

EXCESS OF LOSS RETROCESSIONAL AGREEMENT
NO. 2277

between

GENERAL REINSURANCE CORPORATION
a Delaware corporation
having its principal offices at
Financial Centre
695 East Main Street P.O. Box 10350
Stamford, Connecticut 06904-2350
(hereinafter referred to as the "Reinsurer")

and

NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.
70 Pine Street
New York, New York 10270
(hereinafter referred to as the "Retrocessionaire")

In consideration of the promises set forth in this Agreement, the parties agree as follows:

Article I - SCOPE OF AGREEMENT

As a condition precedent to the Retrocessionaire's obligations under this Agreement, the Reinsurer shall retrocede to the Retrocessionaire the business described in the article entitled BUSINESS RETROCEDED and the Retrocessionaire shall accept such business as a retrocession from the Reinsurer. The terms of this Agreement shall determine the rights and obligations of the parties.

Article II - PARTIES TO THE AGREEMENT

This Agreement is solely between the Reinsurer and the Retrocessionaire. Performance of the obligations of each party under this Agreement shall be rendered solely to the other party. However, if the Reinsurer becomes insolvent, the liability of the Retrocessionaire shall be modified to the extent set forth in the article entitled INSOLVENCY OF THE REINSURER. In no instance shall any reinsured of the Reinsurer or any claimant against a reinsured of the Reinsurer have any rights under this Agreement.

Article III - BUSINESS RETROCEDED

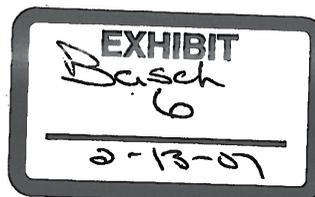
This Agreement shall apply to Ultimate Aggregate Net Loss for which the Reinsurer is or becomes obligated under all business ceded to the Reinsurer by THE HARTFORD STEAM BOILER INSPECTION AND INSURANCE COMPANY, Hartford, Connecticut, THE HARTFORD STEAM BOILER INSPECTION AND INSURANCE COMPANY OF CONNECTICUT, Hartford, Connecticut, THE BOILER INSPECTION AND INSURANCE COMPANY OF CANADA, Toronto, Canada, THE ALLEN INSURANCE COMPANY, LTD., Hamilton, Ber-

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muda, THE HARTFORD STEAM BOILER INSPECTION AND INSURANCE COMPANY OF TEXAS, Hartford, Connecticut, HSB ENGINEERING INSURANCE LIMITED, including any and/or all of the subsidiary companies which are or may hereafter come under their management (hereinafter referred to as the "Company") under Agreements of Reinsurance Nos. 8869, 8771, 8639 8518, 8433, 8335, 8266, 8207, 8201, 8197, 8191, 8096, and 8092 (hereinafter referred to as the "Original Contracts").

Article IV - TERM

This Agreement shall become effective on October 1, 2001, and shall remain in force as long as any of the Original Contracts remain in force, and shall apply to payments of Ultimate Aggregate Net Loss made by the Reinsurer to the Company during such period on the Original Contracts.

Article V - LIABILITY OF THE RETROCESSIONAIRE

The Retrocessionaire shall pay to the Reinsurer the amount of Ultimate Aggregate Net Loss paid by the Reinsurer to the Company in excess of \$5,000,000, but not exceeding a Limit of Liability of the Reinsurer of \$30,000,000.

For purposes of this provision, the term "Ultimate Aggregate Net Loss" shall mean the sum of all payments made by the Reinsurer on the Original Contracts in the settlement of claims or losses, including loss adjustment expense, extra contractual obligations, and losses in excess of the Company's original policy limits, in accordance with the terms of the Original Contracts.

The liability of the Retrocessionaire shall follow that of the Reinsurer and shall be subject to all of the general and specific terms and conditions of the Original Contracts, except insofar as they are inconsistent with the express terms of this Agreement. Business accepted by the Reinsurer as special acceptances under the Original Contract shall be binding on the Retrocessionaire when accepted by the Reinsurer.

Article VI - RETROCESSIONAL PREMIUM

The Reinsurer shall pay to the Retrocessionaire a flat retrocessional premium of \$11,572,575 on December 28, 2001.

Article VII - CLAIMS AND LOSSES

The Reinsurer shall report promptly to the Retrocessionaire all claims reported to the Reinsurer which, in the Reinsurer's opinion, may involve the Retrocessionaire. The Reinsurer shall also advise the Retrocessionaire of any subsequent developments which are likely to materially affect the Retrocessionaire's interest in such claims.

The Retrocessionaire shall maintain such reserves as may be required with respect to the Retrocessionaire's portion of claims, losses and adjustment expenses.

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Claims involving this Agreement when settled by the Reinsurer shall be binding on the Retrocessionaire. The Retrocessionaire agree to pay, on request, to the Reinsurer the Retrocessionaire's portion of all Ultimate Aggregate Net Loss which is within the terms of this Agreement.

Article VIII - ERRORS AND OMISSIONS

The Retrocessionaire shall not be relieved of liability because of an error or accidental omission of the Reinsurer in reporting any claim or loss or any business retroceded under this Agreement, provided that the error or omission is rectified promptly after discovery. The Retrocessionaire shall be obligated only for the return of the premium paid for business reported but not retroceded under this Agreement.

Article IX - OFFSET

The Reinsurer or the Retrocessionaire may offset any balance, whether on account of premiums, commissions, claims or losses, adjustment expenses, salvage or otherwise, due from one party to the other under this Agreement or under any other agreement heretofore or hereafter entered into between the Reinsurer and the Retrocessionaire, whether acting as assuming reinsurer or as ceding company.

Article X - INSPECTION OF RECORDS

The Reinsurer shall allow the Retrocessionaire to inspect, at reasonable times, the records of the Reinsurer relevant to the business retroceded under this Agreement, including Reinsurer files concerning claims, losses or legal proceedings which involve or are likely to involve the Retrocessionaire. The Retrocessionaire's right of inspection shall continue after the termination of this Agreement.

Article XI - ARBITRATION

- A. Any and all disputes or differences arising out of this Agreement, including its formation and validity, shall be submitted to binding arbitration. Any arbitration shall be based upon the Procedures for the Resolution of U.S. Insurance and Reinsurance Disputes dated September 1999 (the "Procedures"), as supplemented by the paragraphs below.
- B. The Panel shall consist of three disinterested arbitrators, one to be appointed by the Petitioner, one to be appointed by the Respondent and the third to be appointed by the two Party-appointed arbitrators. The third arbitrator shall serve as the umpire, who shall be neutral. The arbitrators and umpire shall be persons who are current or former officers or executives of an insurer or reinsurer. Within thirty days of the commencement of the arbitration proceeding, each Party shall provide the other Party with the identification of its Party-appointed arbitrator, his or her address (including telephone, fax and e-mail information), and provide a copy of the arbitrator's curriculum vitae. If either Party fails to appoint an arbitrator within that thirty-day period, the non-defaulting Party will appoint an arbitrator to act as the Party-

appointed arbitrator for the defaulting Party. The umpire shall be appointed by the two Party-appointed arbitrators as soon as practical (but no later than 30 days) after the appointment of the second arbitrator. The Party-appointed arbitrators may consult, in confidence, with the Party who appointed them concerning the appointment of the umpire.

- C. Where the two Party-appointed arbitrators have failed to reach agreement on an umpire within the time specified in paragraph B, each Party shall propose to the other in writing, within 7 days thereafter, eight umpire candidates from the ARIAS-U.S. Certified Arbitrators List in effect at the time of the commencement of the arbitration. The umpire will then be selected in accordance with ¶ 6.7(b)-(e) of the Procedures. (Unless the Parties agree otherwise, the ARIAS-U.S. Umpire Questionnaire Form in effect at the time of the commencement of the arbitration shall be used.)
- D. The arbitration shall take place in New York, New York.
- E. Unless prohibited by law, the Supreme Court of the State and County of New York and the United States District Court for the Southern District of New York shall have exclusive jurisdiction over any and all court proceedings that either Party may initiate in connection with the arbitration, including proceedings to compel, stay, or enjoin arbitration or to confirm, vacate, modify, or correct an Arbitration Award.
- F. For purposes of this Article, the terms "Arbitration Award," "Disinterested," "Notice of Arbitration," "Panel," "Party" (or "Parties"), "Petitioner," "Respondent," and "Response" shall have the meanings set forth in article 2 of the Procedures (Definitions).
- G. In the event of any conflict between the Procedures and this Article, this Article, and not the Procedures, will control.
- H. This Article shall survive the expiration of this Agreement.

Article XII - INSOLVENCY OF THE REINSURER

In the event of the insolvency of the Reinsurer, the retrocessional proceeds will be paid to the Reinsurer or the liquidator, with reasonable provision for verification, on the basis of the claim allowed in the insolvency proceeding without diminution by reason of the inability of the Reinsurer to pay all or part of the claim, except as otherwise specified in the statutes of any state having jurisdiction of the insolvency proceedings or except where the Agreement, or other written agreement, specifically provides another payee of such retrocession in the event of insolvency.

The Retrocessionaire shall be given written notice of the pendency of each claim against the Reinsurer on the Original Contract retroceded hereunder within a reasonable time after such claim is filed in the insolvency proceedings. The Retrocessionaire shall have the right to investigate each such claim and to interpose, at its own expense, in the proceeding where such claim is to be adjudicated, any defenses which it may deem available to the Reinsurer or its liquidator. The expense thus incurred by the Retrocessionaire shall be chargeable, subject to court approval, against the insolvent Reinsurer as part of the

expense of liquidation to the extent of a proportionate share of the benefit which may accrue to the Reinsurer solely as a result of the defense undertaken by the Retrocessionaire.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in duplicate,

this _____ day of _____, 2001.

GENERAL REINSURANCE CORPORATION

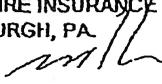


Sr. Vice President

Attest: 

and this 29th day of December, 2001.

NATIONAL UNION FIRE INSURANCE COMPANY OF
PITTSBURGH, PA.



Attest: 