provisions of the Arbitration Acts 1950 and 1975.

The award of the arbitration tribunal shall be in writing and binding upon the parties who hereby covenant to carry out the same. If a party fails to carry out the award the other may apply for its enforcement to the High Court of Justice in England or to a court of competent jurisdiction in any territory in which the party in default is domiciled or has assets or carries on business.

ARTICLE 13

- (A) This Agreement is an honorable undertaking between the contracting parties and in case of a difference occurring between the letter of the Agreement wording and the intent of the contracting parties, the intent or sense of the Agreement in accordance with normal practice governing such transactions shall take precedence over the strict interpretation of the Agreement wording.
- (B) The Reinsurer shall regard this Agreement and the transactions hereunder as strictly confidential, and shall not at any time during its currency or thereafter make any use either directly or indirectly of the information afforded of the business and connections of the Reassured which shall or may in any way operate to the prejudice or detriment of the latter.

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IN WITNESS WHEREOF, the parties hereto have caused their duly authorized representative to sign this Agreement in separate counterparts.

On 1 December 1982

REINSURED:

The Home Insurance Company

BY 

And On 23 December 1982

REASSURER:

BAFCO Reinsurance Company, Ltd. of Bermuda

BY 

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"BAFCO 2"

London → Bafco

2002BAZ

EXCESS OF LOSS REINSURANCE AGREEMENT

between

RECEIVED

DEC 22 1983

Home Insurance Company and/or

St. Paul Fire and Marine Insurance Company,

PRICE WATERHOUSE

as their interests may be in underwriting as the

Treaty Reinsurance Department, London Branch

(hereinafter called the "Reassured")

and

BAFCO Reinsurance Company, Ltd. of Bermuda

(hereinafter called the "Reinsurer")

WHEREAS IT IS agreed that this Agreement is to indemnify the Reassured with respect to all losses under its treaties and contracts of reinsurance, howsoever and wheresoever arising, for all underwriting years up to and including 1982, subject, however, to the following terms and conditions.

ARTICLE 1

This Agreement is only to pay if and when the Reassured's net losses that are paid on or after 1 July 1982 exceed \$95,000,000 in the aggregate. The Reinsurer shall be liable for any amount in excess thereof up to an aggregate limit of liability which shall not be initially greater than J. S. \$100,000,000 but which will be subject to adjustment as specified in Article 6(C).

ARTICLE 2

In order to ascertain the application of Article 1:-

- (A) Any applicable transaction in currencies other than Pounds Sterling, Canadian Dollars, or United States Dollars shall be considered hereunder as being settled in Sterling and shall be converted to Sterling at the same rates of exchange as those at

which such transactions are converted by the Reassured in their record books.

- (B) Transactions booked in Pounds Sterling and Canadian Dollars will be converted to U. S. Dollars at the same rates of exchange as those at which such transactions are converted by the Reassured in their record books.

ARTICLE 3

This Agreement shall take effect from and including June 30th, 1982 and shall continue in force for the entire run-off period of all underwriting years covered hereunder, i.e. all underwriting years up to and including 1982.

ARTICLE 4

Should at any time either party:

- 1) Lose the whole of its paid-up capital, or
- 2) Commit any breach of the conditions of this Agreement, or

Should the Reinsurers:

- 1) Be domiciled or incorporated in a country which becomes involved in any war, declared or undeclared,

the other party shall have the right to terminate this Agreement at any time by giving notice in writing by registered letter to the last known address.

In the event of this Agreement being terminated in accordance with the terms of this Article, the run-off of liabilities, if any, and the premium to be returned to the Reassured, if any, shall be mutually agreed to by the Reassured and Reinsurer at the time of cancellation.

ARTICLE 5

The term 'net loss' shall mean the sum actually paid by the Reassured in settlement of losses or liability after making deductions for all recoveries, all salvages, and all claims upon other

insurance and shall include all adjustment expenses arising from the settlement of claims other than the salaries of employees and the office expenses of the Reassured. It is agreed that any insurance not collectible, the amount of which must be borne by the Reassured, will be considered part of the ultimate net loss.

All salvages, recoveries or payments recovered or received subsequent to a loss settlement under this Agreement shall be applied as if recovered or received prior to the aforesaid settlement and all necessary adjustments shall be made by the parties hereto. Provided always that nothing in this clause shall be construed to mean that losses under this Agreement are not recoverable until the Reassured's ultimate net loss has been ascertained.

It is further agreed that the Reassured did maintain each and every loss reinsurance in force for the years covered by this Agreement and it is warranted that recoveries from such reinsurances shall inure to the benefit of the Reinsurer hereon.

ARTICLE 6

- (A) The Premium for this Agreement shall be U. S. \$14,310,000, payable in installments at the discretion of the Reassured but, nevertheless, payable in full on or before 30 June, 1983. It is agreed by the parties that each installment shall be increased by the amount of interest that would have been earned between the date of inception and the date of payment of each installment. Interest shall be calculated at the simple rate of 12% p.a.
- (B) It is further agreed that all premiums booked on and after 1 July, 1982 by the Reassured for the underwriting years protected hereunder shall become due and payable, net of all commissions and brokerage, to the Reinsurer when received by the Reassured.
- (C) It is anticipated that known losses incurred under this Agreement (paid plus outstanding case reserves, but excluding estimated IBNR, all underwriting years for Proportional and Excess

of Loss business combined) will follow the pattern shown below for the next five fiscal year-ends, 1983 through 1987:

<u>YEAR ENDED</u>	<u>INCURRED TO DATE*</u> <u>(EXCLUDING ESTIMATED IBNR)</u>	
June 30, 1982	\$273,132,000	(Shown for comparison)
1983	296,429,000	
1984	313,387,000	
1985	325,114,000	
1986	332,168,000	
1987	336,440,000	

* includes \$196,814,000 paid prior to July 1, 1982.

Known losses incurred may exceed the expected development at one or more of the next five fiscal year-ends. Should this occur, additional premiums will be payable, which will, in turn, result in an increase in the total amount payable under this Agreement. Any increase in known losses incurred over those originally expected and identified above at a given year-end will result in a revision of the estimated losses incurred pattern as follows:

**MODIFICATION IN LOSS PATTERNS FOR SUBSEQUENT YEARS
RESULTING FROM EACH INCREASE OF \$1,000 IN THE
INDICATED YEAR**

<u>YEAR ENDED</u>	<u>\$1,000 Increase in Year:</u>				
	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
June 30, 1983	\$1,000				
1984	1,057	\$1,000			
1985	1,097	1,037	\$1,000		
1986	1,121	1,060	1,022	\$1,000	
1987	1,135	1,074	1,035	1,013	\$1,000

Deviations below the original expected incurred-to-date will be ignored.

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If known losses incurred through June 30, 1983 exceed \$296,429,000, then for each \$1,500 of this excess, the maximum amount payable under this Agreement by the Reinsurer will be increased by \$1,268 and an additional premium of \$750 will be payable by the Reassured and the preceding table will be used to adjust subsequent expected patterns for fiscal year-ends 1984 through 1987. Similar adjustment premiums will be payable, with corresponding increases in treaty limits, in the event of additional deviations from expected patterns in subsequent years. The following table summarizes these modifications in premiums payable and treaty limits.

IF DEVIATION OCCURS AT THE FISCAL YEAR ENDING	FOR EACH \$1,000 INCREASE OVER THE EXPECTED DEVELOPMENT PATTERN (ORIGINAL OR AMENDED AS APPROPRIATE) THE FOLLOWING ADJUSTMENTS ARE APPLICABLE	
	<u>Increase in Treaty Limits</u>	<u>Adjustment Premium Payable</u>
June 30, 1983	1,268	750
1984	1,199	780
1985	1,156	810
1986	1,131	840
1987	1,117	850

ARTICLE 7

The Reassured shall furnish the Reinsurer with quarterly summaries as soon as possible but in any event not later than six weeks after the close of the quarter.

The summaries shall give details of:

1. Reinsurance premiums, net of commission, and
2. Paid and outstanding losses (split by underwriting year).

The summaries shall be rendered separately for each reporting currency, Pounds Sterling, Canadian Dollars and United States Dollars.

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ARTICLE 8

Loss settlements made by the Reassured, including ex gratia and compromised settlements, provided same are within the terms of this Agreement, shall be unconditionally binding upon the insurer and amounts falling to the share of the Reinsurer shall be payable by them upon reasonable evidence of the amount paid being given by the Reassured.

ARTICLE 9

It is hereby understood and agreed that any inadvertent delays, omissions or errors made in connection with this Agreement shall not be held to relieve either of the parties hereto from any liability which would have attached to them hereunder if such delay, omission or error had not occurred, provided that rectification is made upon discovery. It is further agreed that in all things relating within the scope of the reinsurance the Reinsurer shall share to the extent of their interest in the fortunes of the Reinsured.

ARTICLE 10

No further particulars shall be required by the Reinsurer but the books of the Reinsured, so far as they concern the reinsurances falling within the scope of this reinsurance, shall be open to the inspection of an authorised representative of the Reinsurer at any reasonable time during the continuance of this Agreement or of any liability hereunder.

ARTICLE 11

It is hereby understood and agreed that any amendments and/or alterations to this Agreement that are agreed, in writing, shall be automatically binding hereon and shall be considered to form an integral part hereof, subject nevertheless to the issue of a Contract Addendum, if specifically requested by the Reinsurer.

ARTICLE 12

All matters in difference between the Reinsured and the Reinsurer in relation to this Agreement, ((

including its formation and validity, and whether arising during or after the period of this Agreement, shall be referred to an arbitration tribunal in the manner hereinafter set out.

Unless the parties agree upon a single arbitrator within 30 days of one receiving a written request from the other for arbitration, the claimant (the party requesting arbitration) shall appoint his arbitrator and give written notice thereof to the respondent. Within 30 days of receiving such notice the respondent shall appoint his arbitrator and give written notice thereof to the claimant, failing which the claimant may apply to the appointor hereinafter named to nominate an arbitrator on behalf of the respondent.

Should the arbitrators fail to agree, then they shall within 30 days of such disagreement appoint an umpire to whom the matter in difference shall be referred: Should the arbitrators fail within such period to appoint an umpire, then either of them or either of the parties may apply to the appointor for the appointment of an umpire.

Unless the parties otherwise agree, the arbitration tribunal shall consist of persons employed in, or retired from, a senior position in insurance or reinsurance underwriting.

The arbitration tribunal shall have power to fix all procedural rules for the holding of the arbitration including discretionary power to make orders as to any matters which it may consider proper in the circumstances of the case with regard to pleadings, discovery, inspection of documents, examination of witnesses and any other matter whatsoever relating to the conduct of the arbitration and may receive and act upon such evidence whether oral or written strictly admissible or not as it shall in its discretion think fit.

The appointor shall be the President of AFIA.

All costs of the arbitration shall be in the discretion of the arbitration tribunal who may direct to

d by whom and in what manner they shall be paid.

-) The seat of the arbitration shall be in London and the arbitration tribunal shall apply the laws of England as the proper law of this Agreement.
-) The arbitration shall be conducted under, and the arbitration tribunal shall be governed by, the provisions of the Arbitration Acts 1950 and 1975.

The award of the arbitration tribunal shall be in writing and binding upon the parties who hereby covenant to carry out the same. If a party fails to carry out the award the other may apply for its enforcement to the High Court of Justice in England or to a court of competent jurisdiction in any territory in which the party in default is domiciled or has assets or carries on business.

ARTICLE 13

- A) This Agreement is an honorable undertaking between the contracting parties and in case of a difference occurring between the letter of the Agreement wording and the intent of the contracting parties, the intent or sense of the Agreement in accordance with normal practice governing such transactions shall take precedence over the strict interpretation of the Agreement wording.
- B) The Reinsurer shall regard this Agreement and the transactions hereunder as strictly confidential, and shall not at any time during its currency or thereafter make any use either directly or indirectly of the information afforded of the business and connections of the Reassured which shall or may in any way operate to the prejudice or detriment of the latter.

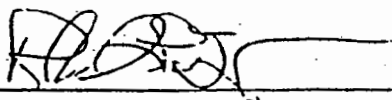
2002BA2

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized representative to sign this Agreement in separate counterparts.

On 23 December 1982

Reinsurer

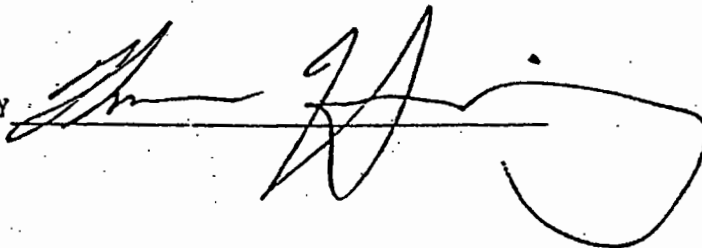
BAFCO Reinsurance Company, Ltd. of Bermuda

BY 

And On December 1 1982

Reassured

Home Insurance Company and/or St. Paul Fire & Marine Insurance Company

BY 

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"BAFCO 3"

THE HOME INSURANCE COMPANY

ST. PAUL FIRE AND MARINE INSURANCE
COMPANY

and

BAFCO REINSURANCE COMPANY, LTD.

FIRST SUPPLEMENTAL EXCESS OF LOSS
REINSURANCE AGREEMENT

H00018

FIRST SUPPLEMENTAL EXCESS OF LOSS REINSURANCE AGREEMENT

BETWEEN: THE HOME INSURANCE COMPANY and ST. PAUL FIRE AND MARINE INSURANCE COMPANY, as their interests may be in underwriting as the AFIA Treaty Reinsurance Department, London Branch (the "Reassured") and BAFCO REINSURANCE COMPANY, LTD. of Bermuda (the "Reinsurer")

WHEREAS:

(1) This Agreement is supplemental to two Excess of Loss Reinsurance Agreements between the same parties dated 23rd December 1982, namely:-

(a) An Agreement ("BAFCO 1") effective 12th May 1981 for the reinsurance of 100 per cent of losses under five specified Original Contracts (referred to therein as A.G.C. Palmdale, Folksam, Avner (1), Avner (2) and R.A.C.V.) for underwriting years up to and including 1981; and

(b) An Agreement ("BAFCO 2") effective 30th June 1982 for reinsurance up to an initial limit of US\$100 million excess of US\$95 million of losses under the Reassured's treaties and contracts of reinsurance for underwriting years up to and including 1982.

- (2) In consideration of the premium for which provision is made herein the Reinsurer has agreed to increase the aggregate limit of reinsurance under BAFCO 1 and BAFCO 2, to extend the underwriting years or periods covered by BAFCO 1 and BAFCO 2 and to other amendments in the terms and provisions of BAFCO 1 and BAFCO 2 as set forth below, and such increase, extension and amendments shall be deemed to have had effect from their respective dates of inception.

NOW IT IS HEREBY AGREED as follows:-

ARTICLE 1

(A) BAFCO 1 is, and shall be deemed always to have been, effective as from 1st January 1981.

(B) BAFCO 2 does not apply to losses reinsured under BAFCO 1.

(C) BAFCO 2 is extended to indemnify the Reassured, subject to the terms and conditions thereof as hereby amended with respect to:

(a) insofar as net losses consist of reinsurance not collectible as described in the second paragraph of Article 5 of BAFCO 2, as substituted by Article 2 hereof, the whole of such net losses, and

(b) all other net losses in excess of US\$95 million 111

under its treaties and contracts of reinsurance, howsoever and wheresoever arising, for all underwriting years up to and including 1983, but excluding 111

(i) losses occurring (under the underlying insurance contracts reinsured) after 30th June 1983 (whether or not reported) on reinsurance contracts in force and terminating after 30th June 1983, and 111

(ii) losses incurred on any reinsurance contracts effected after or with an effective date after 30th June 1983. 111

(D) There is no aggregate limit on the liability of the Reinsurer under BAFCO 1 and BAFCO 2. 111

ARTICLE 2

The following is substituted for Article 4 of BAFCO 1 and Article 5 of BAFCO 2:-

The term "net loss" shall mean the sum actually paid by the Reassured (except any sum paid by the Reassured or on their behalf pursuant to the Quota Share Reinsurance Treaty Agreement dated 31st January 1984 (the "London Reinsurance Agreement") between CIGNA Corporation, CIGNA International Corporation,

Insurance Company of North America, Aetna Insurance Company, AFIA, AFIA Finance Corporation, Hartford Fire Insurance Company, The Home Insurance Company, Fireman's Fund Insurance Company, St. Paul Fire and Marine Insurance Company and The American Insurance Company) in settlement of losses or liability after making deductions for all recoveries, all salvages, and all claims upon other reinsurance (excluding from such deductions any claims upon Insurance Company of North America or CIGNA Corporation or any subsidiary company of CIGNA Corporation under or by virtue of two Purchase Agreements dated 30th December 1983 between respectively CIGNA Corporation, CIGNA International Corporation, Insurance Company of North America, AFIA, AFIA Finance Corporation, Hartford Fire Insurance Company, The Home Insurance Company and Aetna Insurance Company, and CIGNA Corporation, CIGNA International Corporation, Insurance Company of North America, AFIA, AFIA Finance Corporation, Fireman's Fund Insurance Company, St. Paul Fire and Marine Insurance Company and The American Insurance Company) and shall include all adjustment expenses arising from the settlement of claims other than the salaries of employees and the office expenses of the Reassured.

It is agreed that any reinsurance not collectible, assumed or ceded, (being, in the case of reinsurance ceded, reinsurance that was effected by or on behalf of AFIA, or has an effective date, prior to 1st July 1983, whether or not collectible,

recoverable, disputed, undisputed, commutated, cancelled, terminated or nonrenewed, to the extent the premium or other consideration therefor was paid or incurred by AFIA prior to 1st July 1983, including, but not limited to, any such reinsurance included in ceded reinsurance as of 30th June 1983 in Schedule F of the statutory annual statement of AFIA for the year ended 30th June 1983). any amounts due from brokers and agents, and any accounting errors and adjustments, the amount of which must be borne by the Reassured, will be considered part of the ultimate net loss. The determination and categorization of reinsurance not collectible shall be within the discretion of the Reassured and shall be initially determined as of June 30, 1984. Reinsurance not collectible shall not, however, be included in the calculation of the US\$95 million of net losses over which BAFCO 2 is excess.

All salvages, recoveries or payments recovered or received subsequent to a loss settlement under this Agreement shall be applied as if recovered or received prior to the aforesaid settlement and all necessary adjustments shall be made by the parties hereto. Provided always that nothing in this Clause shall be construed to mean that losses under this Agreement are not recoverable until the Reassured's ultimate net loss has been ascertained. The calculation of "net loss" was defined in this substituted Article 4 of BAFCO 1 and Article 5 of BAFCO 2,

including the calculation of any components thereof or deductions therefrom, shall be based on the underwriting years and periods of BAFCO 1 and BAFCO 2 as amended by Article 1 of this Agreement (and subject to the exclusion therein).

ARTICLE 3

The following is substituted for Article 6 of each of BAFCO 1 and BAFCO 2:-

- (A) The Initial Premium for BAFCO 1 is US\$15 million (receipt of which the Reinsurer acknowledges), subject to adjustment as provided in this Article.

- (B) The Initial Premium for BAFCO 2 is US\$14,310,000 (receipt of which the Reinsurer acknowledges), subject to adjustment as provided in this Article.

- (C) On 25th June 1984, the Reinsurer received a payment of US\$68,853,800 which represented the difference between additional premiums (including run-off premiums) plus interest due to the Reinsurer and payments previously made to the Reinsurer. The Reinsurer hereby acknowledges that the said payment and interest satisfy and discharge premiums due and payable by the Reinsured as at 25th June 1984.

(D) It is further agreed that, subject to paragraph (E) of this Article, all premiums booked by the Reassured on business covered under BAFCO 2 on and after its effective date for the underwriting years protected thereunder shall become due and payable, net of all commissions and brokerage, to the Reinsurer when received by the Reassured. The parties may mutually agree to substitute other payment patterns for this stream of income.

(E) The 1983 underwriting year's premiums for which the Reassured is accountable to the Reinsurer under paragraph (D) of this Article shall not include any reinsurance premiums collected by the Reassured or any Indemnitee (as defined in the London Reinsurance Agreement) which were earned subsequent to 30th June 1983.

(F) Should both the Reassured and Reinsurer agree that in view of the loss development hereunder the reinsurance premiums paid to the Reinsurer by the Reassured are inadequate, then a mutually agreeable calculation will be used to determine additional reinsurance premiums payable to the Reinsurer. In the event that the Reassured and Reinsurer are unable to come to an agreement as provided for in this Article 3(F) of this Agreement, then the matter shall be referred to arbitration in accordance with Article 7 of this Agreement.

ARTICLE 4

The following is substituted for Article 7 of each of BAFCO 1 and BAFCO 2:

The Reinsured shall furnish the Reinsurer with quarterly accounts as soon as possible but in any event not later than 90 days after the close of the quarter. The accounts shall give details of:-

- (1) Reinsurance premiums booked, net of commission;
- (2) Paid net losses, including amounts attributable to non-recoverable Reinsurance (as defined in the London Reinsurance Agreement);
- (3) Advice of the amounts of case net outstanding losses.

The accounts shall be rendered separately for each reporting currency: Sterling, Canadian Dollars and U.S. Dollars.

ARTICLE 5

Notwithstanding the quarterly accounts provided for by Article 4 of this Agreement, the Reinsurer shall, upon receipt of a provisional statement of losses (including gross losses anticipated to be paid) from the Reassured, immediately provide an advance payment to the Reassured of the amount requested in

the provisional statement of losses. Any such payments by the Reinsurer shall be netted against payments due to the Reassured in the accounts required by Article 4 of this Agreement.

ARTICLE 6

In all other respects BAFCO 1 and BAFCO 2 remain unaltered.

ARTICLE 7


Article 12 of BAFCO 1 and BAFCO 2 applies to this Agreement as if set out herein in full.

IN WITNESS WHEREOF the parties hereto have caused their respective duly authorised representatives to execute this Agreement.

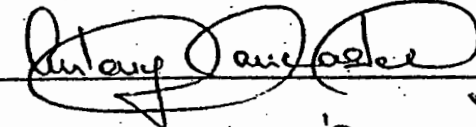
On 1st FEB '85 1985

Reassured

Home Insurance Company

By 

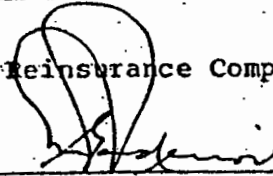
St. Paul Fire & Marine Insurance Company

By 

And on 1st FEB '85 1985

Reinsurer

BAFCO Reinsurance Company, Ltd.

By 

AFIA (REINSURANCE OPERATIONS LONDON)BACKGROUND TO BANK BALANCES PER CASHBOOKS (G.L.)

The notes below are applicable to the attached file (BankRec@05.03peg).

Total balances per account are reconciled to AFIA bank statements on a monthly basis.

NB: Inter-branch cash transfers reflect cash transfers between branches to meet year-end solvency requirements. No physical transfer of cash takes place because the balances are held (in trust) on one bank account.

2. The Home and St. Paul split shown in the schedules attached are memorandum statements reflecting cash transactions recorded in the cashbooks and the General Ledger since 1984 (the year CIGNA purchased AFIA from the previous owners). The Trust Agreements specify that the AFIA bank balances belong to Home and/or St Paul as per the respective accounting records.
3. The following points should be noted regarding the cash transactions recorded over the last 18 years in the cashbooks and the GL:
 - a) Cash collected under the BAFCO reinsurance agreement, as amended, (CIRC's reinsurance of the AFIA liabilities) was posted as a matter of practicality to the Home Cashbook/GL. The reasoning behind this is that most of the losses related to the Home book (rather than the St Paul) and nearly always (if not always) CIRC provided cash as and when required to fund the Home (and the St Paul) operations. The BAFCO billings are consolidated for Home and St Paul transactions and submitted to CIRC semi-annually. No split between Home and St Paul has been made in the billings (this could be determined although it would be a difficult and onerous task given the other points noted below and the period that these transactions cover).

The question arises as to why CIRC has not paid AFIA (Home and St Paul) billings in full at the time of the billing. The background to this is that:

At times in the late 1980's AFIA UK almost ran out of cash and had no billings to draw on. CIRC, on a number of occasions, advanced AFIA (Home & St Paul branches) US\$1m- 3m against future BAFCO billings.

- ii. ACE (and CIGNA) has in addition provided/ contributed significant funds to both the Home and St Paul to enable the branches to remain solvent and meet regulatory solvency margins. As at December 2002 CIRC has "contributed" US\$ 20.2m to the Home branch as shown in the GL. In effect the amounts have been treated as "Capital" within the accounts of the Home branch i.e. it has enabled the branch to continue to meet its UK solvency margin requirements.
- b) Time deposits are posted as Home transactions, and funds are transferred to the current bank accounts as and when required. The current accounts are used to effect all payments and bank all receipts for the Home and the St Paul branches.
- c) All assumed brokers' payments are strictly coded in the cashbooks/GL and the assumed ledgers to the entity that wrote the underlying policy. However, on limited

occasions, where payments are due to a broker/cedant from both entities, a consolidated cheque has been raised and coded to either the Home or the St. Paul, depending on the entity settling the larger balance; a journal has subsequently been raised internally in balance sheet inter-branch accounts, transferring the appropriate settled balance to the second entity. No physical transfer of cash took place between the two entities in such circumstances as there was only one bank account.

A further complicating factor is that brokers will on occasion show the wrong entity, i.e. Home for St Paul or vice versa, on their statements. As a result broker receipts by wire transfer (direct to bank accounts) have from 1984 onwards on occasion been received into the AFIA bank account and only later has the correct entity been identified. The correcting entries have been raised in the inter-branch transfer accounts.

- d) All ceded cash payments are strictly in the cashbook/GL and the ceded ledgers coded to the entity with the underlying contracts. The procedure noted in (c) above applies.

Consolidated cash receipts (i.e. combined Home and St. Paul receipts) by wire transfer have been treated in the same way as consolidated assumed receipts, i.e. often recorded to one entity and appropriate settlement transferred to the second entity through balance sheet inter-branch accounts when the correct entity has been identified.

A further complicating factor is that certain of the outwards reinsurance policies protect both the Home and the St. Paul and therefore consolidated ceded billings are sent out. Certain ceded reinsurance contracts entered into the 1970's are in the name of "AFIA and/or its Member Companies" and do not specifically mention the Home (and/or St Paul).

AFIA LONDON
CIRC (BAFCO) OUTSTANDING BALANCES
MAY 2003

5/15

	<u>US \$</u>	<u>US\$</u>	<u>Can\$</u>	<u>Conv Str</u>
	<u>1,000</u>	<u>1,57260</u>	<u>2,33445</u>	<u>41,03018</u>
PER CIRC				
Balance Outstanding as agreed @ 12/02	852,479	42,129,709	0	27,642,321
Add : CIRC Statements: 2nd Half Year 2002 - booked 4/03)	184,954	7,195,359	0	4,760,408
	1,037,433	49,325,068	0	32,402,731
Cash Received				
- Jan 03	(300,000)	(1,000,000)		(935,890)
- Feb 03		(1,000,000)		(635,890)
- May 03		(1,000,000)		(635,890)
Total ROSOH	737,433	46,325,068	0	30,195,062
Cash ofwd @ 12/02	(500,000)	(29,500,000)	0	(19,258,743)
Total ROSIY	(500,000)	(29,500,000)	0	(19,258,743)
Total CIRC balance outstanding @ 5/2003	237,433	16,825,068	0	10,936,319 V
PER GENERAL LEDGER @ 5/2003				
GL @ 5/2003 - 11500003	237,476	16,825,469	0	10,936,617
Small Diff	(43)	(401)	0	(298)
	237,433	16,825,068	0	10,936,319

A
2/1/03



WORLDWIDE INSURANCE

Cheserfield House, 26-28 Fenchurch Street, London, EC3M 3QH,
 Telephone: 01-626 8744, 01-626 8758 Telex No. 896980

APPENDIX B

Exhibit 10

G.R. Wilson Esq.
 Department of Trade & Industry
 Insurance Division 1B
 Sanctuary Buildings
 20 Great Smith Street
 London SW1P 3DB

28th October 1985

Dear Mr Wilson,

RE: THE HOME INSURANCE COMPANY
ST. PAUL FIRE & MARINE INSURANCE COMPANY
TREATY DEPARTMENT REINSURANCE ARRANGEMENTS

At a recent meeting you requested further details of the special reinsurance arrangement covering the Treaty Departments of the London branches of The Home Insurance Company and St. Paul Fire and Marine Insurance Company in respect of the 1983 and prior underwriting years.

The reinsurance arrangements in question include those arranged with BAFCO Reinsurance Company, a company incorporated in Bermuda. Prior to the acquisition of AFIA by CIGNA Corporation, BAFCO was ultimately wholly-owned by the then members of AFIA. Since the acquisition of AFIA by CIGNA, BAFCO has ultimately been a wholly-owned subsidiary of CIGNA. BAFCO is authorised to carry on insurance business in Bermuda.

The History of the Arrangements is as follows:

In June 1981 with effect from 12th May 1981 and subsequently amended to have effect from 1st January 1981 an Excess of Loss Reinsurance Agreement was entered into whereby six specific treaties written by the Home Insurance Company were 100% retroceded to BAFCO.

In 1982 the general nature of the AFIA UK Treaty Department losses became apparent, and a Second Excess of Loss Reinsurance Agreement was entered into. In summary, subject to a retention of US\$95 million, all losses of the UK Treaty Departments of Home and St. Paul and certain uncollectable reinsurance is recoverable from BAFCO.

...2/-

- 2 -

For BAFCO's protection the Stop Loss Agreement was entered into which provided that in so far as BAFCO's liabilities were not covered by its accumulated funds it would be reinsured without limit by all the then members of APTA.

On acquisition of APTA these reinsurance arrangements passed to CIGNA and for the purpose of the acquisition Stop Loss Addendum 1, the Insurance Assumption Agreement and the Quota Share Agreement were entered into. Since that time CIGNA has taken further steps to consolidate and simplify the reinsurance arrangements by the preparation and execution of the First Supplemental Excess of Loss Reinsurance Agreement and Stop Loss Addendum.

The Present Arrangements are currently:

The First and Second Excess of Loss Reinsurance Agreements have been modified by the First Supplemental Excess of Loss Reinsurance Agreement. The Stop Loss Agreement must be read in conjunction with Stop Loss Addendum 1 and, Stop Loss Addendum 2. The Insurance Assumption Agreement and Quota Share Agreement exist independently.

The Stop Loss Agreement, as amended by Stop Loss Addendum 1 and Stop Loss Addendum 2, is now between BAFCO and Insurance Company of North America, one of CIGNA's US insurance subsidiaries. As amended, the Stop Loss Agreement reinsures BAFCO for all liability under the First and Second Excess of Loss Reinsurance Agreements (as amended) in excess of an aggregate of US\$50,000.

The Insurance Assumption Agreement was entered into on CIGNA's acquisition of APTA. It provided that INA would assume as its direct obligation all insurance and reinsurance liabilities of each of the selling members of APTA (including Home and St. Paul) arising out of the operation of APTA. This agreement results in INA being legally obliged to stand directly behind the liabilities of the Home and St. Paul Treaty Departments whether formally reinsured with INA or not.

Under the Quota Share Agreement the selling APTA members in turn reinsure INA and the other CIGNA entities for:

- (a) a 90% Quota Share of US\$265 million excess of US\$335 million of losses of the London Treaty Department; and
- (b) 50% of non-recoverable London Treaty Department reinsurance in excess of US\$45.9 million.

In conclusion I would suggest that the reinsurance now afforded by BAFCO under the First Excess of Loss Reinsurance Agreement, the Second Excess of Loss Reinsurance Agreement and the First Supplemental Excess of Loss Reinsurance Agreement and supported by the Stop Loss Agreement provide high quality protection for the United Kingdom Treaty Department of Home and St. Paul.

...3/-

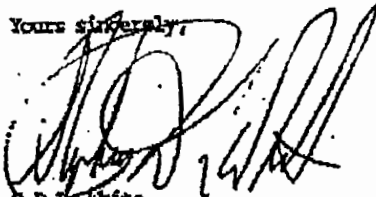
- 3 -

I hope that you now have the information which you require. If you would appreciate a meeting to clarify further the contents of this letter, I should be very happy to oblige.

I enclose the following copy documents:

- (a) First Excess of Loss Reinsurance Agreement, signed on 1st and 23rd December 1982 and taking effect on 12th May 1981.
- (b) Second Excess of Loss Reinsurance Agreement, signed on 1st and 23rd December 1982 and taking effect on 12th May 1982.
- (c) First Supplemental Excess of Loss Reinsurance Agreement, signed on 1st February 1985 and taking effect on 1st January 1981 in respect of the First Excess of Loss Reinsurance Agreement and 12th May 1982 in respect of the Second Excess of Loss Reinsurance Agreement.
- (d) Stop Loss Reinsurance Agreement, signed on various dates in 1982 and 1983 and taking effect on 30th June 1982.
- (e) Addendum number 1 to the Stop Loss Agreement signed on 31st January 1983 and taking effect on 30th June 1983.
- (f) Addendum number 2 to the Stop Loss Agreement, in draft, and taking effect on 30th June 1983.
- (g) Insurance and Reinsurance Assumption Agreement, signed on 31st January 1984 and taking effect on that date, together with a glossary of terms used but not defined in the Agreement.
- (h) Quota Share Reinsurance Treaty Agreement, signed on 31st January 1984 and taking effect on 30th June 1983, together with a glossary of terms used but not defined in the Agreement.

Yours sincerely,



S.D.J. White
General Manager
SR22/85/AFIA/1P

The St Paul

St. Paul Specialist Services Limited
Suite 1/2
London Underwriting Centre
3 Minster Court
Mincing Lane
London EC3R 7YJ
020 7618 6100 Tel
020 7618 6294/5 Fax

Exhibit 11

Gareth Hughes
Ernst & Young LLP
Becket House
1 Lambeth Palace Road
London SE1 7EU

EU ERNST & YOUNG LLP	
LONDON	
01 SEP 2003	
Partner	GHH/MEM
Manager	

29th August 2003

Dear Sir,

Re: The Home Insurance Company (in provisional liquidation)

Thank you for your letter of 31st July 2003.

We are investigating the position of Unionamerica Insurance Company Limited (Unionamerica) with regard to its reinsurances underwritten by AFIA (including those reinsurances where The Home Insurance Company UK Branch was used to front for AFIA), which also includes collating the information requested in your letter.

We are not yet in a position to say whether or not Unionamerica will be pursuing claims under its reinsurances with AFIA as a creditor of The Home. I would however be willing to participate as a member of the proposed informal creditors committee on the understanding that my participation will not in any way bind Unionamerica in relation to whether or not it is a creditor of The Home. I would also be willing to participate in the committee as a representative of St. Paul International Insurance Company Limited (formerly St. Katherine Insurance Company Limited) on the same basis.

I look forward to hearing from you.

Yours faithfully

For and on behalf of
St. Paul Specialist Services Limited

Tammy Lewis
Tammy Lewis
Legal Officer

St. Paul Specialist Services Limited - formerly called Unionamerica Management Company Limited
Registered in England 2847481
Authorized Agent for:
Lloyd's Syndicate 205
St. Paul Reinsurance Company Limited - Authorized and regulated by the Financial Services Authority
Unionamerica Insurance Company Limited - Authorized and regulated by the Financial Services Authority

H01011

The St Paul

RECEIVED
4 AUG 2003

St. Paul Specialist Services Limited
Suite 142
London Underwriting Centre
3 Minster Court
Mincing Lane
London EC3R 7YJ
020 7618 6100 Tel
020 7618 6294/5 Fax

Ms B Nowak
Claims Manager
ACE INA Services UK Ltd
The London Underwriting Centre
3 Minster Court
Mincing Lane
London EC3R 7DD

1st August 2003

By Post and Facsimile 020 7173 2801

Dear Ms Nowak,

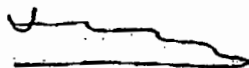
**Re: Unionamerica Insurance Company Limited
Casualty XL Loss Reinsurance
US \$50,000 xs US\$25,000 and US\$75,000 xs US\$75,000
1974 - 1980 Years of Account**

We refer to our correspondence in relation to the claims notified under the above policies by way of claims bordereaux. We are in the process of investigating Unionamerica's position in relation to these claims. Accordingly please note that Unionamerica withdraws the request for payment of the claims set out on the attached schedule with immediate effect. For the avoidance of doubt, this withdrawal does not affect the notification, which Unionamerica has already given, of all claims on these policies (including the claims in the attached schedule) under the second paragraph of the notice of loss clause. Further, this withdrawal does not affect the position of Continental Insurance Company of New York.

While our investigations are continuing please note that we reserve all our rights in relation to this matter.

Yours sincerely

For and on behalf of
St Paul Specialist Services Limited



T.P. Open

cc: Mike Durkin, ACE INA Services Limited

St Paul Specialist Services Limited - formerly called Unionamerica Management Company Limited
Registered in England 2847451
Authorised agent for
London underwriting
St Paul Reinsurance Company Limited - Authorised and regulated by the Financial Services Authority
Unionamerica Insurance Company Limited - Authorised and regulated by the Financial Services Authority

The St Paul

St. Paul Specialist Services Limited
Suite 1/2
London Underwriting Centre
3 Minster Court
Mincing Lane
London EC3R 7YJ
020 7618 6100 Tel
020 7618 6294/5 Fax

Ms B Nowak
Claims Manager
ACE INA Services UK Ltd
The London Underwriting Centre
3 Minster Court
Mincing Lane
London EC3R 7DD

1st August 2003

By Post and Facsimile 020 7173 2801

Dear Ms Nowak,

Unionamerica Insurance Company Limited
Excess of Loss Reinsurances
US\$350,000 xs US\$150,000, US\$250,000 xs US\$750,000
US\$1,000,000 xs US\$500,000 1975-1978 Years of Account

We refer to our correspondence in relation to the claims notified under the above policies through Resolutions. We are in the process of investigating Unionamerica's position in relation to these claims. Accordingly please note that Unionamerica withdraws the request for payment of its proportion of the claims as set out on the attached schedule with immediate effect. For the avoidance of doubt this withdrawal does not affect the notification, which has already been given, of all claims on these policies (including the claims in the attached schedule) under the notification of claims clause. Further, this withdrawal does not affect the position of Continental Insurance Company of New York.

While our investigations are continuing please note that we reserve all our rights in relation to this matter.

Yours sincerely

For and on behalf of
St Paul Specialist Services Limited



T.P. Open

cc: Mike Durkin, ACE INA Services Limited

St Paul Specialist Services Limited - formerly called Unionamerica Management Company Limited
Registered in England 2511157
Authorised Agent for
The London Underwriting Centre
St Paul Reinsurance Company Limited - authorised and regulated by the Financial Services Authority
Unionamerica Insurance Company Limited - authorised and regulated by the Financial Services Authority

Cashin, John

From: Denbin, Howard D TL35S [Howard.Denbin@ace-ina.com] **Sent:** Fri 9/12/2003 4:03 PM
To: Cashin, John
Cc: Durkin, Mike MMQE; Bateman, Darren MMQE; Wamser, Thomas J TL35S; 'Philip.Wilkinson@Lovells.com'; 'Joe.Bannister@Lovells.com'
Subject: Home Liquidation
Attachments:

John -

An issue has come up regarding ACE's continuing obligations to administer Home's AFIA liabilities, which we need you and your colleagues to look into ASAP.

Jonathan Rosen, who you may know, is now General Counsel of Home. He and other Home representatives have been interposing themselves into ACE's conduct of various UK matters, including arbitrations involving Rutty pool members - Agrippina and Wurttembergische, in contravention of the Liquidator's position that ACE's obligations to administer Home's AFIA liabilities on behalf of Home under the Insurance and Reinsurance Assumption Agreement remain in full force and effect, notwithstanding Home's intervening insolvency. In particular, they have advised both Agrippina and Wurttembergische that they have no right to terminate the reinsurance contract (Contract R) between themselves and Home (as provided by Article IX(ii) upon the insolvency of Home), while ACE has been encouraging them to do so as it would be for the economic benefit of all concerned. (If the contract is terminated, the pool members will not have to look to Home as its sole security on policies issued in their names - in accordance with these pool members' positions that Home reinsures their "fronted" liabilities - but rather could look to the other solvent pool members for both the solvent pool members' shares as well as the shares of insolvent pool members which all pool members agreed to proportionally share, as well as obtain the benefits of outward reinsurances. On pool share participations, they can deal directly with ACE and get a somewhat larger recovery instead of a small distribution from the Estate. Home benefits, since no claims are filed against it, and ACE benefits by not paying its 100% reinsurance of Home's liabilities.)

At least two issues are raised:

1. Paragraph. (p) of the order of Liquidation does permanently enjoin anyone doing business with the Home from terminating its contract(s) on account of the Home's insolvency. Does this provision prevent Rutty pool members Agrippina and Wurttembergische from terminating its contracts with Home? Or is the provision directed toward requiring vendors to continue to render services, i.e., electricity? And does ACE have any options getting this provision lifted regarding the Agrippina and Wurttembergische actions, as termination would be to the benefit of the Estate? (Home seems to be looking to get claims admitted to the Estate so they can collect the 100% reinsurance to distribute to a larger body of creditor. But this doesn't benefit the Home Estate, it creates a liability in the first instance, and in the end is neutral.)

2 - At what point - and what activities - would the Liquidator need to engage in that would be so in contravention of its position that ACE retains the obligation to administer the AFIA liabilities - as to amount to a waiver, estoppel, repudiation, etc.? I will fax to you the correspondence regarding termination of the contracts. Additionally, Jonathan Rosen has met with each of the Rutty pool member and various cedents to

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the Ruddy pool, and has advanced positions different from those taken by ACE on behalf of Home in various arbitrations, i.e., he advised Agrippina that they would be allowed to audit various records maintained by ACE, when ACE has advised Agrippina that so long as we remain in arbitration we will not permit free, additional discovery outside of the arbitral process. I believe we may need to send a letter to the Liquidator advising them in the strongest terms that should ACE's defense of any actions on behalf of Home be prejudiced by the Liquidator's actions on behalf of Home, ACE will not provide reinsurance reimbursement for any additional liability. Said activities are also in breach of the contractual provisions allowing ACE, as reinsurer, upon the insolvency of Home, to interpose defenses on behalf of the Liquidator at its own expense.

Please call after you have reviewed this so we can discuss this in detail.

HDD

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If you are not the named recipient, or have otherwise received this

communication in error, please delete it from your inbox, notify the sender

immediately, and do not disclose its contents to any other person,

use them for any purpose, or store or copy them in any medium.

Thank you for your cooperation.

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