

AGGREGATE LOSS RATIO AGREEMENT

Between

NATIONAL UNION FIRE INSURANCE COMPANY OF
PITTSBURGH, PA.
(hereinafter call the "Company")

And

CAPCO REINSURANCE COMPANY LTD
(hereinafter called the "Reinsurer")

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ARTICLE I BUSINESS COVERED

This Agreement applies to the net excess liability as hereinafter described in respect of dates of loss on or subsequent to the effective date which shall accrue to the Company during the term of this Agreement under all binders, policies and other contracts of insurance and/or reinsurance (hereinafter called "Policies") covering business inforce on the effective date and deemed to be Automobile Warranty Business.

ARTICLE II TERM AND TERMINATION

This Agreement shall be effective from 12:01 am, Eastern Standard Time, January 1st, 2000 and shall remain in effect until all liabilities are finalized.

ARTICLE III TERRITORY

This Agreement covers risks located worldwide, as per the Company's original Policies.

ARTICLE IV AMOUNT OF COVER

The Reinsurer shall be liable for 100% of the excess loss incurred by the Company as a result of an aggregate loss ratio in excess of 100% of Net Earned Premium (the Retention), however, not in excess of the greater of 100% of Net Earned Premium or \$210,000,000 (the limit).

The aggregate loss ratio shall be the ratio Net Losses incurred to Net Earned Premium. The excess loss shall be calculated by multiplying the Net Earned Premium by that part of the aggregate loss ratio in excess of the Retention.

ARTICLE V PREMIUM

The Company shall pay \$20,000,000 within 30 days of execution of this agreement.

ARTICLE VI NET RETAINED LINES

- A. This Agreement applies only to that portion of any insurance or reinsurance which the Company retains net for its own account and in calculating the amount of any loss hereunder and also in computing the amount or amounts in excess of which this Agreement attaches, only loss or losses in respect of that portion of any insurance or

reinsurance which the Company retains net for its own account prior to cessions to the Inter-Company Pooling Agreement shall be included.

- B. The amount of the Reinsurer's liability hereunder in respect of any loss or losses shall not be increased by reason of the inability of the Company to collect from any other Reinsurers, whether specific or general, any amounts which may become due from them whether such inability arises from the insolvency of such other Reinsurers or otherwise.
- C. The Company is hereby granted permission to carry other excess ratio reinsurance either underlying or overlying this Agreement.

ARTICLE VII

LOSS AND LOSS ADJUSTMENT EXPENSE

The Company alone and at its full discretion shall adjust, settle or compromise all claims and losses. All such adjustments, settlements and compromises, including ex gratia payments, shall be binding on the Reinsurer. The Company shall likewise at its sole discretion commence, continue, defend, compromise, settle or withdraw from actions, suits or proceedings and generally do all such matters and things relating to any claim or loss as in its judgment may be beneficial or expedient. All payments made and costs and expenses incurred in connection therewith or in taking legal advice therefore (including those which are the result of actions and/or disputes between the insured and the Company) including but not limited to charges and/or expenses incurred through the use of AIG Claim Services and AIG Technical Services, are eligible for inclusion as allocated and unallocated loss expense. The Reinsurer shall, on the other hand, benefit proportionately from all reductions of losses by salvage, compromise or otherwise.

ARTICLE VIII

REPORTS AND ACCOUNTING

As promptly as possible after the end of each calendar year, the Company shall furnish a report to the Reinsurer showing separately for each accident/calendar quarter:

- (1) Subject Net Earned Premiums, inception to date;
- (2) Subject Net Losses paid by the company, inception to date;
- (3) Reserve for outstanding losses and loss adjustment expenses on such business, including incurred but not reported reserves.

Should the net paid losses of the Company exceed the Retention, the Reinsurer will pay to the Company the amount by which such losses exceed the Retention subject to the limit specified in Article IV. The amount due shall be remitted to the company within 45 days following receipt of the report by the Reinsurer.

ARTICLE IX

DEFINITIONS

Net Earned Premium shall mean: the aggregate Net Earned Premium prior to cessions to the Inter-Company Pooling Agreement on the Business Covered as recorded in the books and records of the Company.

Net Losses shall mean: direct and assumed loss, allocated and unallocated loss adjustment expenses minus respective cessions to all other reinsurance other than the cession to the Inter-Company Pooling Agreement, all as recorded in the books and records of the Company.

Net Losses incurred shall mean: the aggregate Net Losses paid plus Net Losses outstanding or deemed incurred but not yet reported for the Business Covered as recorded in the books and records of the Company.

Inter-Company Pooling Agreement shall mean: the agreement between the Company and American Home Assurance Company, Commerce and Industry Insurance Company, Birmingham Fire Insurance Company of Pennsylvania, The Insurance Company of the State of Pennsylvania, AIU Insurance Company, American International Pacific Insurance Company, American International South Insurance Company, Granite State Insurance Company, Illinois National Insurance Company, New Hampshire Insurance Company.

ARTICLE X

CURRENCY

All premium and loss payments hereunder shall be in United States currency. The rate of exchange applied shall be that used by the Company in its own books of account or in accordance with any subsequent adjustments thereto.

ARTICLE XI

ACCESS TO RECORDS

Provided the Reinsurer's balance with respect to this Agreement is current in accordance with the terms and conditions of the Agreement, or with the consent of the Company, the Reinsurer or its duly appointed representatives shall have free access at all reasonable times to such books and records of those Divisions, Departments and Branch Offices of the Company which are directly involved with the subject matter business of this Agreement as shall reflect premium and loss transactions of the Company for the purpose of obtaining any and all information concerning this Agreement or the subject matter hereof. All non-public information provided in the course of the inspection shall be kept confidential by the Reinsurer as against third parties.

ARTICLE XII

ERRORS & OMISSIONS

Any inadvertent delay, omission or error shall not relieve either party hereto from any liability which would attach to it hereunder if such delay, omission or error had not been made, provided such delay, omission or error is rectified immediately upon discovery.

ARTICLE XIII

FOLLOW THE FORTUNES

The Reinsurer's liability shall attach simultaneously with that of the Reinsured Company, and shall be subject in all respects to the same risks, terms, conditions, interpretations, waivers, and to the same modifications, alterations and cancellations, as the respective insurances (or reinsurances) of the Reinsured Company, the true intent of this Agreement being that the Reinsurer shall, in every case to which this Agreement applies, follow the fortunes of the Company.

ARTICLE XIV

INSOLVENCY

In the event of the insolvency of the Company, this reinsurance shall be payable directly to the Company, or to its liquidator, receiver, conservator or statutory successor on the basis of the liability of the Company without diminution because of the insolvency of the Company or because the liquidator, receiver, conservator or statutory successor of the Company has failed to pay all or a portion of any claim. It is agreed, however, that the liquidator, receiver, conservator or statutory successor of the Company shall give written notice to the reinsurers of the pendency of a claim against the company indicating the policy or bond reinsured which claim would involve a possible liability on the part of the Reinsurers within a reasonable time after such claim is filed in the conservation or liquidation proceeding or in the receivership, and that during the pendency of such claim the Reinsurers may investigate such claim and interpose, at their own expense, in the proceeding where such claim is to be adjudicated any defense or defenses that they may deem available to the Company or its liquidator, receiver, conservator, or statutory successor. The expense thus incurred by the Reinsurers shall be chargeable, subject to the approval of the court,

against the Company as part of the expense of conservation or liquidation to the extent of a pro rata share of the benefit which may accrue to the Company solely as a result of the defense undertaken by the Reinsurers.

Where two or more Reinsures are involved in the same claim and a majority in interest elect to interpose defense to such claim, the expense shall be apportioned in accordance with the terms of the reinsurance agreement as though such expense had been incurred by the Company.

This reinsurance shall be payable by the reinsurers to the Company or to its liquidator, receiver, conservator, or statutory successor, except (a) where the Agreement specifically provides another payee of such reinsurance in the event of the insolvency of the Company, and (b) where the Reinsurers with the consent of the direct insured or insureds have assumed such policy obligations of the Company as direct obligations of the Reinsurers to the payees under such policies and in substitution for the obligations of the Company to the payees.

ARTICLE XV

OFFSET

Each party hereto shall have, and may exercise at any time and from time to time, the right to offset any undisputed balance or balances, whether on account of losses or otherwise, due from such party to the other (or, if more than one, any other) party hereto under this Agreement or under any other reinsurance agreement heretofore or hereafter entered into by and between them, and may offset the same against any undisputed balance or balances due to the former from the latter under the same or any other reinsurance agreement between them, and the party asserting the right of offset shall have and may exercise such right whether the undisputed balance or balances due to such party from the other are on account of premiums or on account of losses or otherwise and regardless of the capacity, whether as assuming insurer or a ceding insurer, in which each party acted under the agreement or, if more than one, the different agreements involved.

ARTICLE XVI

FEDERAL EXCISE TAX

- A. The Reinsurer has agreed to allow for the purpose of paying the Federal Excise Tax 1% of the premium payable hereon to the extent such premium is subject to Federal Excise Tax.
- B. In the event of any return of premium becoming due hereunder the reinsurer will deduct 1% from the amount of the return and the Company or its agent should take steps to recover the Tax from the United States Government.

ARTICLE XVII

ARBITRATION

All disputes or differences arising out of the interpretation of this Agreement shall be submitted to the decision of two arbitrators, one to be chosen by each party, and in the event of the arbitrators failing to agree, to the decision of an umpire to be chosen by the arbitrators. The arbitrators and umpire shall be active or retired executive officials of fire or casualty insurance or reinsurance companies. If either of the parties fails to appoint an arbitrator within one month after being required by the other party in writing to do so, such arbitrator or umpire, as the case may be, shall at the request of either party be appointed by a Justice of the Supreme Court of the State of New York.

The Arbitration proceeding shall take place in New York, New York. The applicant shall submit its case within one month after the appointment of the court of arbitration, and the respondent shall submit its reply within one month after the receipt of the claim. The arbitrators and umpire are relieved from all judicial formality and may abstain from following the strict rules of law. They shall settle any dispute under the Agreement according to an equitable rather than strictly legal interpretation of its terms and their decision shall be final and not subject to appeal.

Each party shall bear the expenses of its arbitrator and shall jointly and equally share with the other the expenses of the umpire and of the arbitration.

ARTICLE XVIII

RESERVE DEPOSIT

- A. With respect to loss liability on an insured risk in any jurisdiction in which the Reinsurer is not admitted, the Reinsurer shall fund an amount herein called the deposit. The deposit initially shall equal the Reinsurer's share of outstanding loss and Loss Adjustment Expense reserves, including incurred but not reported losses.
- B. The deposit shall be adjusted quarterly to equal outstanding loss and Loss Adjustment Expense reserves, including incurred but not reported losses calculated on the basis of the requirements of the New York State Insurance Department and/or applicable Insurance Regulatory Agencies, corresponding to the Reinsurer's proportionate share.
- C. The Company may, at any time after default by the Reinsurer of payments owing to the Company, require, by notice in writing to the Reinsurer, the payment of the sum due. In the event the Reinsurer shall not pay such sum within seven days after receipt of said notice, the Company shall be entitled to appropriate so much of the deposit as may be required to eliminate the default. Until the deposit shall have been utilized in the manner aforesaid, interest thereon shall be credited to the Reinsurer quarterly at the rate of four percent per annum.
- D. The Company may at its discretion, instead of taking any part of the deposit, require payment of any sum in default, and it shall be no defense to any such claim that the Company might have had recourse to the deposit.
- E. The deposit may be in the form of cash, a Letter of Credit, or other security, provided such Letter of Credit or other security satisfies the requirements of the law and the applicable Insurance Regulatory Agency.
- F. Notwithstanding any other provisions of this Agreement, the Letter of Credit or other security may be drawn upon by the Company at any time to fund the deposit or for any amounts due from the Reinsurer under this Agreement.

ARTICLE XIX

COVERING LAW

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

ARTICLE XX

CONFIDENTIALITY

All terms and conditions of this Agreement and any materials provided in the course of inspection shall be kept confidential by the Reinsurer as against third parties, unless the disclosure is required pursuant to process of law or unless the disclosure is to reinsurer's retrocessionaires, financial auditors or governing regulatory bodies. Disclosing or using this information for any purpose beyond the scope of this Agreement, or beyond the exceptions set forth above, is expressly forbidden without the prior consent of the Company.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in duplicate by their duly authorized representatives.

In _____ this 31st day of July 2000.

**NATIONAL UNION FIRE INSURANCE COMPANY OF
PITTSBURGH, PA.**

By: ML Title: VP, Reinsurance

And in _____ this _____ day of _____ 2000.

CAPCO REINSURANCE COMPANY LTD

By: _____ Title: _____

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in duplicate by their duly authorized representatives.

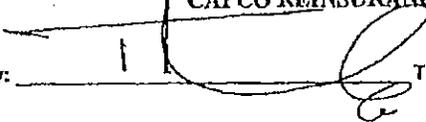
In _____ this _____ day of _____ 2000.

**NATIONAL UNION FIRE INSURANCE COMPANY OF
PITTSBURGH, PA.**

By: _____ Title: _____

And In _____ this _____ day of _____ 2000.

CAPCO REINSURANCE COMPANY LTD

By:  Title: Director

14.21