

PURCHASE AGREEMENT NO. 1

Dated and entered into on December 30, 1983

by and among

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,

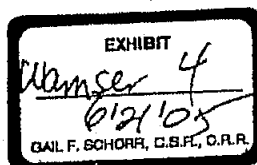


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PURCHASE AGREEMENT NO. 1

PURCHASE AGREEMENT NO. 1, (the "Agreement") dated and entered into on December 30, 1983, by and among CIGNA CORPORATION, a Delaware corporation ("CIGNA"), CIGNA INTERNATIONAL CORPORATION, a Delaware corporation ("CIGNA International"), INSURANCE COMPANY OF NORTH AMERICA, a Pennsylvania insurance corporation ("INA"), AFIA, an unincorporated association with its executive office located in New York, New York ("AFIA"), AFIA FINANCE CORPORATION, a Delaware corporation ("Finance"), HARTFORD FIRE INSURANCE COMPANY, a Connecticut insurance corporation ("Hartford"), THE HOME INSURANCE COMPANY, a New Hampshire insurance corporation ("Home"), and AETNA INSURANCE COMPANY, a Connecticut insurance corporation ("Aetna"), (Hartford, Home and Aetna being herein collectively called the "Sellers").

W I T N E S S E T H:

WHEREAS, simultaneously herewith CIGNA, CIGNA International, INA, AFIA, Finance, Fireman's Fund Insurance Company, a California insurance corporation ("Fireman's"), St. Paul Fire and Marine Insurance Company, a Minnesota insurance corporation ("St. Paul") and The American Insurance Company, a New Jersey insurance corporation ("American") (Fireman's, St. Paul and American being herein called the "Other Sellers" and, together with the Sellers, the "Total Sellers") are entering

into Purchase Agreement No. 2 dated December 30, 1983 (the "Other Purchase Agreement");

WHEREAS, the Total Sellers are all the members of AFIA and own all the issued and outstanding units of subscription or participation in AFIA (the "Units"), all the issued and outstanding capital stock of Finance (the "Stock"); and certain other related rights and interests hereinafter referred to; and

WHEREAS, CIGNA desires to purchase or to cause a subsidiary or subsidiaries of CIGNA designated (CIGNA and such subsidiary or subsidiaries are herein collectively called the "Purchasers") by CIGNA International (itself a subsidiary of CIGNA) to purchase, and the Total Sellers desire to sell, the Units and the Stock, together with certain other related rights and interests of the Total Sellers, and in connection therewith one or more of the Purchasers and INA are to assume certain obligations, all as more fully described herein and in the Other Purchase Agreement, on the terms and conditions set forth in this Agreement and in the Other Purchase Agreement;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements and other good and valuable consideration hereinafter set forth, the parties hereto do hereby agree as follows:

SECTION 1. Purchase and Sale of the AFIA Interests.

1.1 Purchase and Sale. On the terms and conditions of this Agreement, the Sellers severally agree to sell and

assign to one or more of the Purchasers, and CIGNA agrees to purchase or to cause such Purchaser or Purchasers to purchase, on the Closing Date (as defined below) all of the respective Sellers' right, title and interest in and to the AFIA Interests (as hereinafter defined). CIGNA agrees, on the terms and conditions of this Agreement, on the Closing Date to cause one or more of the Purchasers and INA to assume the AFIA Obligations, becoming primarily liable in respect thereof. As used herein, the term "AFIA Interests" shall mean:

(a) the Units;

(b) the Stock;

(c) the rights of each Total Seller (i) as a member of AFIA and as a holder of the Units and, (ii) under (x) the contracts and agreements of insurance, suretyship and reinsurance written or accepted in the name of any of the Total Sellers through or by AFIA on or prior to the Closing Date (the "Insurance Contracts"), (y) all reinsurance effected on or prior to the Closing Date pursuant to Article XI of the Constitution of AFIA (the "Article XI Reinsurance") and (z) the Stop-Loss Agreements described in Section 1.2; and

(d) (subject to Section 10) all licenses of any Total Seller used by any member of the AFIA Group (as defined in Section 4.1(a)) in the conduct of AFIA Group business (the "AFIA Licenses"), including without limitation the licenses listed in Part I of Exhibit A hereto (anything in this Agreement to the contrary notwithstanding, AFIA Licenses shall not include any Seller's license in any jurisdiction in the United States, Canada, their territories, possessions or commonwealths except as set forth in Part I of Exhibit A), together with the rights, properties and assets (the "Branch Assets") of those branches ("Seller Branches") of the Sellers whose business operations are administered by any AFIA Entity (as defined in Section 4.1(a)) (other than Seller Branches) and in connection with which AFIA Licenses are used.

As used herein, the term "AFIA Obligations" shall mean the obligations of the Total Sellers:

(e) as a member of AFIA and as a holder of Units or Stock;

(f) under or (to the extent incurred on behalf of the respective Total Sellers by or through AFIA pursuant to the AFIA Constitution) related to the Insurance Contracts, the Article XI Reinsurance and the Stop-Loss Agreements;

(g) with respect to the accountability of the Sellers referred to in Section 8; and

(h) incurred in the name of any Total Seller by any AFIA Entity in connection with the administration of the Seller Branches or the AFIA Licenses (the "Branch Obligations").

1.2 Termination of Stop-Loss Agreement. The parties hereto agree that the Stop-Loss Reinsurance Agreement executed on various dates in December 1982 and January 1983 (the "Stop-Loss Agreement") between the Total Sellers and BAFCO Reinsurance Company, Ltd. of Bermuda, an unconsolidated (for financial accounting purposes) subsidiary of Finance organized under the laws of Bermuda ("BAFCO"), will be terminated on the Closing Date but effective as of June 30, 1983 without any payment by the Total Sellers. The appropriate parties hereto will execute and deliver, and cause BAFCO to execute and deliver, on the Closing Date an appropriate instrument or instruments evidencing such termination reasonably satisfactory to such parties (the "BAFCO Termination Agreement").

1.3 Purchase Price. The purchase price for the AFIA Interests shall be \$215,000,000 (the "Purchase Price"), to be allocated among the Total Sellers and between the Units and the Stock as set forth in Exhibit B hereto.

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1.4 The Closing. The closing of the purchase and sale of the AFIA Interests hereunder and under the Other Purchase Agreement (the "Closing"). shall be held at the offices of CIGNA, 1600 Arch Street, Philadelphia, Pennsylvania, or such other place as the parties hereto and to the Other Purchase Agreement may mutually agree upon, at 10:00 A.M., local time, on January 31, 1984, or at such other time and on such other date as the parties hereto and to the Other Purchase Agreement may mutually agree upon (the "Closing Date"). At the Closing, provided that the conditions to the parties' respective obligations under Sections 5, 6 and 7 have been satisfied:

(a) CIGNA (i) will cause the Purchase Price to be paid to the Total Sellers by delivering to the respective Total Sellers certified or official bank checks, payable in immediately available funds to the order of the respective Total Sellers and in the respective amounts listed in the last column of Exhibit B hereto, and (ii) will cause to be delivered to the Sellers an instrument or instruments (the "Assumption Agreements"), which shall contain provisions substantially as set forth in Exhibit C hereto and otherwise be satisfactory to the Sellers and CIGNA International in their reasonable judgments, executed by one or more of the Purchasers (which shall be duly licensed insurance companies) and, in each case, INA, evidencing such Purchasers' and INA's assumption of the respective AFIA Obligations and meeting applicable statutory requirements for the Total Sellers to obtain statutory accounting recognition of such assumptions of the Insurance Contracts; and

(b) The Sellers will deliver (and the Other Purchase Agreement provides that the Other Sellers will deliver) to the Purchasers such instruments (which instruments shall be satisfactory to the Sellers and CIGNA International in their reasonable judgments) of assignment, transfer, reinsurance and conveyance (the "Transfer Documents"), bearing all necessary documentary stamps, as CIGNA International shall request in order to vest in the Purchasers good title to, or the economic benefit of, the AFIA Interests (except, in the case of the AFIA Licenses

and the Branch Assets, as otherwise provided in Section 10 hereof), including the certificates or other instruments evidencing the Total Sellers' right, title and interest in and to the Units, and, in the case of the Stock, certificates representing the Stock, accompanied by evidence of payment of all applicable stock transfer taxes, together with stock powers in favor of the Purchaser in respect of such stock certificates duly executed on behalf of the respective Sellers, together with all evidences of title with respect to the AFIA Interests held by or subject to the direction of any of the Sellers.

All transfer taxes imposed by the United States or any political subdivision thereof arising in connection with the transfer of the AFIA Interests to the Purchaser shall be paid by the Sellers.

1.5 Release of Sellers from Certain Provisions of the AFIA Constitution and the Finance Shareholders' Agreement. The

Sellers hereby agree that both this Purchase Agreement and the Other Purchase Agreement and all transactions contemplated or undertaken pursuant to them ("This Transaction") shall not be subject to any of the provisions of Article XVII of the AFIA Constitution ("Article XVII") or of that Stockholders' Agreement dated as of June 27, 1978 relating to the shares of Finance ("the Stockholders' Agreement"). As to This Transaction, the Sellers hereby waive, for the benefit of each other and the Other Sellers, all rights accruing to them under Article XVII or the Stockholders' Agreement and release each other and the Other Sellers from all liabilities arising under the same. This paragraph shall serve to amend Article XVII and the Stockholders' Agreement to exclude This Transaction from

their provisions, all notices, other time periods or other procedures required under the AFIA Constitution or the Stockholders' Agreement being hereby expressly waived. AFIA, Finance, CIGNA, CIGNA International, INA and the Purchasers hereby accept the above waiver, release and exclusion.

1.6 Foreign Taxes. If the Closing occurs, CIGNA International shall cause to be paid on behalf of any of the Sellers taxes payable to any jurisdiction by any of the Sellers or imposed by any jurisdiction through or on any of the Sellers after June 30, 1983, in respect of the business of AFIA or arising out of the transactions required by or contemplated in this Agreement. Notwithstanding the foregoing, CIGNA, CIGNA International, the Purchasers and INA shall not be required to pay, or reimburse any Seller for any taxes imposed upon gain realized by a particular Seller by reason of receipt of the Purchase Price as opposed to taxes generated by any actions taken after the Closing by CIGNA, CIGNA International, INA and/or the Purchasers including for this purpose transfer of Branch Assets, licenses or business. For the purposes of this Section 1.6 the term "jurisdiction" does not include the United States or any political subdivision thereof (but does include the possessions of and territories of the United States). Nothing herein shall require CIGNA International or the Purchasers to reimburse any Seller for any taxes paid by, or from AFIA assets on behalf of, any of the Sellers prior to the

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requested by the Sellers of CIGNA International at or before the Closing, such statements shall be audited by Coopers & Lybrand, which shall furnish an opinion that such statements have been prepared in accordance with statutory accounting principles. The expense of such audit and opinion shall be borne by the Total Sellers in the proportions that each Seller's Units bear to all Units of the Total Sellers. Other expenses incurred by AFIA or CIGNA and its subsidiaries in connection with this Section 1.7 shall be borne by CIGNA, CIGNA International or one or more of the Purchasers.

1.8. Tax Assistance. After the Closing, CIGNA shall cause CIGNA International, the Purchasers and INA to provide any assistance that the Sellers may reasonably request with respect to all tax matters of the Sellers, with respect to AFIA and Finance, for any period ending on or before the Closing Date. Such assistance will include, but not be limited to, the following:

- (i) assistance in the preparation of any tax return referred to in Section 1.7;
- (ii) execution of tax elections, tax allocation agreements or any other documents reasonably deemed necessary or advisable by Sellers;
- (iii) cooperation in the event that any tax return is examined, challenged or audited, including provision of copies of all relevant tax returns, workpapers, internal memoranda and opinions of counsel or tax advisors;

- (iv) retention of records required to be maintained by the Sellers pursuant to Section 6001 of the Internal Revenue Code and the Regulations thereunder; and
- (v) informing the Sellers of any refunds received of taxes imposed for periods ending on or before the Closing Date made by any jurisdiction other than the United States and its political subdivisions (except the possessions of and territories of the United States) required to be reported pursuant to Section 905(c) of the Internal Revenue Code during the period specified in Section 6511(d)(3) of such Code and to furnish the Sellers with receipts certified by the appropriate taxing authority for all taxes paid after the Closing Date in respect of taxable periods ending on or prior to the Closing Date.

The Total Sellers (in proportion of their respective Units to all Units) will, upon the request of CIGNA International, reimburse CIGNA, CIGNA International and the Purchasers for one half of any incremental internal expenses reasonably incurred by any of them pursuant to this Section 1.8.

1.9 Earnings and Profits. CIGNA shall cause CIGNA International, the Purchasers and INA to aid the Sellers in conjunction with employees of AFIA to prepare a statement of the earnings and profits of all of the AFIA Companies and AFIA Affiliates listed in Exhibit D-II for purposes of enabling the Sellers to comply with the requirements of the Internal Revenue Code.

SECTION 2. Representations and Warranties of the Sellers.

Each Seller severally represents and warrants to CIGNA, CIGNA International, INA and the Purchasers that:

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2.1 Corporation Organization and Standing; Approval

of Agreements, etc. Such Seller is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation listed in the preamble hereto, and has the corporate power and authority to enter into and perform this Agreement and the Transfer Documents and to consummate the transactions contemplated hereby and thereby. The execution and delivery by such Seller of this Agreement and the Transfer Documents and the consummation by it of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate action and this Agreement constitutes, and each of the Transfer Documents to be executed by such Seller will, when executed and delivered

pursuant hereto, constitute, the legal, valid and binding obligation of such Seller.

2.2 The Units and the Stock. Exhibit B correctly

sets forth the number of Units and number of shares of Stock owned by such Seller. Such Seller owns of record and beneficially, and at the Closing such Seller will deliver to the Purchaser good title to, such Units and shares of Stock, free and clear of all liens, claims, encumbrances, proxies and restrictions whatsoever. Such Seller has no other ownership or equity interests in AFIA or Finance or in any other AFIA Company (as defined in Section 6.5(a)). The Units and shares of Stock listed in Exhibit B constitute all of the ownership

interests in AFIA and all of the outstanding capital stock of Finance, respectively.

2.3 AFIA Licenses. To the knowledge of such Seller (whenever reference is made in this Agreement to the "knowledge" of a Seller, such knowledge shall be deemed not to include (i) knowledge which might otherwise be attributable to such Seller because of actual or imputed knowledge of the AFIA Group or Seller Branch personnel or (ii) knowledge given to it by CIGNA or any subsidiary of CIGNA), each AFIA License of such Seller, (a) is listed and correctly described in Exhibit A hereto, and (b) is in full force and effect and in good standing. Such Seller has not taken or omitted to take any action (excluding any action that may have been taken or omitted to be taken on its behalf by AFIA without the knowledge of such Seller) which action or omission would adversely affect such AFIA Licenses' continuing in full force and effect and in good standing or the Purchasers' obtaining the benefit thereof pursuant to Section 10 hereof. No proceeding is, to the knowledge of such Seller, pending or threatened looking toward the revocation or limitation (in a manner which would restrict their use by the Purchasers as contemplated in Section 10) of any of such AFIA Licenses, nor does such Seller know of any basis or grounds for any such revocation or limitation (other than limitations generally under the law applicable to any such license on its transfer or reissuance as contemplated by

Section 10 hereof). The Sellers make no representation or warranty that any of the AFIA Licenses are transferable.

2.4 Branch Assets and Branch Obligations; Claims Against AFIA Entities. To the best of such Seller's knowledge, such Seller has good title to the Branch Assets of its Seller Branches, free and clear of all liens, claims and encumbrances (other than as disclosed in the Delivered Financial Statements, as hereinafter defined in Section 6.5(b), or claims under Insurance Contracts). Such Seller has not taken or omitted to take any action (excluding any action that may have been taken or omitted to be taken on its behalf by AFIA) which action or omission would (a) adversely affect the Purchasers' obtaining such title to, and the benefit of, such Branch Assets upon or after their transfer to the Purchasers pursuant hereto, or (b) give rise to any Branch Obligations. Giving effect to the transactions contemplated hereby to occur at or before the Closing, as of the Closing such Seller will have no claims against any AFIA Entity.

2.5 No Legal Restrictions. Giving effect to Section 1.5, such Seller is not a party or subject to any contract or legal restriction that would prevent or restrict the fulfillment of this Agreement, the transfer of the AFIA Interests as contemplated hereby (other than legal restrictions under the laws of the respective jurisdictions in which the AFIA Licenses of such Seller have been issued affecting the

transfer of such respective AFIA Licenses) or the compliance with the obligations of such Seller hereunder.

2.6 Governmental Approvals. In connection with (i) the execution and delivery by the Sellers of this Agreement or the Transfer Documents or (ii) (except for approvals of appropriate insurance regulatory authorities in the jurisdictions of the respective AFIA Licenses in connection with the transfer or reissuance of AFIA Licenses as contemplated by Section 10 hereof) the consummation by the Sellers of the transactions contemplated herein and the fulfillment by the Sellers of the terms and compliance with the provisions hereof:

(a) no authorizations, approvals, consents or licenses of or by any governmental authorities are required by reason of such Seller's business and operations (other than the business and operations of the Seller Branches), and,

(b) to the knowledge of such Seller, no other authorizations, approvals, consents or licenses of or by any governmental authorities are required,

other than any such authorizations, approvals, consents or licenses that will have been duly obtained prior to the Closing, will at the Closing be in full force and effect and copies of which will have been furnished to CIGNA International not later than the Closing Date.

2.7 No Default or Legal Restriction. Giving effect to Section 1.5, none of such execution, delivery, consummation, fulfillment or compliance will require the consent of any party

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2.8 Brokers. Such Seller is not a party to, nor in any way obligated under, nor has any knowledge of, any contract or outstanding claim for the payment of any broker's or finder's fee in connection with the origin, negotiation, execution or performance of this Agreement or the Other Purchase Agreement.

2.9 No Material Adverse Facts. Such Seller has no actual knowledge of any fact relating to the AFIA Group not described in this Agreement or disclosed generally to, or

generally known by, the Sellers prior to the execution and delivery of this Agreement which materially adversely affects or will materially adversely affect the business, properties, prospects or financial condition of the AFIA Group, taken as a whole, other than facts relating to the property and casualty insurance industry generally.

SECTION 3. Representations and Warranties of CIGNA International.

CIGNA International represents and warrants to the Sellers that:

3.1 Corporate Organization and Standing; Approval of Agreement etc. CIGNA International is a corporation wholly-owned indirectly by CIGNA. Each of CIGNA and CIGNA International is duly organized, validly existing and in good standing under the laws of the State of Delaware. Each of CIGNA and CIGNA International has the corporate power and authority to enter into and perform this Agreement and the Other Purchase Agreement and to consummate the transactions contemplated hereby and thereby. The execution and delivery by CIGNA and CIGNA International of this Agreement and the Other Purchase Agreement and the consummation by each of them of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate action and this Agreement and the Other Purchase Agreement constitute the legal, valid and binding obligations of CIGNA and CIGNA International.

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Each Purchaser as of the Closing will be a corporation wholly-owned directly or indirectly by CIGNA, and will be duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation. Each Purchaser as of the Closing will have the corporate power and authority to enter into and perform the Assumption Agreements to be entered into by it and to consummate the transactions contemplated hereby and thereby. The execution and delivery by each Purchaser of the Assumption Agreements to be entered into by it and the consummation by such Purchaser of the transactions contemplated thereby will as of the Closing have been duly and validly authorized by all necessary corporate action and such Assumption Agreements will when executed and delivered by such Purchaser pursuant hereto constitute the legal, valid and binding obligation of such Purchaser.

INA is a corporation wholly-owned directly or indirectly by CIGNA, and is duly organized, validly existing and in good standing under the laws of Pennsylvania. INA has the corporate power and authority to enter into and perform this Agreement, the Other Purchase Agreement and the Assumption Agreements and to consummate the transactions contemplated hereby and thereby. The execution and delivery by INA of this Agreement, the Other Purchase Agreement and the Assumption Agreements and the consummation by INA of the transactions contemplated thereby have been duly and validly authorized by

all necessary corporate action and this Agreement, the Other Purchase Agreements and such Assumption Agreements will when executed and delivered by INA pursuant hereto constitute the legal, valid and binding obligation of INA.

3.2 No Legal Restrictions. None of CIGNA, CIGNA International, INA or any Purchaser is a party or subject to any contract or legal restriction that would prevent or restrict the fulfillment of this Agreement, the Other Purchase Agreement or the compliance by it with its obligations hereunder or thereunder.

3.3 Brokers. None of CIGNA, CIGNA International, INA or any Purchaser is a party to, nor in any way obligated under, nor has any knowledge of, any contract or outstanding claim for the payment of any broker's or finder's fee in connection with the origin, negotiation, execution or performance of this Agreement or the Other Purchase Agreement.

3.4 Premerger Notification. CIGNA has in connection with the acquisition by the Purchaser of the Stock duly filed with the Department of Justice and the Federal Trade Commission a Notification and Report Form complying with the requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and the regulations thereunder. As of the execution and delivery of this Agreement CIGNA has not received any requests of the kind referred to in Section 5.2.

SECTION 4. Covenants of AFIA, Finance and the Sellers.

4.1 Covenants of AFIA and Finance. AFIA and Finance jointly and severally covenant and agree with CIGNA International and the Purchasers that between the date hereof and the Closing (except as otherwise consented to or approved by CIGNA International in writing):

(a) Conduct of Business. AFIA, Finance, all companies as to which AFIA and Finance together own directly or indirectly at least a majority of the outstanding voting stock or otherwise have actual control, and all Seller Branches (collectively the "AFIA Group"; each such entity in the AFIA Group, including Seller Branches, is herein called an "AFIA Entity") will conduct the business of the AFIA Group in the ordinary course thereof. The AFIA Group will not take any action which will adversely affect the truth or completeness of any representation or warranty of the Sellers contained in this Agreement or any of the statements contained in Section 6.5 hereof. The AFIA Group will use its best efforts to preserve intact the business organization and operations of the AFIA Group and the good will of and the relationship of the AFIA Group with its employees, brokers, agents, customers, suppliers, policyholders and others with whom the AFIA Group has business relationships. Management of the AFIA Group will consult with CIGNA International on an

ongoing, regular basis with respect to the conduct of the business and operations of the AFIA Group. The AFIA Group will (i) not, without prior consultation with CIGNA International (A) enter into any insurance contract or commitment, or any renewal of any insurance contract or commitment, with a duration longer than twelve months, involving any treaty or involving gross written premium in an amount in excess of \$750,000, (B) enter into any other contract or commitment, or any renewal of any other contract or commitment, with a duration longer than twelve months or involving an amount in excess of \$500,000, or (C) acquire or dispose of, or commit to acquire or dispose of, any securities other than portfolio securities and (ii) not enter into any other material contract or commitment or take any other material action in either case not in the ordinary course of business without the prior written approval of CIGNA International, which approval shall not be unreasonably withheld (it being understood that any contract or commitment with respect to the purchase, sale or leasing of real estate and any employment or employee benefit contract previously approved or contained in current operation plans of AFIA and heretofore in each case disclosed in reasonable detail to the Sellers generally shall be considered to be in the ordinary course of business for this purpose).

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(b) Charter Documents and By-Laws. No AFIA Entity will amend its charter documents or by-laws (except as required to effect the transactions contemplated hereby, in each case as approved by CIGNA International, or as otherwise required by law), enter into any agreement of merger, consolidation or reorganization, dissolve or enter into any plan of liquidation or dissolution.

(c) Ownership Interests. Except as may be legally required to maintain any AFIA Entity in good standing, no change will be made in the capitalization or the issued and outstanding stock or other ownership interests of any AFIA Entity, nor will any option be granted or any commitment or agreement made by any AFIA Entity relating to its stock or other ownership interests.

(d) Distributions. No dividend, repurchase or other distribution or payment will be made or declared in respect of the Units or the Stock.

(e) Inspection of Books, Records and Properties. CIGNA International and its agents and representatives (including auditors selected by CIGNA International) will be afforded such access as is reasonably requested by them from time to time to the books, records, properties, employees, and independent accountants of the AFIA Group, and the AFIA Group, its officers, appropriate personnel and independent accountants will comply with the reasonable

requests of CIGNA International and its agents and representatives, in each case in connection with CIGNA International's examination and review of the AFIA Group's financial statements and its business, properties, prospects and financial condition referred to in Section 5.1.

(f) Premier Notification. Finance and its officers, employees and agents will respond to any requests made by regulatory agencies for additional information, under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 or the regulations thereunder, as promptly as practicable after such requests are made.

(g) Compensation. Except (i) as heretofore approved by AFIA's Board of Trustees, (ii) in accordance with prior practice of the AFIA Group as disclosed generally to the Sellers prior to the execution and delivery of this Agreement or (iii) as specifically approved by CIGNA International, no increase shall be made in the compensation payable or to become payable by the AFIA Group to any officer or director, no change shall be made in the method of or formula for compensation of any agent, and (except as required by any contract or commitment to which any AFIA Entity is a party that is in effect on the date hereof) no general wage or salary increase shall be granted to the employees of any AFIA Entity; no bonus, stock

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option, profit-sharing, pension, retirement or other similar payment, plan or arrangement with respect to the performance of personal services shall be entered into, amended or terminated by any AFIA Entity.

(h) Fulfillment of Conditions. The AFIA Group shall use its best efforts to ensure that the statements set forth in Section 6.5 hereof will be true and complete, and the other conditions set forth in Section 6 hereof will be performed, satisfied and complied with, as of the Closing.

4.2 Certain Covenants and Directions of the Sellers.

(a) Action as Member and Stockholder; No Other Negotiations. Each Seller severally covenants and agrees with CIGNA International and the Purchasers that between the date hereof and the Closing (i) it will take such action as a member company of AFIA or as a stockholder of Finance, and will cause any trustee of AFIA or director of Finance designated by it to take such action as trustee or director, as may be reasonably requested by CIGNA International in order to facilitate the transactions contemplated hereby, and (ii) neither it nor anyone acting on its behalf will enter into or conduct discussions with any other prospective purchaser of any of the AFIA Interests.

(b) Direction to the AFIA Group. The Sellers, as member companies of AFIA and stockholders of Finance,

hereby (to the extent they, together with the Other Sellers, have the authority to do so) direct and request the AFIA Group to comply with the provisions of Section 4.1.

SECTION 5. Certain Covenants of CIGNA and CIGNA International.

5.1 Covenants of CIGNA International. CIGNA International covenants and agrees with the Sellers that:

(a) Examination of the AFIA Group. Representatives of CIGNA International, at the sole expense of CIGNA International, have commenced and will continue to conduct an examination and review of the books, records, business and properties of the AFIA Group to the ends that (a) such representatives are able to provide advice to CIGNA International satisfactory in scope and substance to CIGNA International with respect to the AFIA Group's financial statements and (b) CIGNA International is able to satisfy itself as to the business, properties, prospects and financial condition of the AFIA Group and as to the statements in Section 6.5 being true. CIGNA International shall use its best efforts to complete such examination and review as expeditiously as possible. CIGNA International will, on a date (the "Examination Results Date") not later than January 18, 1984, deliver a written notice signed by CIGNA International to each of the Total Sellers to the effect it has completed its intended examination and review

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pursuant to this Section 5.1 and has (if such be the case) discovered any facts that it intends to assert as a basis pursuant to Section 6.5 for its not closing at the Closing. Failure to deliver such notice shall be deemed a waiver of CIGNA's, CIGNA International's, INA's and the Purchaser's right to raise any matter discovered or discoverable by due diligence by such examination and review as a reason for not closing. Neither CIGNA nor CIGNA International shall have any right or remedy hereunder with respect to any matter discovered in any examination conducted pursuant to this Section 5.1(a) beyond refusing to close, unless there has been a breach of the representations and warranties of any of the Sellers hereunder. CIGNA International will, and will cause its agents and representatives to, treat as confidential prior to the Closing (or, if the Closing does not occur, indefinitely thereafter) all information concerning the AFIA Group and its business, properties, prospects and financial condition obtained in connection with such examination and review except (i) to the extent that any of such information becomes publicly available otherwise than as a result of a breach of this provision, (ii) as otherwise required by law; (iii) for information that becomes generally known to the Sellers; and (iv) for disclosure, if the Closing does not occur, to purchasers or prospective purchasers of Aetna's interests in the AFIA

Group (subject to prior compliance with the applicable provisions of the AFIA Constitution).

(b) Cooperation with AFIA and Finance. Between the date hereof and the Closing CIGNA International will consult and cooperate with AFIA and Finance with a view to assisting AFIA and Finance in the performance of their covenants and agreements contained in Section 4.1.

5.2 Premerger Notification. CIGNA covenants and agrees with the Sellers that CIGNA and its officers, employees and agents will respond to any requests made by regulatory agencies for additional information, under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 or the regulations thereunder, as promptly as practicable after such requests are made.

5.3 Progress as to Conditions. CIGNA covenants and agrees with the Sellers to keep the Sellers generally informed as to progress in the fulfillment of the conditions referred to in Section 6.

SECTION 6. Conditions to CIGNA's Obligations.

The obligation of CIGNA under this Agreement to cause the Purchasers to purchase and to pay for the AFIA Interests and to cause the Purchasers and INA to assume the AFIA Obligations pursuant to Section 1 are subject to the fulfillment of the following conditions:

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representations and warranties of the Sellers set forth in Section 2 shall be true on the Closing Date as if made on and as of such date.

6.2 Performance.

The Sellers, AFIA and Finance shall in all material respects have fulfilled the obligations and complied with the covenants required to be fulfilled or complied with hereunder by them, respectively, on or prior to the Closing Date.

6.3 Officer's Certificate.

Each of the Sellers shall have delivered to CIGNA International a certificate of such Seller, executed on its behalf by its Chairman, President, Chief Financial Officer or any of its Vice Presidents thereunto duly authorized, dated the Closing Date, certifying as to the fulfillment of the conditions contained in Sections 6.1 and 6.2 with respect to such Seller. AFIA and Finance shall have delivered to CIGNA International a certificate of the President, the Chief Financial Officer or a Vice President of AFIA and Finance, dated the Closing Date, certifying as to the fulfillment of the condition contained in Section 6.2 with respect to AFIA and Finance.

~~6.4 AFIA Audited Financial Statements.~~

The

~~consolidated financial statements of AFIA and its consolidated subsidiaries as of and for the fiscal year ended June 30, 1983 (the "AFIA 1983 Audited Financial Statements"), certified~~

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without qualification (except that, with respect to the income statement included in such financial statements, such certification may be qualified to the effect that certain items included therein ought to or more properly might have been included in the income statement for a prior year) by Coopers & Lybrand, which financial statements shall separately set forth the amounts of the reserves for unpaid losses and loss adjustment expenses of AFIA and its consolidated subsidiaries, shall have been received by CIGNA International not later than January 10, 1984.

6.5 Business, Properties, Prospects and Financial Condition of the AFIA Group. Each of the following statements that contains a reference to materiality or substantiality shall be true on the Examination Results Date, and each of the following statements (with any of the following statements that contains a reference to materiality or substantiality being read as if such reference were not contained therein) shall, except for inaccuracies which in the aggregate as to all such statements are not material to the AFIA Group taken as a whole, be true on the Examination Results Date:

(a) Organization, Qualification, Licensing, Ownership, Business Conducted. AFIA is a common law unincorporated association. Each other AFIA Entity (other than Seller Branches) (each AFIA Entity, other than Seller Branches, is herein called an "AFIA Company") is a company

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duly organized, validly existing and in good standing under the laws of its jurisdiction of organization. Each AFIA Entity has the power and authority to own its properties and to carry on the business presently being conducted by it, and is duly qualified and licensed to transact business in, and is in good standing in, each jurisdiction where the conduct of its business or the nature of its property requires qualification or licensing. Exhibit D sets forth as to each of the AFIA Companies the name of the jurisdiction in which it is organized, the name of each jurisdiction in which it is duly qualified or licensed to do business, and the percentage of its stock or other ownership interests owned by each other AFIA Company (all of which is owned free of any liens or encumbrances) and each other person that owns 5% or more of its stock interests. All of the corporations or other entities ("AFIA Affiliates") in which any AFIA Company owns directly or indirectly at least 5% of the stock or other ownership interests, but which are not AFIA Companies, and their jurisdictions of organization are listed on Exhibit D. Exhibit D contains a brief description of the business conducted by each AFIA Company and each AFIA Affiliate. There are no warrants, rights, options or other agreements or commitments with respect to the stock or other ownership

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thereto) been prepared in accordance with generally accepted accounting principles applied on a consistent basis, and except, in the case of the AFIA 1982 Audited Financial Statements, to the extent otherwise stated in the opinion of Coopers and Lybrand with respect thereto) present fairly the financial condition and the results of operations of AFIA and its consolidated subsidiaries as of and for the respective dates and periods indicated therein. The AFIA 1983 Audited Financial Statements are substantially consistent with the preliminary consolidated financial statements of AFIA and its consolidated subsidiaries prepared by the management of AFIA and made available to the Sellers on or about December 8, 1983 (the

"AFIA 1983 Preliminary Financial Statements"). A copy of the AFIA 1983 Preliminary Financial Statements is annexed as Exhibit E hereto. The consolidated financial statements of Finance and its consolidated subsidiaries as of and for the year ended December 31, 1982 (the "Finance 1982 Financial Statements"; the AFIA 1982 Audited Financial Statements, the AFIA 1983 Preliminary Financial Statements and the Finance 1982 Financial Statements are herein collectively called the "Delivered Financial Statements"), prepared by management of Finance, have been prepared in accordance with generally accepted accounting principles and present fairly the financial condition and the results

of operations of Finance and its consolidated subsidiaries as of and for the year ended December 31, 1982. There has been no material adverse change in the business, properties, prospects or financial condition of AFIA and its consolidated subsidiaries taken as a whole since June 30, 1982 (except as reflected in the AFIA 1983 Preliminary Financial Statements) that is material to the AFIA Group, taken as a whole. There has been no material adverse change in the business, properties, prospects or financial condition of Finance and its consolidated subsidiaries since December 31, 1982 that is material to the AFIA Group, taken as a whole. It is understood that for purposes of this Section 6.5(b), London Losses (as defined in Section 6.5(h)) will be considered material if, but only if, they are in excess of \$385 million.

(c) Title to and Condition of Assets. So far as is material to the AFIA Group as a whole, (i) the AFIA Companies own or have adequate rights (which rights will continue after the Closing) to use all of the rights, interests, properties and assets, tangible or intangible, real, personal or mixed, used or needed by the AFIA Group in the conduct of their business ("Properties"), free and clear of liens and encumbrances except for liens or encumbrances disclosed in the Delivered Financial

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Statements or that do not in the aggregate materially detract from the value or usability of such Properties, (ii) all Properties and their use comply with applicable laws and regulations and (iii) the tangible Properties are in good operating condition and repair.

(d) Taxes. Except for matters previously disclosed to the Sellers generally and to the extent such matters will not result in an aggregate liability to the AFIA Group in excess of \$100,000, the AFIA Group (i) has timely filed all required tax returns, (ii) has timely paid, or (in case of taxes being contested in good faith by appropriate proceedings) has made adequate provision on their books (which provisions are included in the Delivered Financial

Statements referred to in Section 6.5(b)) for the payment of, all material taxes (including interest and penalties in respect thereof) which are due and payable, or that are claimed by any taxing authority or official to be due and payable, and (iii) have, to the extent required by generally accepted accounting principles or applicable law, fully accrued on their books and have made estimated payments where required against all taxes which have not yet become due and payable. There are no pending material tax claims, deficiencies, proposed deficiencies or assessments relating to any entity in the AFIA Group as to which adequate provisions on the books of the AFIA Group,

which provisions are included in the Delivered Financial Statements referred to in Section 6.5(h), have not been made. For United States Federal income tax purposes, AFIA is treated, under a Closing Agreement with the Internal Revenue Service applicable to all taxable years after 1963, as a partnership.

(e) Absence of Undisclosed Liabilities. Except as reflected or reserved against in the AFIA 1983 Preliminary Financial Statements or the Finance 1982 Financial Statements and except for liabilities and obligations incurred in the ordinary course of business since June 30, 1983 and December 31, 1982, respectively, and except for liabilities for London Losses (as hereinafter defined), the AFIA Companies have no liabilities of any nature, whether accrued, absolute, contingent or otherwise, in the aggregate material to the business, property, prospects or financial condition of the AFIA Group, taken as a whole, nor is there any reasonable basis for the assertion of any such liability.

(f) Insurance. The AFIA Companies maintain insurance with respect to their business, properties and operations in amounts, with insurers and covering risks in accordance with prudent business practice.

(g) Contracts. Each contract (other than contracts out of which arise the nonrecoverable reinsurance and

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Delivered Financial Statements have not been prepared for purposes of the Internal Revenue Code after 1983. Except for the 1983 Preliminary Financial Statements and obligations incurred since June 1, 1982, and except in the case of the defined, structure, whether or not, in the aspects of the as a whole, the operation of the insurance business in accordance with the contract insurance business.

uncollectible premiums related to the London Book, as defined in Section 6.5(h)) to which any AFIA Entity is a party that is material to the business of the AFIA Group, taken as a whole, is valid and binding and in full force and effect and there are no defaults thereunder. No AFIA Entity is a party to any contract (other than contracts out of which arise the London Losses, as defined in Section 6.5(h)) or any judgment, order or decree of any court or governmental agency, the performance of or compliance with which will (together with any other contracts, judgments, orders or decrees involving substantially similar matters) materially adversely affect the business, properties, prospects or financial condition of the AFIA Group, taken as a whole.

(h) Insurance Business. All reinsurance contracts and arrangements (other than reinsurance contracts and arrangements out of which arise the nonrecoverable reinsurance and uncollectible premiums related to the London Book, as hereinafter defined) material to the business of the AFIA Group, taken as a whole, are in full force and effect, there are no defaults by the AFIA Group thereunder and there are no defaults thereunder by the other party or parties thereto not reflected in the Delivered Financial Statements. The AFIA Group has complied in all material respects with all regulatory requirements with respect to its business.

The insurance reserves maintained by the AFIA Group (other than those with respect to the London Losses, as herein-after defined, and the related nonrecoverable reinsurance and uncollectible premiums) have been computed in accordance with commonly accepted insurance standards consistently applied, are in adequate amounts and are fairly stated in accordance with sound principles of insurance accounting. Except for London Losses (as hereinafter defined) and the related nonrecoverable reinsurance and uncollectible premiums, there is no reasonable expectation of any material losses in respect of any insurance or reinsurance written by the AFIA Group not covered by reserves reflected in the Delivered Financial Statements or collectible reinsurance that will continue in effect through and will not be terminated as of the Closing. There has not been subsequent to June 30, 1983 (in the case of AFIA and its consolidated subsidiaries) or December 31, 1982 (in the case of Finance and its consolidated subsidiaries), and there is no reasonable expectation that there will be, subsequent to the Closing, any material decline in quantity or quality of the insurance business (other than that in respect of the London Book) of the AFIA Group, or any material deterioration in the numbers or quality of personnel engaged in the conduct of the AFIA Group's insurance

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business. Except for reserves in respect of the London Book or due to any increase in written business, reserves have not materially increased over those set forth in the AFIA 1983 Preliminary Financial Statement or in the Finance 1982 Financial Statements. As of June 30, 1983, calculated on the basis of generally accepted accounting principles, (i) the reserves for unpaid losses and loss adjustment expenses of AFIA and those of its subsidiaries consolidated in the financial statements referred to in Section 6.5(b) were \$402,806,000 (which includes a general contingency reserve of \$10,000,000), and (ii) the reserves or provisions that would be required for nonrecoverable reinsurance and uncollectible premiums in respect of the London Book if none of the liabilities or losses in respect thereof had been reinsured by BAFCO and without giving effect to any assumption by INA and the Purchasers hereunder would not have exceeded \$46 million (or a larger amount to the extent such general contingency reserve would be available). Such reserves are in adequate amounts.

Exhibit A correctly sets forth a list of all insurance licenses of any AFIA Company or AFIA Affiliate ("AFIA Company Licenses") and of all AFIA Licenses. All of the AFIA Company Licenses and AFIA Licenses are in full force and effect and in good standing. None of such licenses is in danger of termination or revocation.

There is no reasonable expectation that unpaid losses and allocated loss adjustment expenses with regard to the London branch reinsurance book of the AFI Group and the liabilities thereof assumed by BAFCO, excluding nonrecoverable reinsurance and uncollected premiums, (the "London Book") (such losses and expenses and such liabilities, excluding such nonrecoverable reinsurance and uncollected premiums, are herein called "London Losses") will be in excess of \$385 million.

(i) Litigation. Except as heretofore disclosed to AFIA's Board of Trustees or as described in Exhibit I hereto, there is no pending or threatened litigation, arbitration or proceeding by, against or relating to any AFIA Entity or against or involving any property or right of any AFIA Entity which (i) relates to this Agreement or the transactions contemplated hereby, (ii) if adversely determined would have a material adverse effect on the business, properties, prospects or financial condition of the AFIA Group, taken as a whole, or (iii) in any instance (together with any other litigation, arbitration or proceeding which involves substantially similar claims) involves, other than actions on or involving claims with respect to insurance policies or reinsurance agreements and actions on or involving claims made by members of the insurance and reinsurance distribution system with respect to policies, contracts or binders of insurance or reinsurance and actions or claims deriving from, or by

reason of, the acceptance, execution or delivery of, or the failure to accept, execute or deliver, such policies, contracts or binders ("Insurance Suits"), a maximum reasonably anticipated potential loss exposure in excess of \$100,000. Insurance Suits are not substantially greater in number or maximum reasonably anticipated potential loss exposure involved than would be expected in the industry for an insurance operation of the size and nature of the AFIA Group. There is no government proceeding or investigation pending or threatened against or involving any AFIA Entity material to the AFIA Group taken as a whole. The AFIA Group has set aside adequate reserves, as reflected in the Delivered Financial Statements, on its books in respect of all such litigation, arbitrations, and proceedings.

(j) Government Approvals; No Default Effected. No authorizations, approvals, consents or licenses of or by governmental authorities in any jurisdiction ("Government Approvals") applicable to the AFIA Group are required in connection with the execution and delivery of this Agreement or (except for Government Approvals (i) reasonably expected to have been duly obtained on or prior to, and to be in full force and effect on, the Closing Date, (ii) with respect to the transfer of Branch Assets and transfer or reissuance of AFIA Licenses contemplated by

Section 10 not practicable to obtain prior to the Closing or (iii) which, and the failure to obtain which, are in the aggregate not material to the business as presently conducted, properties or financial condition of the AFIA Group) the consummation of the transactions contemplated by this Agreement. None of such execution, delivery or consummation will violate or result in a breach of or a default (or in an occurrence which with the lapse of time or action by a third party could result in a default) with respect to or the creation of a lien under any of the terms, conditions or provisions of any applicable judgment, order, writ or decree of any court or of any governmental department, commission, board, bureau, agency or instrumentality applicable to the AFIA Group or of the charter documents or by-laws of any AFIA Company or of any contract or agreement to which any AFIA Entity is a party or is subject or by which it or any of its properties or assets are bound, or of any law, rule or regulation applicable to any AFIA Entity, or permit termination of any material contract to which any AFIA Entity is a party.

(k) Labor Relations. The AFIA Group's labor relations are, and are expected to continue to be, generally satisfactory.

(l) Employee Benefit Plans. For purposes of this Section 6.5(1) the term "Benefit Plans" means each employee

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benefit plan within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974 ("ERISA") and each other compensation, employment or collective bargaining agreement or employee benefit plan, practice, or arrangement of any kind (including stock option, stock purchase, pension, retirement, health insurance, hospitalization, medical reimbursement, life insurance, disability insurance, bonus, incentive, deferred compensation, severance, profit sharing, stock option, unemployment, vacation, apprenticeship or other training, day care, scholarship, legal services or layoff) which any AFIA Entity maintains for, or under which are covered, any of its employees or former employees.

The AFIA Group and all other persons having fiduciary or other responsibilities or duties with respect to any of the Benefit Plans are and have since inception been in compliance in all material respects with and each Benefit Plan is and has been operated in accordance with its provisions and in compliance with the applicable laws, rules and regulations governing such plan, including, without limitation, the rules and regulations promulgated by the Department of Labor.

No civil or criminal action brought pursuant to Part V of Title I of ERISA or under any state law and no claims (other than routine claims for benefits in the ordinary

course) are pending or threatened against any AFIA Entity or any fiduciary of any such plan.

(m) Compliance with Laws. The AFIA Group has not violated any statute, rule, regulation, order or decree of any governmental body (including without limitation any insurance department, commission, board, bureau or agency) the violation of which will materially and adversely affect the business, properties, prospects or financial condition of the AFIA Group.

(n) No Material Adverse Facts. This Agreement, the Exhibits hereto, and all documents furnished pursuant hereto contain no untrue statement of a material fact nor omit to state any material fact necessary to make the statements herein or therein not misleading. There is no fact relating to the AFIA Group not (i) described in this Agreement or (ii) disclosed generally to or generally known by the Sellers prior to the execution and delivery of this Agreement which materially adversely affects or will materially adversely affect the business, properties, prospects or financial condition of the AFIA Group, taken as a whole, other than facts relating to the property and casualty insurance industry generally.

6.6 No Material Adverse Change as of the Closing. As of the Closing Date there shall not since the Examination Results Date have been any material adverse change in the

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business, properties, prospects or financial condition of the APIA Group, taken as a whole.

~~6.7 Report of Coopers & Lybrand. CIGNA International shall have received not later than January 10, 1984, a report of Coopers & Lybrand complying with the requirements of Exhibit J hereto.~~

~~6.8 Hart-Scott-Rodino. The requisite waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 shall have expired.~~

~~6.9 Opinions of Counsel. CIGNA International and the Purchasers shall have received opinions of counsel for (a) each of the Sellers and (b) APIA and Finance, dated the Closing Date, in substantially the forms of Exhibits F and G hereto, respectively, and to such further effect as CIGNA International may reasonably request.~~

~~6.10 No Adverse Proceeding. As of Closing Date, there shall not have been instituted or be pending or threatened any suit, action or other proceeding by any person in which it is sought to restrain or prohibit the transactions contemplated by this Agreement and in which, in the reasonable opinion of counsel for CIGNA International, there is a danger of such relief being granted.~~

~~6.11 Legal Matters. All legal matters incident to the consummation of the transactions contemplated hereby shall be reasonably satisfactory to counsel for CIGNA International.~~

6.12 No Violations of Law. CIGNA International shall have been satisfied by January 18, 1984 by means of advice from its counsel, consultations with appropriate government officials, or both, that (except for any required waiting period) the transaction does not violate applicable law, including antitrust law. The transaction shall as of the Closing Date not violate applicable law, including antitrust law.

6.13 Reinsurance of London Book. The reinsurance agreement referred to in Section 9 shall have been arranged for, shall be in form and substance reasonably satisfactory to CIGNA International and shall be in full force and effect on the Closing Date.

6.14 Resignations of Trustees and Directors. There shall have been furnished to CIGNA International resignations, effective as of or prior to the Closing and reasonably satisfactory to CIGNA International, of and signed by all trustees of AFIA and all directors of Finance.

6.15 Transfer Documents Sufficient. The Transfer Documents shall on the Closing Date be effective to vest in the respective Purchasers good title to, or the economic benefit of, the AFIA Interests (except, in the case of the AFIA Licenses and the Branch Assets, as otherwise provided in Section 10).

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6.16 Closing Under Other Purchase Agreement. The Closing, as defined in the Other Purchase Agreement, shall occur on the Closing Date.

6.17 Government Approvals. No Government Approvals shall have been or shall be required in connection with the execution and delivery of this Agreement or (except for Government Approvals (i) duly obtained on or prior to, and in full force and effect on, the Closing Date, (ii) with respect to the transfer of Branch Assets and transfer or reissuance of AFIA Licenses contemplated by Section 10 not practicable to obtain prior to the Closing or (iii) which, and the failure to obtain which, are in the aggregate not material to the business as presently conducted, properties or financial condition of

the AFIA Group) the consummation of the transactions contemplated by this Agreement.

SECTION 7. Conditions to the Seller's Obligations.

The obligation of the Sellers under this Agreement to sell the AFIA Interests are subject to the fulfillment of the following conditions:

7.1 Representations and Warranties. The representations and warranties of CIGNA International set forth in Section 3 shall be true on the Closing Date as if made on and as of such date.

7.2 Performance. CIGNA and CIGNA International shall have fulfilled the obligations and complied with the

covenants required to be fulfilled or complied with by them, respectively, on or prior to the Closing Date.

7.3 Officer's Certificates. CIGNA International shall have delivered to the Sellers a certificate, executed on its behalf by its Chairman, President, Chief Financial Officer or any of its Vice Presidents thereunto duly authorized, dated the Closing Date, certifying as to the fulfillment of the conditions contained in Sections 7.1 and 7.2.

7.4 Opinion of Counsel. Each Seller shall have received an opinion of counsel for CIGNA, CIGNA International, the Purchasers and INA, dated the Closing Date, in substantially the form of Exhibit B hereto and to such further effect as the Sellers may reasonably request.

7.5 Hart-Scott-Rodino. The requisite waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 shall have expired.

7.6 Legal Matters. All legal matters incident to the consummation of the transactions contemplated hereby shall be reasonably satisfactory to counsel for the Sellers.

7.7 Closing Under Other Purchase Agreement. The Closing, as defined in the Other Purchase Agreement, shall occur on the Closing Date.

7.8 Government Approvals. No Government Approvals shall have been or shall be required in connection with the execution and delivery of this Agreement or (except for

Government Approvals (i) duly obtained on or prior to, and to be in full force and effect on, the Closing Date, (ii) with respect to the transfer of Branch Assets and transfer or reissuance of AFIA Licenses contemplated by Section 10 not practicable to obtain prior to the Closing or (iii) which, and the failure to obtain which, are in the aggregate not material to the business as presently conducted, properties or financial condition of the AFIA Group) the consummation of the transactions contemplated by this Agreement.

SECTION 8. Release of Sellers from AFIA Accountability.

Effective as of the Closing on the Closing Date, each of the Sellers will be, and each of AFIA, CIGNA, CIGNA International and INA agrees that such Seller will be, released from its pro rata share of the accountability of the Sellers as shown on the 1983 Audited AFIA Financial Statements and any changes in such accountability between June 30, 1983 and the Closing Date.

SECTION 9. Reinsurance of London Book; Indemnification.

The obligations of CIGNA and CIGNA International to cause the Purchasers to purchase and pay for the AFIA Interests as provided herein, and to cause the Purchasers and INA to assume the AFIA Obligations, are subject to the condition that the Purchasers or CIGNA International shall have arranged, at their expense, a reinsurance agreement with regard to the London Losses in excess of \$235 million (on an undiscounted

basis) up to a maximum paid development of London Losses of \$335 million. CIGNA International will use its best efforts to arrange for such reinsurance agreement (such reinsurance as so arranged to be subject to the Closing occurring) prior to December 31, 1983. From and after the Closing, the Sellers, in the proportion their respective Units bear to all Units, hereby agree to indemnify and to protect the AFIA Group, INA and the Purchasers against London Losses in excess of \$335 million up to a maximum paid development of London Losses of \$385 million, the maximum aggregate liability of the Sellers pursuant to this indemnity to be \$50 million. CIGNA International will maintain its accounts with respect to the London Losses in U.S. Dollars, converting losses paid in other currencies into U.S. Dollars on a quarterly or more frequent basis. CIGNA International will furnish to the Sellers from time to time reports as to the amounts of London Losses paid.

SECTION 10. AFIA Licenses and Branch Assets and Obligations.

(a) Each Seller will severally both before and after the Closing use its best efforts, as requested by CIGNA International, to cause each of the AFIA Licenses (other than the licenses in Japan and West Germany of Home (the "Home Licenses")) and the related Branch Assets of such Seller to be transferred or reissued to the Purchaser or Purchasers designated by CIGNA International (the "CIGNA Transferee"). CIGNA International will use its best efforts to effect such

transfer or reissuance as soon as practicable after the Closing. In connection with any such transfer or reissuance of an AFIA License that prior to the Closing was in the name of any Seller, CIGNA International will, to the extent that in connection with such transfer or reissuance such AFIA License in the name of such Seller does not automatically cease to exist in the name of such Seller, cause such AFIA License in the name of such Seller to be cancelled as promptly as practicable after such transfer or reissuance and the taking over of the AFIA book of business by the CIGNA Transferee. CIGNA International will cause the respective Purchasers to use their best efforts to convert the existing AFIA book of business written for AFIA in the name of one or more of the Sellers as the business is written or renewed using the AFIA Licenses transferred or reissued to the AFIA Group or other affiliates of CIGNA or new licenses obtained for purposes of taking over the AFIA book of business so as to minimize to the extent practicable the period during which the arrangements described in Section 10(b) continue. The Purchasers, in causing the transfer or reissuance of any of the AFIA Licenses may not transfer the right to use the name of the Seller in whose name that license stands at the Closing. With respect to the Home Licenses, CIGNA International will cause the respective Purchasers to use their best efforts to make such Licenses available for the exclusive use of the entity or

entities holding such Licenses at the time of the Closing as soon as practicable (giving effect to the takeover of the AFIA book of business and the transfer to a Purchaser or Purchasers of the Branch Assets related to the Home Licenses, as contemplated hereby) after the Closing, but in no event later than five years after the Closing Date.

(b) For a period not exceeding five years after the Closing Date, the Sellers will (i) allow the AFIA Companies, or such subsidiary or subsidiaries of CIGNA as CIGNA International shall designate, to use the AFIA Licenses (including the Home Licenses, subject to the provisions of Section 10(a)) (to the extent not so transferred or reissued and, after such transfer or reissuance, as necessary in connection with the CIGNA

Transferree's taking over the AFIA book of business; following which any such Seller may obtain a new license in its own name) and the Branch Assets and Obligations (until transferred to the entity or entities designated by CIGNA International) to the exclusion of the Sellers; (ii) (at CIGNA International's request and expense) take all necessary action within their power so requested to keep such AFIA Licenses in full force and effect and in good standing; and (iii) reinsure automatically with the insurance company or companies (which insurance company or companies shall be a subsidiary or subsidiaries of CIGNA and shall be reasonably acceptable to the respective Sellers) designated by CIGNA International all business written

after the Closing so using the AFIA Licenses, all for no compensation (except for CIGNA International's paying expenses pursuant to clause (ii) of this Section 10(b)).

(c) CIGNA International will take all necessary action (other than that to be taken by Sellers pursuant to this Section 10) to keep those AFIA Licenses as to which there is a right to use pursuant to Section 10(b) in full force and effect and in good standing during the period such right exists. CIGNA International will consult with the Sellers, as reasonably requested by them, as to the nature of CIGNA International's compliance with the preceding sentence. CIGNA International will defend, indemnify and hold harmless Sellers against all claims or losses any of Sellers may suffer or incur

on account of the arrangements described in Section 10(b).

(d) Nothing in this Section 10 shall prevent any Seller from conducting business in its own name in any jurisdiction or from competing with the AFIA Group or CIGNA and its subsidiaries in any jurisdiction so long as this does not involve using a license which is at the time subject to a right to use under Section 10(b) (or, with respect to the Home Licenses, Sections 10(a) and 10(b)). The covenant not to compete contained in paragraph (f) of Article XVII of the Constitution of AFIA shall not be applicable to any of the Sellers after the Closing. Notwithstanding the foregoing (except for incidental foreign coverage ancillary to a United

States-issued policy), each of the Sellers agrees that, for a period of in any event not more than five years after the Closing Date, such Seller will not (and will not permit any of its agents to) as to any policy or insurance program in effect at the Closing written on behalf of AFIA in such Seller's name solicit in such name the insured or insureds under such policy or program or the agents thereon until, as to such policy or insurance program, (x) there has been at least one renewal thereof in the name of the appropriate CIGNA Transferee, (y) the appropriate CIGNA Transferee has determined to cancel or not to renew such policy or insurance program upon its expiration or (z) after the insured under such policy or insurance program has determined to cancel or not to renew such policy or insurance program with a CIGNA Transferee and has notified the appropriate CIGNA Transferee to that effect, whichever of (x), (y) or (z) shall first occur. For purposes of clause (x) of the preceding sentence, with respect to continuous policies the renewal referred to therein will be deemed to occur on the later of (i) the first anniversary of the date on which the policy is transferred to the appropriate CIGNA Transferee or (ii) the first policy anniversary date after the date on which the policy is transferred to the appropriate CIGNA Transferee.

SECTION 11. Sellers' Use of CIGNA's International Facilities.

CIGNA International will for a period of ten years after the Closing (and for such additional period or periods as

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shall be agreed upon between the respective Sellers and CIGNA International, such agreement not to be unreasonably withheld by CIGNA International) make available to the Sellers (if requested by the Sellers), at market rates and terms reasonably agreed from time to time between the respective Sellers and CIGNA International, the international insurance writing and servicing facilities of subsidiaries of CIGNA for the Sellers' use in connection with their insuring international risks for the respective Sellers' domestic United States customers.

SECTION 12. CIGNA Guaranty.

CIGNA hereby irrevocably and unconditionally guarantees to the Sellers subject to the terms and conditions hereof (i) the prompt and complete performance by CIGNA International of all covenants and agreements to be performed by CIGNA International under or pursuant to this Agreement and (ii) the prompt and complete performance by INA of all the covenants and agreements to be performed by INA under or pursuant to this Agreement or the Assumption Agreements (such obligations of CIGNA International and of INA being referred to herein as the "Obligations"). The foregoing guaranty shall continue in full force and effect until all the Obligations shall have been performed or otherwise discharged or extinguished.

Facilities.

The foregoing obligations of CIGNA under this Section 12 shall not be affected or impaired by reason of any

suretyship defenses or the happening from time to time of any of the following:

(a) the renewal, compromise, extension, acceleration or change in the time for performance of, or change in the terms of the Obligations or any part thereof;

(b) the waiver by a Seller of the performance or observance by CIGNA International or INA or CIGNA of any of the Obligations or any provisions of this Section 12;

(c) the modification or amendment (whether material or otherwise) of the Obligations;

(d) any failure, omission or delay on the part of any Seller to enforce, assert or exercise any rights, power or remedy conferred on or available to it by reason of this Section 12 or the Obligations;

(e) the voluntary or involuntary liquidation, dissolution, sale of all or substantially all of the assets, marshalling of assets and liabilities, receivership, conservatorship, custodianship, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of or other similar proceeding affecting CIGNA International or INA;

(f) the inability of CIGNA International or INA to perform or the release of CIGNA International or INA from the performance or observance of any of the Obligations by any law, regulation or decree, now or hereafter in effect.

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Without altering the liability of CIGNA, each Seller shall take and hold security for the payment of the Obligations of CIGNA under this Section 12, or of the Obligations and shall exchange, enforce, waive and release any such security and shall apply such security and direct the order or manner of sale thereof as CIGNA in its discretion may determine, except as otherwise provided in this Section 12.

In the event of the rejection or disaffirmance of the Obligations by CIGNA International or INA or their trustee under Federal bankruptcy law or any other law affecting creditors' rights, CIGNA will, and does hereby (without the necessity of any further agreement or act and to the extent permitted by applicable law), assume all of the Obligations to the same extent as if there had been no such rejection or disaffirmance, and CIGNA will confirm such assumption in writing, at the request of any Seller, upon or after such rejection or disaffirmance.

Except as provided in this Section 12, CIGNA waives any right to require any Seller to (i) proceed against CIGNA International or INA on the Obligations; (ii) proceed against or exhaust any security given by CIGNA International or INA pursuant to the Obligations or (iii) pursue any other remedy in Seller's power whatsoever. CIGNA waives any defense arising by reason of any disability or other defense of CIGNA International or INA to the Obligations or by reason of the cessation, from any cause whatsoever, of the liability of CIGNA

International or INA under the Obligations. CIGNA waives notice of acceptance of the foregoing guaranty.

SECTION 13. Miscellaneous Provisions.

13.1 Survival of Covenants, Agreements, Representations and Warranties. The representations, warranties and covenants contained herein shall survive the Closing and be effective for a period of three years following the Closing Date except that (a) the representations and warranties contained in Section 2.2 shall survive indefinitely and (b) the covenants and other obligations contained in Sections 1.6, 1.7, 1.8, 1.9, 8, 9, 10, 11, 12 and 13 shall (except as specifically limited therein) survive indefinitely.

13.2 Notices. All notices, consents, requests, instructions, approvals and other communications provided for herein or in the Other Purchase Agreement and all legal process in regard hereto shall be validly given, made or served, if in writing and delivered personally or sent by registered or certified first class mail, return receipt requested, postage prepaid, if to:

CIGNA Corporation:
One Logan Square
Philadelphia, Pennsylvania 19103
Attention: Corporate Secretary

CIGNA International:
120 Wall Street
New York, New York 10005
Attention: President

Insurance Company of North America:
c/o CIGNA Corporation
One Logan Square
Philadelphia, Pennsylvania 19103
Attention: Corporate Secretary

AFIA:
110 William Street
New York, New York 10038
Attention: General Counsel

Finance:
110 William Street
New York, New York 10038
Attention: General Counsel

Hartford:
Hartford Plaza
Hartford, Connecticut 06115
Attention: General Counsel

Home:
59 Maiden Lane
New York, New York 10038
Attention: General Counsel

Aetna:
c/o CIGNA Corporation
One Logan Square
Philadelphia, Pennsylvania 19103
Attention: Corporate Secretary

or to such other address as any party hereto may, from time to time, designate in writing delivered in a like manner. Notice given by mail as set out above shall be deemed delivered at the time and on the date the same is personally delivered or, if mailed, on the fourth day after the date it is postmarked.

13.3 Assignability. No assignment or other transfer of the rights of any party hereto or any part hereof prior to the Closing shall be valid or effective without the prior written consent of the other parties hereto. No such assignment or transfer at any time shall relieve the assigning party from liability hereunder.

13.4 Parties in Interest. Subject to Section 13.3, this Agreement shall be binding on and inure to the benefit of the parties hereto and their respective successors and assigns. Nothing in this Agreement, express or implied, is intended, or shall be construed, to confer upon or give to any person, firm or corporation (other than the parties hereto and their permitted successors and assigns) any rights or remedies under or by reason of this Agreement, or any term, provision, condition, undertaking, warranty, representation, indemnity, covenant or agreement contained herein.

13.5 Public Announcements. Except as required by law, no party to this Agreement shall make any public announcement or public disclosure with respect to the matters contemplated hereby without the consent of the other parties, which consent will not be unreasonably withheld.

13.6 Amendments. The terms, provisions and conditions of this Agreement may not be changed, modified or amended in any manner except by an instrument in writing duly executed by all of the parties hereto.

13.7 Entire Agreement. This Agreement (including the Exhibits hereto) constitutes the entire agreement among the parties hereto with respect to the transactions contemplated herein, supersedes and is in full substitution of any and all prior agreements and understandings among them relating to such transactions, including that certain letter agreement between CIGNA International and the Sellers dated December 19, 1983,

and no party shall be liable or bound to any other party hereto in any manner with respect to such transactions by any warranties, representations, indemnities, covenants or agreements except as specifically set forth herein or in any amendment hereto executed in accordance with Section 13.6 hereof.

13.8 Descriptive Headings. The descriptive headings of the several sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

13.9 Counterparts. For the convenience of the parties, any number of counterparts of this Agreement may be executed ~~by any one or more parties hereto and each such~~ executed counterpart shall be, and shall be deemed to be, an original, but all of which shall constitute, and shall be deemed to constitute, in the aggregate but one and the same instrument.

13.10 Interpretation of Terms. Whenever the context of the Agreement requires, words used in the singular shall be construed to include the plural and vice versa, and pronouns of whatsoever gender shall be deemed to include and designate the masculine, feminine or neuter gender.

13.11 Further Assurances. Without further consideration, at any time and from time to time at or after the execution and delivery of this Agreement or the Closing

CIGNA International and the Sellers agree to execute and deliver all such further documents and instruments and take such other action as may be reasonably requested by the other in order to convey and transfer more effectively the AFIA Interests in accordance with the terms of this Agreement and to effectuate the other transactions contemplated in this Agreement.

13.12 United Kingdom Security Deposit. CIGNA agrees to make or cause to be made when required the security deposit, up to the amount of the Sterling equivalent of \$15,000,000, in cash or qualifying securities in a manner satisfactory to the United Kingdom Department of Trade or other appropriate United Kingdom insurance regulatory authority on behalf of AFIA that is expected to be required to be made in January, 1984 reflecting the amount of the technical reserve deposit requirements of AFIA expected to be required based on the AFIA 1983 Audited Financial Statements or any part thereof applicable to the London branch of AFIA. If the Closing does not occur, the Sellers will promptly replace the CIGNA deposit with the proper amount of qualifying securities corresponding to each such Seller's proportionate ownership of Units in order to enable CIGNA to have returned to it its deposit and earnings thereon.

13.13 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have affixed their hands as of the day and year first above written.

CIGNA CORPORATION

By Wilson H. Taylor

CIGNA INTERNATIONAL CORPORATION

By _____

INSURANCE COMPANY OF NORTH AMERICA

By _____

AFIA

By R. F. Burt

AFIA FINANCE CORPORATION

By R. F. Burt

HARTFORD FIRE INSURANCE COMPANY

By H. K. Gae

THE HOME INSURANCE COMPANY

By Joseph C. Kamanski

AETNA INSURANCE COMPANY

By _____

IN WITNESS WHEREOF, the parties hereto have affixed their
hands as of the day and year first above written.

CIGNA CORPORATION

By _____

CIGNA INTERNATIONAL CORPORATION

By _____

INSURANCE COMPANY OF NORTH AMERICA

By David J. Pentecost

AFIA

By _____

AFIA FINANCE CORPORATION

By _____

HARTFORD FIRE INSURANCE COMPANY

By _____

THE HOME INSURANCE COMPANY

By _____

AETNA INSURANCE COMPANY

By David J. Pentecost

FIRST AMENDMENT
(to Purchase Agreement No. 1)

FIRST AMENDMENT (this "Amendment") dated January 31, 1984, by and among CIGNA CORPORATION, a Delaware corporation ("CIGNA"), CIGNA INTERNATIONAL CORPORATION, a Delaware corporation ("CIGNA International"), INSURANCE COMPANY OF NORTH AMERICA, a Pennsylvania insurance corporation ("INA"), AFIA, an unincorporated association with its executive office located in New York, New York ("AFIA"), AFIA FINANCE CORPORATION, a Delaware corporation ("Finance"), HARTFORD FIRE INSURANCE COMPANY, a Connecticut insurance corporation ("Hartford"), ~~THE HOME INSURANCE~~ COMPANY, a New Hampshire insurance corporation ("Home"), and AETNA INSURANCE COMPANY, a Connecticut insurance corporation ("Aetna"), (Hartford, Home and Aetna being herein collectively called the "Sellers") to Purchase Agreement No. 1 (the "Purchase Agreement"; terms defined in the Purchase Agreement have the same meanings when used herein) dated December 30, 1983 among the parties hereto.

W I T N E S S E T H:

WHEREAS, the parties hereto desire to amend the Purchase Agreement as herein provided; and

WHEREAS, simultaneously herewith the parties to the Other Purchase Agreement are entering into a First Amendment dated the date hereof (the "Other Amendment") amending the Other Purchase Agreement.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements and other good and valuable consideration hereinafter set forth, the parties hereto do hereby agree as follows:

SECTION 1. Amendment of Certain Provisions of the Purchase Agreement.

The Purchase Agreement is hereby amended as follows:

(a) The Examination Results Date, as defined in Section 5.1(a) of the Purchase Agreement, shall be deemed to be January 18, 1984. CIGNA International shall not be required to have delivered the written notice referred to in the third sentence of such Section 5.1(a), but the waiver contemplated by the fourth sentence of such Section 5.1(a) shall be deemed to have occurred.

(b) Sections 6.4, 6.7 and 9 of the Purchase Agreement are deleted.

(c) Section 6.5 of the Purchase Agreement is amended by inserting, in the introductory clause thereof after the phrase "each of the following statements" in the two places where such phrase appears therein, the following:

"(except to the extent they relate to London Losses or Nonrecoverable Reinsurance (as defined in the London Reinsurance Agreement))".

(d) Section 6.13 of the Purchase Agreement is amended to read in its entirety as follows:

"6.13 London Reinsurance Agreement. A Quota Share Reinsurance Treaty Agreement, in the form annexed as Exhibit K hereto (the "London Reinsurance Agreement"), shall have been executed and delivered to INA and shall be in full force and effect on the Closing Date. No additional consideration will be paid to the Total Sellers for the London Reinsurance Agreement."

(e) Exhibit K hereto is added to the Purchase Agreement as Exhibit K thereto.

(f) References in the Purchase Agreement to "this Agreement", "herein", "hereof", "hereunder" and similar expressions shall be deemed to be references to the Purchase Agreement, as amended by this Amendment.

(g) References in the Purchase Agreement to the Other Purchase Agreement shall be deemed references to the Other Purchase Agreement, as amended by the Other Amendment.

SECTION 2. Tax Reports.

CIGNA International will cause to be filed all tax returns or other documents required to be filed relating to

tax liability ("Tax Reports") (other than the federal income tax return for AFIA for the period ending on the Closing Date) for the Seller Branches with respect to business written through use (permitted by Section 10(b) of the Purchase Agreements) of Seller Licenses (whether before or after the Closing Date) commencing as to each Seller Branch with the first Tax Report having a due date after the Closing and ending with the due date of the Tax Report for the last year or equivalent period ending with the date the permitted use of the Seller Licenses in respect of such Seller Branch pursuant to such Section 10(b) ends. If a Total Seller or any person authorized by such Total Seller ~~uses a Seller License after such date and before the due~~ date of such Tax Report, such Total Seller shall be responsible for filing such Tax Report but CIGNA International shall provide or cause to be provided such information as may be required for such Tax Report. The Total Sellers hereby authorize CIGNA International to cause such Tax Reports to be filed in the name of the respective Total Sellers.

SECTION 3. Associate Membership in AFIA.

The Total Sellers will cause each of INA and Aetna Reinsurance Company, a Delaware corporation, on the date hereof to be elected as associate members of AFIA (with no

right or obligation as associate members to participate in reinsurance pursuant to Article XI of the Constitution of AFIA or to have business written in their names by or through AFIA) such membership to become full membership as of the Closing. As of the Closing the membership in AFIA of each of the Total Sellers will cease.

SECTION 4. Miscellaneous.

(a) For the convenience of the parties, any number of counterparts of this Amendment may be executed by any one or more parties hereto and each such executed counterpart shall be, and shall be deemed to be, an original, but all of ~~them shall constitute, and shall be deemed to constitute,~~ in the aggregate but one and the same instrument.

(b) This Amendment shall be governed by and construed and enforced in accordance with the laws of the State of New York.

(c) Except as amended hereby, the Purchase Agreement shall continue in full force and effect.

IN WITNESS WHEREOF, the parties hereto have
executed this First Amendment as of the day and year first
above written.

CIGNA CORPORATION

BY *[Signature]*

CIGNA INTERNATIONAL CORPORATION

BY *[Signature]*

INSURANCE COMPANY OF NORTH AMERICA

BY *[Signature]*

AFIA

BY *[Signature]*

AFIA FINANCE CORPORATION

BY *[Signature]*

HARTFORD FIRE INSURANCE COMPANY

BY *[Signature]*

THE HOME INSURANCE COMPANY

BY *[Signature]*

AETNA INSURANCE COMPANY

BY *[Signature]*