COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT
Office of Chief Counsel
Capitol Associates Building
901 North 7th Street
Harrisburg, PA 17102

Governor's Office
of General Counsel

Phone (717) 787-6009
Fax (717) 772-4543

April 24, 2006

Daniel Schuckers
Prothonotary
Commonwealth Court
628 South Office Building
Harrisburg, PA 17120-0001

RE: M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania v. Legion Insurance Company,
No. 183 M.D. 2002

Dear Mr. Schuckers:

Enclosed for filing please find the original and two hard copies of the Liquidator's Petition For Approval of Commutation, Settlement and Release Agreement Between The Liquidator and Hartford Fire Insurance Company.

As directed by the Court's Order we are also enclosing copies of the documents on a computer disk in word format.

Thank you for your courtesies in filing the documents.

Very truly yours,

Amy L. Weber
Special Funds Counsel

ALW:mm
Enclosure

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

M. Diane Koken Insurance Commissioner of the Commonwealth of Pennsylvania	:	
Plaintiff,	:	
v.	:	Docket No. 183 M.D. 2002
Legion Insurance Company One Logan Square, Suite 1400 Philadelphia, PA 19103	:	
Defendant.	:	

ORDER

AND NOW, this _____ day of _____, 2006, upon consideration of the Petition for Approval of Commutation, Settlement and Release Agreement by and between M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania in her official capacity as the Statutory Liquidator ("Liquidator") of Legion Insurance Company (In Liquidation) and Hartford Fire Insurance Company, a Hartford, Connecticut Company ("Reinsurer"), filed by the Liquidator, and in which petition the Reinsurer concurs, the Court GRANTS the Petition and approves the Commutation, Settlement and Release Agreement.

_____

MARY HANNAH LEAVITT, Judge

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

M. Diane Koken Insurance Commissioner of the Commonwealth of Pennsylvania Plaintiff, v. Legion Insurance Company One Logan Square, Suite 1400 Philadelphia, PA 19103 Defendant.	: : : : : : : : : : : : :	Docket No. 183 M.D. 2002

LIQUIDATOR'S PETITION FOR APPROVAL OF COMMUTATION, SETTLEMENT AND RELEASE AGREEMENT BETWEEN THE LIQUIDATOR AND HARTFORD FIRE INSURANCE COMPANY

Petitioner M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania in her official capacity as the Statutory Liquidator ("Liquidator") of Legion Insurance Company (In Liquidation) ("Legion"), respectfully requests that this Court enter an Order approving the Commutation, Settlement and Release Agreement ("Commutation") between Legion and Hartford Fire Insurance Company ("Hartford").

The Liquidator asks the Court to approve the Commutation for the reasons set forth below:

1. On July 25, 2003, this Court found Legion insolvent and appointed the Commissioner as Liquidator of Legion pursuant to Article V of the Insurance Department Act of 1921, 40 P.S. §§ 221.1 – 221.63 (hereinafter, the "Department Act").

2. The Act confers broad powers on the Liquidator to marshal the assets of Legion's estate for eventual distribution to its policyholders and creditors.

3. Prior to receivership, Legion entered into contracts of reinsurance (the "Contracts") with Hartford that obligated Hartford to accept from Legion the cession of a certain percentage of Legion's liabilities pertaining to business written on Legion's behalf under a workers' compensation program referred to as the Preferred Programs produced by Philip J. Harvey & Company. The Contracts are attached as Exhibit A to the Commutation Agreement, which is attached as Exhibit 1 to this Petition.

4. Legion and Hartford desire to terminate their business relationship and have agreed to commute all of their respective obligations under the Contracts.

5. Hartford's obligations to Legion under the Contracts include obligations that may become payable in the future and that cannot be determined in an amount certain at this time.

6. Legion believes that it is in its best interest to adjust and settle Hartford's obligations, including its future obligations, to Legion.

7. Accordingly, Legion has negotiated the Commutation Agreement with Hartford, which is attached as Exhibit 1 to this Petition.

8. Pursuant to the Commutation Agreement, Hartford will pay fifteen million, one hundred and two thousand, nine hundred and twenty-one dollars ($15,102,921.) to Legion, as set forth in Exhibit 2 to this Petition.

9. Pursuant to the Commutation Agreement, Legion and Hartford will release each other from liability arising out of, or in connection with the Contracts.

10. Legion entered into this Commutation in reliance on its independent investigation and analysis of the Contracts and Legion's rights and obligations under the Contracts.

11. The Liquidator believes that the Commutation is in the best interest of Legion's policyholders, claimants, creditors and the public generally.

12. Particularly, the Liquidator believes that Legion's receipt of approximately $15.1 million is reasonable and adequate consideration for the commutation of Hartford's obligations to Legion under the Contracts.

13. Legion currently estimates Hartford's current and future obligations under the Contracts to be approximately $16.9 million, including but not limited to the discounted present value of outstanding reserves and incurred but not reported claims. The Liquidator believes that the agreed commutation payment of approximately $15.1 million in cash is reasonable given the time value of money, the results of arbitrations that Legion initiated against other reinsurers, the costs and fees that would have been expended in arbitrating due and owing balances from the reinsurer and the benefit of certain payment now versus potential payments in the future. The Liquidator also hopes that this Commutation will lead to additional commutations with other reinsurers and, as a result, the more timely and orderly liquidation of Legion's estate for the ultimate benefit of the policyholders and creditors.

14. Thus, based on the terms of the Commutation Agreement and the evaluation of the transaction as a whole by the Liquidator, her staff, and Legion staff members familiar with the company's dealings with Hartford in connection with the Preferred Programs, the Liquidator has determined that the Commutation is a fair and reasonable commutation of Legion's and Hartford's obligations to each other under the Preferred Programs. The Insurance Department Act authorizes the Liquidator to take such actions as she deems "necessary or expedient to . . . conserve or protect [the insolvent insurer's] assets or property [,]" including the power to "compromise" claims involving

assets of the insolvent insurer in order to accomplish or aid in achieving the purposes of liquidation. See 40 P.S. § 221.23(6), (9), and (23).

15. The Liquidator further believes that the Commutation will help her in achieving the objectives of liquidation under the Act, 40 P.S. §§ 221.1 – 221.63. The Commutation Agreement will assist the Liquidator in marshalling and maximizing Legion's immediately available assets and minimize any unavoidable loss to policyholders, claimants and creditors resulting from Legion's insolvency. See 40 P.S. § 221.1(c).

16. Hartford agrees to the Commutation as evidenced by its execution of the Commutation Agreement and concurs in requesting the Court's approval of this petition.

17. For all of these reasons, the Liquidator requests that the Court approve the Commutation Agreement.

Respectfully submitted,

Amy L. Weber, Special Funds Counsel
I.D. # 45447
Pennsylvania Insurance Department
Office of Liquidations, Rehabilitations
and Special Funds
901 N. 7th Street
Harrisburg, PA 17102
(717) 787-6009

Attorney for M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania, in her official capacity as Statutory Liquidator of Legion Insurance Company (In Liquidation)

Dated: 4/24/06

VERIFICATION

I, Gregg Frederick, Executive Vice President, have been retained by M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania, and am responsible for the on-site reinsurance operations of Legion Insurance Company (In Liquidation). I have read the Liquidator's Petition for Approval of Commutation, Settlement and Release Agreement Between the Liquidator and Hartford Fire Insurance Company and verify that the matters stated therein are true and correct to the best of my knowledge, information and belief. I understand that this Verification is made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

Gregg Frederick
Executive Vice President

Dated: April 20, 2006

EXHIBIT 1

COMMUTATION, SETTLEMENT AGREEMENT AND RELEASE

THIS COMMUTATION, SETTLEMENT AGREEMENT AND RELEASE ("Agreement"), made effective and entered into this ___th day of March 2006, by and between Hartford Fire Insurance Company, a Hartford, Connecticut company, (hereinafter known as the "Reinsurer") and M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania in her official capacity as Statutory Liquidator of Legion and Villanova Insurance Companies (hereinafter collectively known as the "Cedants").

RECITALS

A. On or about June 1, 1999, the Reinsurer and the Cedants entered into a Casualty Quota Share Reinsurance Contract, wherein the Reinsurer agreed to reinsure risks written or assumed by the Cedants and/or agents of the Cedants, subject to the terms, limits and conditions thereof, and;

B. The Casualty Quota Share Reinsurance Agreement was renewed on or about June 1, 2000, and;

C. The reinsurance agreements referred to in Recitals A and B above are attached hereto as Exhibit A, and are herein collectively referred to as "the Contracts", and;

D. The Reinsurer and the Cedants desire fully and finally to settle, release, and commute all rights, obligations, and liabilities, both known and unknown, of the Reinsurer and the Cedants under the Contracts pursuant to the terms of this Agreement; and

E. The Reinsurer and the Cedants agree that it is in each of their best interests and in the best interests of their respective policyholders and creditors to adjust and settle their differences and to enter into this Agreement.

NOW THEREFORE, in consideration of the mutual benefits to be received by the parties hereto and the mutual covenants and agreements herein contained, the parties hereto hereby agree as follows:

Commutation of Reinsurance Agreements

1. Subject to the receipt by the Cedants of the Consideration as set out in Article 4 herein, and in further consideration of the release contained in Article 2 herein, the Cedants hereby irrevocably release the Reinsurer, and its predecessors, successors, assigns, shareholders, employees, officers, and directors, from One Hundred Percent (100%) of all adjustments, obligations, offsets, actions, causes of action, proofs of claim, suits, debts, sums of money, accounts, reckonings, bonds, bills, covenants, contracts, conversions, agreements, promises, damages, judgment claims, and demands whatsoever, whether known, unknown or suspected, arising out of, or in connection with the Reinsurer's participations on the Contracts, whether or not any of such contracts are void or voidable, including, but not limited to, all claims that were raised or could have been raised in the settlement discussions between the Reinsurer and any or all of the Cedants who is or are a party to this Agreement.

Release of the Cedants

2. In consideration of the release set out in Article 1 herein, the Reinsurer hereby irrevocably releases the Cedants, and their respective predecessors, successors, assigns, shareholders, agents, employees, officers, directors, receivers, liquidators, and administrators, from One Hundred Percent (100%) of all adjustments, obligations, offsets, actions, causes of action, proofs of claim, suits, debts, sums of money, accounts, reckonings, bonds, bills, covenants, contracts, conversions, agreements, promises, damages, judgment claims, and demands whatsoever, whether known, unknown or suspected, arising out of, or in connection with the participation of the Cedants on the Contracts, whether or not any of such contracts are void or voidable, including, but not limited to, all claims that were raised or could have been

raised in the settlement discussions between the Reinsurer and any or all of the Cedants who is or are a party to this Agreement.

Warranties

3. To the best information and belief of each of the parties to this Agreement, the following express warranties apply:

a. There are no pending agreements, transactions, negotiations, regulatory actions or lawsuits in which any of the parties are involved nor are there any threatened regulatory actions or lawsuits or of which any of the parties are aware that would render this Agreement or any part thereof void, avoidable, or unenforceable; and

b. No party hereto has transferred, assigned, or contracted to transfer or assign to any person, corporation, company or entity any of its rights, title, benefit or obligations directly arising out of or in connection with the Contracts, including without limitation any balances, accounts, costs, claims, counterclaims or demands which are within the contemplation of this Agreement. The Reinsurer has not undertaken any action that would impede, prohibit or limit its ability to make payment under this Agreement.

Consideration

4. The Reinsurer agrees to pay the Cedants the total sum of sixteen million US dollars ($16,000,000.00) ("the Consideration"). Said payment shall be made no later than (10) days following the Completion Date which shall be defined as either (i) date that the Commonwealth Court of Pennsylvania signs an order approving the Commutation, provided that no valid objection to such a ruling has been entered on the official record of the Commonwealth Court or (ii)if a valid objection was entered in the Commonwealth Court proceedings, prior to the Court ruling, and the objecting party has filed an appeal to the Supreme Court of the Commonwealth of Pennsylvania, then payment shall be made no later than ten (10) days after the Supreme Court rules on the disposition of any such objections, and affirms the lower court order,

in accordance with Article 17 herein . Notwithstanding the foregoing, if the tenth day following the Completion Date falls on a weekend or a holiday, then the transfer must be completed by the end of the next business day. Reinsurer shall transfer the Consideration pursuant to the Cedants' wiring instructions.

Successors and Assigns

5. This Agreement shall inure to the benefit of and bind the Reinsurer and its successors and assigns and the Cedants and their respective successors and assigns.

Independent Investigation

6. Each of the parties acknowledges that it has entered into this Agreement in reliance upon its own independent investigation and analysis of the Contracts and its respective rights and obligations thereunder, and not on the basis of any representation by the other party hereto. Each of the parties further acknowledges that it has read this Agreement, that it has had the opportunity to discuss it with legal counsel, and that it fully understands all of the terms herein.

No Third Party Beneficiary

7. This Agreement is intended to confer rights and benefits only upon, and shall inure only to the benefit of, the parties hereto and their respective successors and assigns. It shall not be deemed to confer any rights on any other third party, including any rights based upon a claim of collateral estoppel or res judicata.

Integration and Waiver

8. This Agreement shall constitute the entire agreement between the parties pertaining to the commutation of the Contracts, and supersedes any and all prior or contemporaneous understandings or agreements. No supplement, modification, waiver or termination hereof shall be binding or enforceable unless executed in writing by the parties to be

bound thereby. No delay, omission or forbearance on the part of any party to this Agreement in exercising or enforcing any right, power or remedy under this Agreement shall impair such right, power or remedy or operate as a waiver thereof. The single or partial exercise or enforcement of such right, power or remedy shall not preclude any other or further exercise or enforcement thereof or of any other right, power or remedy. The rights, powers and remedies provided in this Agreement are cumulative and not exclusive of any rights, powers and remedies provided by law. To the extent that any part of this Agreement is subsequently rendered, null, void or unenforceable by any court of competent jurisdiction, the Parties shall operate as though that portion rendered null, void or unenforceable were never made part of this Agreement and the remainder shall continue in full force and effect, unless (i) the Agreement is disapproved by the Commonwealth Court or any higher court, as described in the provisions of Article 17, or (ii) the portion rendered null, void or unenforceable renders the Agreement to fail in its essential purpose. In the case of either (i) or (ii), the Agreement is null and void and shall have no further effect as between the Reinsurer and the Cedants, and each shall be put back in the position each was in just prior to the execution of this Agreement.

Cooperation

9. a. The Cedants hereby agree to use their best efforts to provide the Reinsurer with any and all documentation (in both paper and/or computer/electronic formats) at Reinsurer's expense (i) relating to the Contracts (including claims, underwriting and accounting files), and (ii) in the Cedants' possession or control (including in the possession or control of its agents or counsel), requested by the Reinsurer from time to time to the extent that the Reinsurer, acting reasonably and in good faith, in its sole discretion, deems necessary or advisable in connection with any retrocessional billing or collection activities; and

b. The Cedants hereby agree to use their best efforts to allow access

to the Reinsurer, upon reasonable notice, to inspect and make copies (at the Reinsurer's sole expense) of any such documentation requested by the Reinsurer from time to time that the Reinsurer, acting reasonably and in good faith, and in its sole discretion, deems necessary or advisable in connection with any billing or collection activities with retrocessionaires.

c. In addition, the Cedants will cooperate with and provide commercially reasonable assistance to the Reinsurer in all respects in the Reinsurer's efforts to recover from its retrocessionaires in connection with this Agreement. Such reasonable assistance and cooperation shall include, but not be limited to, providing appropriate personnel to assist the Reinsurer by explaining, or by providing testimony at deposition, trial or arbitration, about the business that is subject to this Agreement. In the event that the Cedants provide such personnel, the Reinsurer shall reasonably compensate the Cedants for the time expended by its personnel in assisting the Reinsurer.

Cedants' Remedies

10. In the event that the Reinsurer fails to pay the Consideration to the Cedants within 10 days following the Completion Date, the Cedants shall have all rights and remedies available at law or in equity. In addition, the Cedants shall have the express right to

a. deem the entire Agreement null and void by notice in writing to the Reinsurer per Article 13 herein and to seek recovery of all sums due or to become due under the Contracts; or

b. bring suit on the Agreement including interest on the agreed-upon but unpaid amount as set out in Article 10(c).

c. Without prejudice to the Cedants' rights to rescind this Agreement pursuant to Article 10(a) above, if Reinsurer does not pay all of the Consideration recited herein to the Cedants within 10 days following the Completion Date, the Reinsurer shall pay interest on any unpaid sums at a rate which is equal to one percentage point (1.00%) over the Prime Rate

(the base rate on corporate loans at large U.S. money center commercial banks) as published in *The Wall Street Journal*, but in no event shall said interest be calculated at less than six percent (6%) per annum.

Expenses of Collection

11. Subject to the provisions of Article 10(c) herein, if the Reinsurer fails to pay the Consideration to the Cedants within 10 days following the Completion Date, Reinsurer agrees to reimburse the Cedants for all reasonable expenses including, without limitation, attorney fees which are incurred by the Cedants in the enforcement of this Agreement and collection of the consideration together with any interest accrued upon such reasonable expenses from the date of payment of such expenses at the rate set out in Article 10(c) above.

Choice of Laws

12. The performance and interpretation of this Agreement shall be governed by the laws of the Commonwealth of Pennsylvania, exclusive of the rules with respect to conflict of laws, with respect to any dispute arising under this Agreement between the Reinsurer and the Cedants.

Notices

13. All notices required under this Agreement shall be as follows:

a. Any notice or other communication under or in connection with this Agreement shall be in writing and shall be delivered personally or sent by first class post/mail (or by air mail if overseas) or by overnight courier service, to the addresses of the parties as set out in Exhibit B attached hereto or to such other person or address as any party may specify by notice in writing to the others.

b. In the absence of evidence of earlier receipt, any notice or other communication shall be deemed to have been duly served if (i) sent by first class post on the

second business day after posting; (ii) sent by overnight courier on the next business day after mailing (iii) sent by air mail, six (6) days after posting, and; (iv) if delivered personally, when left during normal business hours at the address set out in Exhibit B or any alternative address specified by the receiving party.

Interpretation

14. The language of this Agreement is the result of negotiation between all parties hereto, and any ambiguities in said language shall not be construed against or in favor of any party or parties hereto.

Execution and Approval

15. Except as disclosed in Article 17, each party to this Agreement represents that it is authorized to enter into this Agreement and the transactions contemplated herein.

16. Except as disclosed in Article 17, each signatory to this Agreement represents that said signatory is authorized and empowered to execute this Agreement and the transactions contemplated herein and that any and all required corporate approval on behalf of the Reinsurer has been properly executed and that the Agreement is entered into voluntarily.

17. This Agreement is subject to approval by the Commonwealth Court of Pennsylvania (the "Court"), which has jurisdiction over the liquidation of Cedants. Upon execution by all parties hereto, the Liquidator of Cedants shall promptly make application to the Court to secure said approval. In the event the Court does not approve this Agreement, then upon such notice of disapproval, the Liquidator of Cedants shall notify the Reinsurer and this Agreement will become null and void and have no further force or effect as between the Reinsurer and the Cedants. In the event the Court approves the Agreement and any person or entity appeals the Court ruling or order granting such approval, then the Agreement shall be

deemed to be approved as of the first date upon which such ruling or order is affirmed by the Supreme Court of Pennsylvania. In the event that any such appeal results in the revocation of the Court's approval, the Liquidator of Cedants shall notify the Reinsurer and this Agreement will become null and void and have no further effect as between the Reinsurer and the Cedants.

18. This Agreement may be signed and exchanged in counterpart by facsimile and this Agreement as so signed and exchanged will constitute the binding Agreement of the parties.

IN WITNESS WHEREOF, the parties have hereunto set their hands as of the dates set forth.

LEGION INSURANCE COMPANY (In Liquidation)
VILLANOVA INSURANCE COMPANY (In Liquidation)

By: Bruce M Daley

Title: Bruce Daley, Chief Takeover Management Division
On behalf of M. Diane Koken
Insurance Commissioner of the
Commonwealth of Pennsylvania
In her official capacity as Statutory
Liquidator of Legion and Villanova Insurance Companies

Date: 3-23-06

Horizon Management Group, LLC
For and on behalf of The Hartford Fire Insurance Company

By: William J Kingston III

Title: Sr. Vice President

Date: 3-23-06

EXHIBIT A

THE PREFERRED PROGRAMS

CASUALTY QUOTA SHARE REINSURANCE CONTRACT

EFFECTIVE JUNE 1, 1999, 12:01 A.M., LOCAL STANDARD TIME

issued to

LEGION INSURANCE COMPANY
PHILADELPHIA, PENNSYLVANIA
LEGION INDEMNITY COMPANY
CHICAGO, ILLINOIS
VILLANOVA INSURANCE COMPANY
PHILADELPHIA, PENNSYLVANIA
MUTUAL INDEMNITY LTD.
HAMILTON, BERMUDA

and all other companies which are now or hereafter
become part of the MUTUAL RISK MANAGEMENT, LTD. GROUP

INDEX

ATTACHMENTS

EXHIBIT "A" – EXCLUSIONS LIST
NUCLEAR INCIDENT EXCLUSION CLAUSE – LIABILITY – REINSURANCE - USA (BRMA 35A)
NUCLEAR INCIDENT EXCLUSION CLAUSE – LIABILITY – REINSURANCE - CANADA (BRMA 35D)

THE PREFERRED PROGRAMS

CASUALTY QUOTA SHARE REINSURANCE CONTRACT

EFFECTIVE JUNE 1, 1999, 12:01 A.M., LOCAL STANDARD TIME

issued to

LEGION INSURANCE COMPANY
PHILADELPHIA, PENNSYLVANIA
LEGION INDEMNITY COMPANY
CHICAGO, ILLINOIS
VILLANOVA INSURANCE COMPANY
PHILADELPHIA, PENNSYLVANIA
MUTUAL INDEMNITY LTD.
HAMILTON, BERMUDA

and all other companies which are now or hereafter become part of the MUTUAL RISK MANAGEMENT, LTD. GROUP

ARTICLE I - BUSINESS COVERED

A. Business produced and underwritten by Philip J. Harvey & Company, Inc. for the Reassured classified as Workers Compensation and Employers Liability and consisting of policies for the Reassured's:

Preferred Club Program
Preferred Employment Program*
Preferred Hospitality Program
Preferred Non-profit Program
Preferred Utilities Program*
*Including Business Defined By The Reassured As Select and/or Technology Business

B. "Contract Year" shall mean each twelve (12) month period commencing at June 1, 1999.

C. The term "policies", whenever used herein, shall mean all binders, policies, contracts, and certificates of insurance.

ARTICLE II – COMMENCEMENT AND TERMINATION

A. This Contract shall incept at 12:01 a.m., Local Standard Time, June 1, 1999, at the location of the risk, and shall apply to losses arising out of loss occurrences commencing on or after that date on new and renewal policies attaching to the Preferred Programs attaching on or after that date. This Contract and shall remain in force for an indefinite period, but either party shall have the right to cancel on any June 1 by giving at least ninety (90) days prior written notice by certified or registered mail. The first "Contract Year" shall be from the effective date of this Contract through May 31, 2000 and each separate 12 month period shall be a separate Contract Year.

B. In the event either party cancels in accordance with the paragraph above, the Reinsurers shall participate in all business ceded within the terms of this Contract written or renewed by the Reassured after receipt of notice of cancellation but prior to termination.

C. In the event of the termination of this Contract, at the Reassured's option:

1.) The Reinsurers shall remain liable for all policies in force at termination of this Contract; however, the liability of the Reinsurers shall cease with respect to losses occurring subsequent to the first anniversary, natural expiration or cancellation of each policy under each program ceded, whichever first occurs; or

2.) The Reinsurers shall be relieved of all liability hereunder for losses occurring subsequent to termination of this Contract.

D. The Reinsurers shall refund to the Reassured the unearned reinsurance premium applicable to the unexpired liability (calculated on a pro rata basis), less the commission allowed by the Reinsurers if option 2 above is elected. The Reinsurers shall continue to be liable for their proportionate share of the outstanding losses (reported or unreported) on policies ceded hereunder with a date of loss prior to the conclusion of the run-off or termination, as the case may be.

E. Notwithstanding any other provision of this Contract, in the event that any policy is required by statute or departmental regulation or order to be continued in force, the Reinsurers will continue to remain liable with respect to each such policy until the Reassured may legally cancel, non-renew or otherwise eliminate liability under such policy or policies.

ARTICLE III – EXCLUSIONS

Exclusions attached in Exhibit "A".

ARTICLE IV - AFFILIATED COMPANIES (BRMA 2B)

Whenever the word "Reassured" is used in this Contract, same shall be held to include any or all of the affiliated companies, which are or may hereafter be under common control.

ARTICLE V - FOLLOW THE FORTUNES

The Reinsurers' liability shall attach simultaneously with that of the Reassured 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 Reassured, the true intent of this Contract being that the Reinsurers shall, in every case to which this Contract applies, follow the fortunes of the Reassured.

ARTICLE VI – TERRITORY (BRMA 51A)

The territorial limits of this Contract shall be identical with those of the Reassured's policies.

ARTICLE VII – QUOTA SHARE PARTICIPATION

A. The Reassured shall cede and the Reinsurers shall accept a 90.0% Quota Share Participation of the Reassured's Liability for Net Losses per loss occurrence, per program up to the Subject Per Loss Occurrence Limit as respects each program and up to the Program-specific Reinsurance Loss Ratio Cap for all Programs covered hereunder as provided in the table below in excess of the Reassured's 20.0% Net Retention (in Article XI) as defined below:

Program	Program-Specific Reinsurance Loss Ratio Cap	Subject Per Loss Occurrence Limit
Preferred Club	132.3%	$ 300,000
Preferred Employment	149.2%	$ 250,000
Preferred Hospitality	133.1%	$ 250,000
Preferred Non-Profit	132.3%	$ 250,000
Preferred Utilities	144.9%	$ 400,000

B. The dollar amount of the "Program-specific Reinsurance Loss Ratio Cap" shall be equal to the reinsurance premium as respects each program times the percentages listed in the above table for such program, and that amount shall be the maximum liability that the Reinsurer shall pay for Net Losses per Contract Year for each program. However, in no event shall the Reinsurer pay more than an "Aggregate Loss Ratio Cap" equal to 141.5% of the Contract Year Premium ceded as respects all covered programs in any one Contract Year.

C. "Subject Per Loss Occurrence Limit" shall be the maximum loss occurrence amount per program that is subject to this Contract.

ARTICLE VIII – PREMIUM AND PROFIT COMMISSION

A. The premium to the Reinsurer shall be 37.8% of the Reassured's gross collected premiums for the covered business.

B. The Reinsurer shall pay the Reassured a profit commission, equal to 40.0% of the net profit, if any, accruing to the Reinsurer from business attaching to each Contract Year, the first Contract Year being June 1, 1999 through May 31, 2000.

C. The Reinsurer's net profit for each Contract Year shall be calculated in accordance with the following formula, it being understood that a positive balance equals net profit and a negative balance equals net loss:

1. Contract Year Premiums earned hereunder; less
2. Cumulative ceded losses incurred hereunder for the Contract Year.

D. The Reassured shall calculate the Profit Commission, if any, for the first Contract Year on the first business day of June, 2002 and calculate and report annually thereafter the Profit Commission for the Contract Year, if any, until all losses subject hereto have been finally settled.

E. As respects subsequent Contract Years, except the final Contract Year, the Reassured shall calculate the net profit, if any, two years after the end of each Contract Year, and annually thereafter until all losses subject hereto have been finally settled.

F. Each such calculation for each Contract Year shall be based on cumulative transactions hereunder from the beginning of the Contract Year through the date of calculation. As respects the initial calculation for the Contract Year as defined above, any profit commission shown to be due the Reassured shall be paid by the Reinsurer four (4) years after the end of each Contract Year, that is, twenty-four months after the first calculation. As respects each recalculation, in the event the Reinsurers previously paid a Profit Commission to the Reassured for the Contract Year, any additional profit commission shown to be due the Reassured shall be paid by the Reinsurer within fifteen (15) days after such recalculation. Any return profit commission shown to be due the Reinsurer shall be paid by the Reassured within fifteen (15) days after receipt of the Reinsurer's advices to that effect.

G. "Premiums earned" as used herein shall mean net written premiums for policies with effective or renewal dates during the Contract Year, less the unearned portion thereof as of the effective date of calculation, it being understood and agreed that all premiums for policies with effective or renewal dates during a Contract Year shall be credited to that Contract Year, unless this Contract is terminated on a "cut-off" basis, in which event the unearned reinsurance as of the effective date of termination shall be returned by the Reinsurers to the Reassured.

H. "Losses incurred" as used herein shall mean ceded losses paid as of the effective date of calculation, plus the ceded reserves for losses outstanding, including any amounts for losses incurred but not reported, as of the same date, all as respects losses occurring under original policies ceded during the Contract Year under consideration.

ARTICLE IX - EXPERIENCE ACCOUNT

A. The Reassured shall maintain, for the benefit of the Reinsurer, a notional Experience Account subject to the terms herein. The Reassured and the Reinsurers agree that loss settlements herein shall be paid first from the Experience Account until depleted; thereafter loss settlements shall be collected monthly, in accordance with the reports and remittances provisions of the Contract, directly from the Reinsurer.

B. The Experience Account shall be maintained for the business covered under this Contract and shall be defined as:

1. 90.0% of the cumulative Reinsurance Premium developed hereunder (being 100.0% of the Reinsurance Premium developed less 10.0% of the Reinsurance Premium developed as an allowance for the Reinsurers' expenses ("Reinsurer's Margin") which shall be paid directly to the Reinsurer), less

2. 100.0% of cumulative Net Loss Payments for covered losses subject hereto, and any applicable Profit Commission payments for any Contract Year covered hereunder; plus

3. The cumulative Investment Income credited to the notional Experience Account.

The sum of 1. and 3. above for each contract year shall be defined as the "Contract Year Premium"

C. 90.0% of the Monthly Reinsurance Premium shall be contributed to the Experience Account on the dates such amounts are notionally due, in accordance with the reports and remittances provisions of the Contract. The Monthly Reinsurers Margin shall be transferred to the Reinsurer in accordance with the reports and remittances provisions of the Contract.

D. Net Loss payments due from the Reinsurer shall be charged against the notional Experience Account on the date such monies are due.

E. The Experience Account Interest Credit shall be computed annually for the Experience Account, and shall be equal to the notional average daily balance of the Experience Account during the calendar year (or portion thereof) multiplied by the Interest Credit Rate (or pro rata portion thereof) applicable, credited annually in arrears.

F. The Interest Credit Rate applicable to the Experience Account for each Contract Year for the business covered under this Contract shall be equal to the weighted average of the three-year U.S. Treasury Note yield published in the Wall Street Journal. The weighted average rate shall be defined as 50% of the three-year U.S. Treasury Note yield as published in the Wall Street Journal on the first business day of December each year plus 50% of the three-year U.S. Treasury Note yield as published in the Wall Street Journal on the first business day of June each year.

G. Should any one of the following events occur, the Reinsurer may, at its own discretion, demand immediate transfer of cash and cash equivalent assets equal to the notional Experience Account to either the Reinsurer or a Trust Fund, with a bank acceptable to both parties, within 30 days after such demand:

- The Reassured's A.M. Best rating falls below A-
- The Reassured's surplus falls below $50,000,000
- The Reassured ceases writing new or renewal business

In the event the assets are transferred to a Trust Fund, the Reassured shall maintain the Trust Fund balance to be equal to the notional Experience Account as defined herein including the requisite interest credit and shall be responsible for any and all Trust Fund fees.

In the event the assets are transferred to the Reinsurer, the Interest Credit Rate shall be calculated in accordance with Paragraph F above.

H. In the event the Reassured has not elected to commute covered claims for any Contract Year covered by this Contract, after 60 months from the end of a Contract Year, the Reinsurer may demand release of the Experience Account balance relating to that Contract Year. Subsequent to the Reassured releasing the Experience Account to the Reinsurer, the Reassured shall submit thereafter to the Reinsurer its request for loss settlements on a monthly basis in accordance with the reports and remittances provisions of the Contract. The Reinsurer shall reimburse the Reassured its share of such funds within 15 days of receipt of the Reassured's proof of loss.

ARTICLE X – REPORTS AND REMITTANCES

Within sixty (60) days after the close of each month, the Reassured shall furnish the Reinsurers with a report summarizing gross premium ceded, less losses paid, loss adjustment expense paid, monies recovered and net balance due either party on each program ceded. In addition, the Reassured shall furnish the Reinsurers an annual statement showing the total reserves for outstanding losses including loss adjustment expense and such other information as may be required by the Reinsurers for completion of their NAIC annual statements. Amounts due the Reinsurers shall be remitted with the report.

ARTICLE XI – NET RETENTION

For this Contract Year and each successive Contract Year, the Reassured shall retain an amount of all Net Loss equal to 20.0% of the Cumulative Original Gross Written Premium net for its own account.

ARTICLE XII – NET LOSS

All Loss and Loss Adjustment Expenses plus any Loss in Excess of Policy Limits/ Extra Contractual Obligations, after deducting all recoveries, all salvage and all amounts due from any other Reinsurers (whether collected or not). Loss adjustment expenses shall include but not be limited to: a) expenses sustained in connection with settlement and litigation of claims and suits, satisfaction of judgments, resistance to or negotiations concerning a loss, b) legal expenses and costs incurred in connection with coverage questions regarding specific claims and legal actions, including declaratory judgment actions, connected thereto, c) all interest on judgments other than prejudgment interest when added to a judgment, and d) expenses sustained to obtain recoveries, salvages or other reimbursements, or to secure the reverse or reduction of a verdict or judgment. All loss settlements made by the Reassured, within the terms and conditions of this Contract, shall be unconditionally binding upon the Reinsurers, and the Reinsurers agree to pay or allow, as the case may be, their share of each such settlement in accordance with this Contract.

ARTICLE XIII – COMMUTATION

A. The Reassured can, at its sole discretion, elect to commute this Contract at any calendar quarter ending on or after July 1, 2001, subject to 90 days advance written notice, and provided the notional Experience Account balance is positive.

B. Upon commutation, the liability for all outstanding loss recoveries due herein shall revert to the Reassured in exchange for the Reinsurer releasing 100.0% of the positive notional Experience Account to the Reassured (unless assets equivalent to the Experience Account have been transferred directly to the Reinsurer or a Trust Fund; in which case, the assets shall be returned to the Reassured by the Reinsurer or from the Trust Fund).

C. Release of the Experience Account (or payment of the assets equivalent to the Experience Account) shall constitute a full and final settlement of the terms of this Contract, and the Reinsurer shall be released from all current and future liability herein.

ARTICLE XIV – OFFSET (BRMA 36C)

The Reassured and the Reinsurers shall have the right to offset any balance or amounts due from one party to the other under the terms of this Contract. The party asserting the right of offset may exercise such right any time whether the balances due are on account of premiums or losses or otherwise.

ARTICLE XV – ERRORS AND OMISSIONS

Inadvertent delays, errors or omissions made in connection with this Contract shall not relieve either party from any liability which would have attached had such delay, error or omission not occurred, provided always that such delay, error or omission shall be rectified as soon as possible after discovery by the Reassured's Home Office.

ARTICLE XVI – CURRENCY (BRMA 12A)

A. Whenever the word "Dollars" or the "$" sign appears in this Contract, they shall be construed to mean United States Dollars and all transactions under this Contract shall be in United States Dollars.

B. Amounts paid or received by the Reassured in any other currency shall be converted to United States Dollars at the rate of exchange at the date such transaction is entered on the books of the Reassured.

ARTICLE XVII – TAXES (BRMA 50A)

In consideration of the terms under which this Contract is issued, the Reassured undertakes not to claim any deduction of the premium hereon when making Canadian Tax returns or when making tax returns, other than Income or Profits Tax returns, to any State or Territory of the United States of America or to the District of Columbia.

ARTICLE XVIII – FEDERAL EXCISE TAX (BRMA 17A)

(Applicable to those Reinsurers, excepting Underwriters at Lloyd's London and other Reinsurers exempt from Federal Excise Tax, who are domiciled outside the United States of America.)

A. The Reinsurers have agreed to allow for the purpose of paying the Federal Excise Tax the applicable percentage of the premium payable hereon (as imposed under Section 4371 of the Internal Revenue Code) to the extent such premium is subject to the Federal Excise Tax.

B. In the event of any return of premium becoming due hereunder, the Reinsurers shall deduct the applicable percentage from the return premium payable hereon and the Reassured or its agent should take steps to recover the tax from the United States Government.

ARTICLE XIX – ACCESS TO RECORDS (BRMA 1C)

The Reassured shall place at the disposal of the Reinsurers at all reasonable times, and the Reinsurers shall have the right to inspect through their designated representatives, during the term of this Contract and thereafter, all books, records and papers of the Reassured in connection with any reinsurance hereunder, or the subject matter hereof.

ARTICLE XX – ARBITRATION

A. As a condition precedent to any right of action hereunder, any dispute or difference between the Reassured and Reinsurer relating to the interpretation or performance of this Contract, including its formation or validity, or any transaction under this Contract, whether arising before or after termination, shall be submitted to binding arbitration.

B. Upon written request of any party, each party shall choose an arbitrator and the two chosen shall select a third arbitrator. If either party refuses or neglects to appoint an arbitrator within 30 days after receipt of the written request for arbitration, the requesting party may appoint a second arbitrator. If the two arbitrators fail to agree on the selection of a third arbitrator within 30 days of their appointment, each of them shall name three individuals, of whom the other shall decline two, and the selection of the third arbitrator from those remaining named individuals shall be made by the Federal District Court for the Eastern District of Pennsylvania. The Arbitrator's shall be active or retired officers and/or legal council of an insurance or reinsurance company. Each party shall submit its case to the arbitrators within 30 days of the appointment of the third arbitrator.

C. The parties hereby waive all objections to the method of selection of the arbitrators, it being the intention of both sides that all arbitrators be chosen from those submitted by the parties.

D. The arbitrators shall have the power to determine all procedural rules for the holding of the arbitration including but not limited to inspection of documents, examination of witnesses and any other matter relating to the conduct of the arbitration. The arbitrators shall interpret this Contract as an honorable engagement and not as merely a legal obligation; they are relieved of all judicial formalities and may abstain from following the strict rules of law. The arbitrators may not award punitive or exemplary damages. Each party shall bear the expense of its own arbitrator and shall share equal with the other party the expense of the third arbitrator and of the arbitration.

E. Arbitration hereunder shall take place in Philadelphia, Pennsylvania, unless both parties otherwise agree. Except as hereinabove provided, the arbitration shall be in accordance with the rules and procedures established by the Uniform Arbitration Act as enacted in Pennsylvania.

ARTICLE XXI – INSOLVENCY (BRMA 19C)

A. In the event of the insolvency of the Reassured, this reinsurance shall be payable directly to the Reassured, or to its liquidator, receiver, conservator or statutory successor on the basis of the liability of the Reassured without diminution because of the insolvency of the Reassured or because the liquidator, receiver, conservator or statutory successor of the Reassured 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 Reassured shall give written notice to the Reinsurers of the pendency of a claim against the Reassured indicating the policy insured 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 Reassured 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 Reassured 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 Reassured solely as a result of the defense undertaken by the Reinsurers.

B. Where two or more Reinsurers 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 this Contract as though such expense had been incurred by the insolvent Reassured.

ARTICLE XXII – SERVICE OF SUIT (BRMA 49A)

(This Article only applies to Reinsurers domiciled outside of the United States and/or unauthorized in any states, territory or district of the United States having jurisdiction over the Reassured.)

A. It is agreed that in the event of the failure of the Reinsurers hereon to pay any amount claimed to be due hereunder, the Reinsurers hereon, at the request of the Reassured, shall submit to the jurisdiction of a court of competent jurisdiction within the United States. Nothing in this Article constitutes or should be understood to constitute a waiver of the Reinsurers' rights to commence an action in any court of competent jurisdiction in the United States, to remove an action to a United States District Court, or to seek a transfer of a case to another court as permitted by the laws of the United States or of any state in the United States. It is further agreed that service of process in such suit may be made upon Mendes and Mount, 750 Seventh Avenue, New York, New York 10019-6829, and that in any suit instituted, the Reinsurers shall abide by the final decision of such court or of any Appellate Court in the event of an appeal.

B. The above-named are authorized and directed to accept service of process on behalf of the Reinsurers in any such suit and/or upon the request of the Reassured to give a written undertaking to the Reassured that they shall enter a general appearance upon the Reinsurers' behalf in the event such a suit shall be instituted.

C. Further, pursuant to any statute of any state, territory or district of the United States which makes provision therefor, the Reinsurers hereon hereby designate the Superintendent, Commissioner or Director of Insurance or other officer specified for that purpose in the statute, or his successor or successors in office, as their true and lawful attorney upon whom may be served any lawful process in any action, suit or proceeding instituted by or on behalf of the Reassured or any beneficiary hereunder arising out of this Contract of reinsurance, and hereby designates the above-named as the person to whom the said officer is authorized to mail such process or a true copy thereof.

ARTICLE XXIII – RESERVES

A. If a jurisdiction of the United States shall not permit the Reassured, in the statements required to be filed with its regulatory authority(ies), to receive full credit as admitted reinsurance for any Reinsurer's share of obligations, the Reassured shall forward to such Reinsurer a statement of the Reinsurer's share of such obligations. Upon receipt of such statement the Reinsurer shall promptly apply for, and provide the Reassured with, a "clean," unconditional and irrevocable Letter of Credit, in the amount specified in the statement submitted, with terms and bank acceptable to the regulatory authority(ies) having jurisdiction over the Reassured.

B. "Obligations," as used in this Article, shall mean the sum of losses paid and allocated loss adjustment expenses paid by the Reassured but not yet recovered from the Reinsurer, plus reserves for reported losses, allocated loss adjustment expenses, losses incurred but not reported and premiums unearned, if any.

C. The Reinsurer hereby agrees that the Letter of Credit shall provide for automatic extension of the Letter of Credit without amendment for one year from the date of expiration of said Letter or any future expiration date unless thirty (30) days prior to any expiration the issuing bank shall notify the Reassured by registered mail that the issuing bank elects not to consider the Letter of Credit renewed for any additional period. An issuing bank, not a "qualified bank" as defined by Regulation No. 133 promulgated by the Insurance Department of the State of New York, shall provide sixty (60) days notice to the Reassured prior to any expiration.

D. Notwithstanding any other provision of this Contract, the Reassured or any successor by operation of law of the Reassured including, without limitation, any liquidator, rehabilitator, receiver or conservator of the Reassured may draw upon such credit, without diminution because of the insolvency of any party hereto, at any time and undertakes to use and apply such credit for one or more of the following purposes only:

1. To pay the Reinsurer's share or to reimburse the Reassured for the Reinsurer's share of any obligations, as stipulated in the statement submitted by the Reassured to the Reinsurer, which is due to the Reassured and not otherwise paid by the Reinsurer.

2. In the event the Reassured has received effective notice of non-renewal of the Letter of Credit and the Reinsurer's liability remains unliquidated and undischarged thirty (30) days prior to the expiry date of the Letter of Credit, to withdraw the balance of the Letter of Credit and place such sums in an interest bearing trust account to secure the continuing liabilities of the Reinsurer under this Contract until a renewal Letter of Credit acceptable to the regulatory authority(ies) having jurisdiction over the Reassured, or a substitute in lieu thereof acceptable to the regulatory authority(ies) having jurisdiction over the Reassured, has been received by the Reassured. The Reassured shall provide to the Reinsurer payment of any interest thereon accruing from such account.

3. To make refund of any sum which is in excess of the actual amount required for Sections 1 and 2 of this paragraph.

E. At annual intervals or more frequently as determined by the Reassured, but never more frequently than quarterly, the Reassured shall prepare a specific statement, for the sole purpose of amending the Letter of Credit, of the Reinsurer's share of any obligations. If the statement shows that the Reinsurer's share of obligations exceeds the balance of credit as of the statement date, the Reinsurer shall, within thirty (30) days after receipt of notice of such excess, secure delivery to the Reassured of an amendment of the Letter of Credit increasing the amount of credit by the amount of such difference. If the statement shows, however, that the Reinsurer's share of obligations is less than the balance of credit as of the statement date, the Reassured shall, within thirty (30) days after receipt of written request from the Reinsurer, release such excess credit by agreeing to secure an amendment to the Letter of Credit reducing the amount of credit available by the amount of such excess credit.

F. The bank shall have no responsibility whatsoever in connection with the propriety of withdrawals made by the Reassured or the disposition of funds withdrawn, except to assure that withdrawals are made only upon the order of properly authorized representatives of the Reassured. The Reassured shall incur no obligation to the bank in acting upon the credit, other than as appears in the express terms thereof.

ARTICLE XXIV – INTERMEDIARY (BRMA 23A)

Towers Perrin Reinsurance is hereby recognized as the Intermediary negotiating this Contract for all business hereunder. All communications (including but not limited to notices, statements, premium, return premium, commissions, taxes, losses, loss adjustment expense, salvages and loss settlements) relating thereto shall be transmitted to the Reassured or the Reinsurers through Towers Perrin Reinsurance, Mellon Bank Center, 1735 Market Street, Philadelphia, Pennsylvania, 19103-7501. Payments by the Reassured to the Intermediary shall be deemed to constitute payment to the Reinsurers. Payments by the Reinsurers to the Intermediary shall be deemed to constitute payment to the Reassured only to the extent that such payments are actually received by the Reassured.

LEGION INSURANCE COMPANY

THE PREFERRED PROGRAMS

CASUALTY QUOTA SHARE REINSURANCE CONTRACT

EFFECTIVE JUNE 1, 1999

EXHIBIT A: EXCLUSIONS

1. Business classified as:

   a. Underground Mining;
   b. Railroad Liability, including operation of any carrier on rails, or Federal Railroad Act.
   c. Aviation, other than incidental industrial aid.
   d. Ocean Marine, including Protection and Indemnity when covering passenger ships;
   e. Kidnap and Ransom, and Political Risk; and
   f. SEC Liability; and
   g. Professional Liability, when written as such.

2. Liability of the Reassured arising, by contract, operation of law, or otherwise, from its participation or membership, whether voluntary or involuntary, in any insolvency fund. "Insolvency fund" includes any guaranty fund, insolvency fund, plan, pool, association, fund or other arrangement, howsoever denominated, established or governed; which provides for any assessment of or payment or assumption by the Reassured of part or all of any claim, debt, charge, fee or other obligation of an insurer, or its successors or assigns, which has been declared by any competent authority to be insolvent, or which is otherwise deemed unable to meet any claim, debt, charge, fee or other obligation in whole or in part.

3. Reinsurance Assumed, except internal pooling and reinsurance agreements among the various companies named as "Reassured".

4. Loss or liability excluded by the provisions of the "Nuclear Incident Exclusion Clause - Liability - Reinsurance - U.S.A." and "Nuclear Incident Exclusion Clause - Liability - Reinsurance - Canada" attached to and forming part of this Contract.

5. Business derived directly or indirectly from any Pool, Association or Syndicate which maintains its own reinsurance facilities.

6. War (as per the Reassured's original policies.)

7. Pollution as per ISO wording (CG 0001) except as modified by the Pesticide or Herbicide Application Coverage Endorsement (CG 2264).

8. Manufacture, Storage, Distribution, Installation, Transportation or Removal of Asbestos or Asbestos unless unknown to the Reassured, and when known by the Reassured, cancellation to be effected within the time permitted by regulating authorities.

NUCLEAR INCIDENT EXCLUSION CLAUSE – LIABILITY – REINSURANCE – U.S.A. (BRMA 35A)

This reinsurance does not cover any loss or liability accruing to the Reassured as a member of, or subscriber to, any association of insurers or reinsurers formed for the purpose of covering nuclear energy risks or as a direct or indirect reinsurer of any such member, subscriber or association.

2. Without in any way restricting the operation of paragraph 1 of this Clause, it is understood and agreed that for all purposes of this reinsurance all the original policies of the Reassured (new, renewal and replacement) of the classes specified in Clause II of this paragraph 2 from the time specified in Clause III in this paragraph 2 shall be deemed to include the following provision (specified as the Limited Exclusion Provision):

Limited Exclusion Provision*

I. It is agreed that the policy does not apply under any liability coverage, to [injury, sickness, disease, death or destruction] [bodily injury or property damage]

with respect to which an insured under the policy is also an insured under a nuclear energy liability policy issued by Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters or Nuclear Insurance Association of Canada, or would be an insured under any such policy but for its termination upon exhaustion of its limit of liability.

II. Family Automobile Policies (liability only), Special Automobile Policies (private passenger automobiles, liability only), Farmers Comprehensive Personal Liability Policies (liability only), Comprehensive Personal Liability Policies (liability only) or policies of a similar nature; and the liability portion of combination forms related to the four classes of policies stated above, such as the Comprehensive Dwelling Policy and the applicable types of Homeowners Policies.

III. The inception dates and thereafter of all original policies as described in II above, whether new, renewal or replacement, being policies which either

(a) become effective on or after 1st May, 1960, or

(b) become effective before that date and contain the Limited Exclusion Provision set out above;

provided this paragraph 2 shall not be applicable to Family Automobile Policies, Special Automobile Policies, or policies or combination policies of a similar nature, issued by the Reassured on New York risks, until 90 days following approval of the Limited Exclusion Provision by the Governmental Authority having jurisdiction thereof.

II. Except for those classes of policies specified in Clause II of paragraph 2 and without in any way restricting the operation of paragraph 1 of this Clause, it is understood and agreed that for all purposes of this reinsurance the original liability policies of the Reassured (new, renewal and replacement) affording the following coverages:

Owners, Landlords and Tenants Liability, Contractual Liability, Elevator Liability, Owners or Contractors (including railroad), Protective Liability, Manufacturers and Contractors Liability, Product Liability, Professional and Malpractice Liability, Storekeepers Liability, Garage Liability, Automobile Liability (including Massachusetts Motor Vehicle or Garage Liability)

shall be deemed to include, with respect to such coverages, from the time specified in Clause V of this paragraph 3, the following provision (specified as the Broad Exclusion Provision):

Broad Exclusion Provision*

It is agreed that the policy does not apply:

A. Under any Liability Coverage, to [injury, sickness, disease, death or destruction] [bodily injury or property damage]

1. with respect to which an insured under the policy is also an insured under a nuclear energy liability policy issued by Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters or Nuclear Insurance Association of Canada, or would be an insured under any such policy but for its termination upon exhaustion of its limit of liability; or

2. resulting from the hazardous properties of nuclear material and with respect to which (1) any person or organization is required to maintain financial protection pursuant to the Atomic Energy Act of 1954, or any law amendatory thereof, or (2) the insured is, or had this policy not been issued would be, entitled to indemnity from the United States of America, or any agency thereof, under any agreement entered into by the United States of America, or any agency thereof, with any person or organization.

B. Under any Medical Payments Coverage, or under any Supplementary Payments Provision relating to [immediate medical or surgical relief] [first aid] to expenses incurred with respect to [bodily injury, sickness, disease or death] [bodily injury] resulting from the hazardous properties of nuclear material and arising out of the operation of a nuclear facility by any person or organization.

C. Under any Liability Coverage, to [injury, sickness, disease, death or destruction] [bodily injury or property damage] resulting from the hazardous properties of nuclear material, if

1. the nuclear material (1) is at any nuclear facility owned by, or operated by or on behalf of, an Insured, or (2) has been discharged or dispersed therefrom;

2. the nuclear material is contained in spent fuel or waste at any time possessed, handled, used, processed, stored, transported or disposed of by or on behalf of an Insured; or

3. the [injury, sickness, disease, death or destruction] [bodily injury or property damage] arises out of the furnishing by an Insured of services, materials, parts or equipment in connection with the planning, construction, maintenance, operation or use of any nuclear facility, but if such facility is located within the United States of America, its territories, or possessions or Canada, this exclusion (c) applies only to [injury to or destruction of property at such nuclear facility] [property damage to such nuclear facility and any property thereat].

D. As used in this endorsement:

"Hazardous properties" include radioactive, toxic or explosive properties; "nuclear material" means source material, special nuclear material or byproduct material; "source material", "special nuclear material", and "byproduct material" have the meanings given them in the Atomic Energy Act of 1954 or in any law amendatory thereof; "spent fuel" means any fuel element or fuel component, solid or liquid, which has been used or exposed to radiation in a nuclear reactor; "waste" means any waste material (1) containing byproduct material other than tailings or wastes produced by the extraction or concentration of uranium or thorium from any ore processed primarily for its source material content, and (2) resulting from the operation by any person or organization of any nuclear facility included under the first two paragraphs of the definition of nuclear facility; "nuclear facility" means:

1. any nuclear reactor,

2. any equipment or device designed or used for (1) separating the isotopes of uranium or plutonium, (2) processing or utilizing spent fuel, or (3) handling, processing or packaging waste,

3. any equipment or device used for the processing, fabricating or alloying of special nuclear material if at any time the total amount of such material in the custody of the Insured at the premises where such equipment or device is located consists of or contains more than 25 grams of plutonium or uranium 233 or any combination thereof, or more than 250 grams of uranium 235,

4. any structure, basin, excavation, premises or place prepared or used for the storage or disposal of waste,

and includes the site on which any of the foregoing is located, all operations conducted on such site and all premises used for such operations; "nuclear reactor" means any apparatus designed or used to sustain nuclear fission in a self-supporting chain reaction or to contain a critical mass of fissionable material;

[with respect to injury to or destruction of property, the word "injury" or "destruction"] ["property damage" includes all forms of radioactive contamination of property.] [exclusion (c) does not apply to damage to property of the Insured.]

E. The inception dates and thereafter of all original policies affording coverages specified in this paragraph 3, whether new, renewal or replacement, being policies which become effective on or after 1st May, 1960, provided this paragraph 3 shall not be applicable to:

a) Garage and Automobile Policies issued by the Reassured on New York risks, or

b) statutory liability insurance required under Chapter 90, General Laws of Massachusetts,

until 90 days following approval of the Broad Exclusion Provision by the Governmental Authority having jurisdiction thereof.

IV. Without in any way restricting the operation of paragraph 1 of this Clause, it is understood and agreed that paragraphs 2 and 3 above are not applicable to original liability policies of the Reassured in Canada and that with respect to such policies this Clause shall be deemed to include the Nuclear Energy Liability Exclusion Provisions adopted by the Canadian Underwriters' Association or the Independent Insurance Conference of Canada.

*NOTE: The words printed in italics in the Limited Exclusion Provision and in the Broad Exclusion Provision shall apply only in relation to original liability policies which include a Limited Exclusion Provision or a Broad Exclusion Provision containing those words.

NUCLEAR INCIDENT EXCLUSION CLAUSE – LIABILITY – REINSURANCE – CANADA (BRMA 35D)

1. This Agreement does not cover any loss or liability accruing to the Reassured as a member of, or subscriber to, any association of insurers or reinsurers formed for the purpose of covering nuclear energy risks or as a direct or indirect reinsurer of any such member, subscriber or association.

2. Without in any way restricting the operation of paragraph 1 of this clause, it is agreed that for all purposes of this Agreement all the original liability contracts of the Reassured, whether new, renewal or replacement, of the following classes, namely:

Personal Liability
Farmers' Liability
Storekeepers' Liability

which become effective on or after 31st December 1984, shall be deemed to include, from their inception dates and thereafter, the following provision:

Limited Exclusion Provision

This Policy does not apply to bodily injury or property damage with respect to which the Insured is also insured under a contract of nuclear energy liability insurance (whether the Insured is unnamed in such contract and whether or not it is legally enforceable by the Insured) issued by the Nuclear Insurance Association of Canada or any other group or pool of insurers or would be an Insured under any such policy but for its termination upon exhaustion of its limits of liability.

With respect to property, loss of use of such property shall be deemed to be property damage.

III. Without in any way restricting the operation of paragraph 1 of this clause, it is agreed that for all purposes of this Agreement all the original liability contracts of the Reassured, whether new, renewal or replacement, of any class whatsoever (other than Personal Liability, Farmers' Liability, Storekeepers' Liability or Automobile Liability contracts), which become effective on or after 31st December 1984, shall be deemed to include from their inception dates and thereafter, the following provision:

Broad Exclusion Provision

It is agreed that this Policy does not apply:

A. To liability imposed by or arising under the Nuclear Liability Act; nor

B. To bodily injury or property damage with respect to which an Insured under this policy is also insured under a contract of nuclear energy liability insurance (whether the Insured is unnamed in such contract and whether or not it is legally enforceable by the Insured) issued by the Nuclear Insurance Association of Canada or any other insurer or group or pool of insurers or would be an Insured under any such policy but for its termination upon exhaustion of its limit of liability; nor

C. To bodily injury or property damage resulting directly or indirectly from the nuclear energy hazard arising from:

1. the ownership, maintenance, operation or use of a nuclear facility by or on behalf of an Insured.

2. the furnishing by an Insured of services, materials, parts or equipment in connection with the planning, construction, maintenance, operation or use of any nuclear facility; and

3. the possession, consumption, use, handling, disposal or transportation of fissionable substances, or of other radioactive material (except radioactive isotopes, away from a nuclear facility, which have reached the final stage of fabrication so as to be useable for any scientific, medical, agricultural, commercial or industrial purpose) used, distributed, handled or sold by an Insured.

As used in this Policy:

I. The term "nuclear energy hazard" means the radioactive, toxic, explosive or other hazardous properties of radioactive material.

II. The term "radioactive material" means uranium, thorium, plutonium, neptunium, their respective derivatives and compounds, radioactive isotopes of other elements and any other substances that the Atomic Energy Control Board may, by regulation, designate as being prescribed substances capable of releasing atomic energy, or as being requisite for the production, use or application of atomic energy.

III. The term "nuclear facility" means:

A. Any apparatus designed or used to sustain nuclear fission in a self-supporting chain reaction or to contain a critical mass of plutonium, thorium and uranium or any one or more of them;

B. Any equipment or device designed or used for (1) separating the isotopes of plutonium, thorium and uranium or any one or more of them, (2) processing or utilizing spent fuel, or (3) handling, processing or packaging waste;

C. Any equipment or device used for the processing, fabricating or alloying of plutonium, thorium or uranium enriched in the isotope uranium 233 or in the isotope uranium 235, or any one or more of them if at any time the total amount of such material in the custody of the Insured at the premises where such equipment or device is located consists of or contains more than 25 grams of plutonium or uranium 233 or any combination thereof, or more than 250 grams of uranium 235;

D. Any structure, basin, excavation, premises or place prepared or used for the storage or disposal of waste radioactive material;

and includes the site on which any of the foregoing is located, together with all operations conducted thereon and all premises used for such operations.

IV. The term "fissionable substance" means any prescribed substance that is, or from which can be obtained, a substance capable of releasing atomic energy by nuclear fission.

V. With respect to property, loss of use of such property shall be deemed to be property damage.

THE PREFERRED PROGRAMS

CASUALTY QUOTA SHARE REINSURANCE CONTRACT

EFFECTIVE JUNE 1, 2000, 12:01 A.M., LOCAL STANDARD TIME

issued to

LEGION INSURANCE COMPANY
PHILADELPHIA, PENNSYLVANIA
LEGION INDEMNITY COMPANY
CHICAGO, ILLINOIS
VILLANOVA INSURANCE COMPANY
PHILADELPHIA, PENNSYLVANIA
MUTUAL INDEMNITY LTD.
HAMILTON, BERMUDA

and all other companies which are now or hereafter become part of the MUTUAL RISK MANAGEMENT, LTD. GROUP

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THE PREFERRED PROGRAMS

CASUALTY QUOTA SHARE REINSURANCE CONTRACT

EFFECTIVE JUNE 1, 2000, 12:01 A.M., LOCAL STANDARD TIME

issued to

LEGION INSURANCE COMPANY
PHILADELPHIA, PENNSYLVANIA
LEGION INDEMNITY COMPANY
CHICAGO, ILLINOIS
VILLANOVA INSURANCE COMPANY
PHILADELPHIA, PENNSYLVANIA
MUTUAL INDEMNITY LTD.
HAMILTON, BERMUDA

and all other companies which are now or hereafter become part of the MUTUAL RISK MANAGEMENT, LTD. GROUP

ARTICLE I - BUSINESS COVERED

A. Business produced and underwritten by Philip J. Harvey & Company, Inc. for the Reassured classified as Workers Compensation and Employers Liability and consisting of policies for the Reassured's:

Preferred Club Program
Preferred Hospitality Program
Preferred Non-profit Program
Preferred Technology Program

B. "Contract Year" shall mean each twelve (12) month period commencing at June 1, 2000.

C. The term "policies", whenever used herein, shall mean all binders, policies, contracts, and certificates of insurance.

ARTICLE II - COMMENCEMENT AND TERMINATION

A. This Contract shall incept at 12:01 a.m., Local Standard Time, June 1, 2000, at the location of the risk, and shall apply to losses arising out of loss occurrences commencing on or after that date on new and renewal policies attaching to the named Preferred Programs attaching on or after that date. This Contract and shall remain in force for an indefinite period, but either party shall have the right to cancel at any quarter by giving at least seventy-five (75) days prior written notice by certified or registered mail. The second "Contract Year" shall be from the effective date of this Contract through May 31, 2001 and each separate 12 month period shall be a separate Contract Year.

B. In the event either party cancels in accordance with the paragraph above, the Reinsurers shall participate in all business ceded within the terms of this Contract written or renewed by the Reassured after receipt of notice of cancellation but prior to termination.

C. In the event of the termination of this Contract, at the Reassured's option:

1.) The Reinsurers shall remain liable for all policies in force at termination of this Contract; however, the liability of the Reinsurers shall cease with respect to losses occurring subsequent to the first anniversary, natural expiration or cancellation of each policy under each program ceded, whichever first occurs; or

2.) The Reinsurers shall be relieved of all liability hereunder for losses occurring subsequent to termination of this Contract.

D. The Reinsurers shall refund to the Reassured the unearned reinsurance premium applicable to the unexpired liability (calculated on a pro rata basis), less the commission allowed by the Reinsurers if option 2 above is elected. The Reinsurers shall continue to be liable for their proportionate share of the outstanding losses (reported or unreported) on policies ceded hereunder with a date of loss prior to the conclusion of the run-off or termination, as the case may be.

E. Notwithstanding any other provision of this Contract, in the event that any policy is required by statute or departmental regulation or order to be continued in force, the Reinsurers will continue to remain liable with respect to each such policy until the Reassured may legally cancel, non-renew or otherwise eliminate liability under such policy or policies.

ARTICLE III - EXCLUSIONS

Exclusions attached in Exhibit "A".

ARTICLE IV - AFFILIATED COMPANIES (BRMA 2B)

Whenever the word "Reassured" is used in this Contract, same shall be held to include any or all of the affiliated companies, which are or may hereafter be under common control.

ARTICLE V - FOLLOW THE FORTUNES

The Reinsurers' liability shall attach simultaneously with that of the Reassured 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 Reassured, the true intent of this Contract being that the Reinsurers shall, in every case to which this Contract applies, follow the fortunes of the Reassured.

ARTICLE VI - TERRITORY (BRMA 51A)

The territorial limits of this Contract shall be identical with those of the Reassured's policies.

ARTICLE VII - QUOTA SHARE PARTICIPATION

A. The Reassured shall cede and the Reinsurers shall accept a 90.0% Quota Share Participation of the Reassured's Liability for Net Losses per loss occurrence, per program up to the Subject Per Loss Occurrence Limit as respects each program and up to the Program-specific Reinsurance Loss Ratio Cap for all Programs covered hereunder as provided in the table below in excess of the Reassured's 20.0% Net Retention (in Article XII) as defined below:

Program	Contract Year Premium Cap Expressed as 100% of Original Premium	Additional Premium Trigger	Program-Specific Reinsurance Loss Ratio Cap	Subject Per Loss Occurrence Limit
Preferred Club	$15,000,000	Not Applicable	130.3%	$350,000
Preferred Hospitality	$16,500,000	139.4%	153.8%	$250,000
Preferred Non-Profit	$12,000,000	Not Applicable	137.7%	$250,000
Preferred Technology	$6,000,000	134.8%	139.8%	$250,000

B. The dollar amount of the "Program-specific Reinsurance Loss Ratio Cap" shall be equal to the reinsurance premium as respects each program times the percentages listed in the above table for such program, and that amount shall be the maximum liability that the Reinsurer shall pay for Net Losses per Contract Year for each program. However, in no event shall the Reinsurer pay more than an "Aggregate Loss Ratio Cap" equal to 140.0% of the Contract Year Premium ceded as respects all covered programs in any one Contract Year.

C. Original premium is capped as respects each Specific Program individually in accordance with the table above under the Quota Share Participation Article. Such caps may be amended by the Reinsurer in writing upon the Reassured providing documented rate level change information in a format satisfactory to the Reinsurer.

D. "Subject Per Loss Occurrence Limit" shall be the maximum loss occurrence amount per program that is subject to this Contract.

ARTICLE VIII - PREMIUM AND PROFIT COMMISSION

A. The premium to the Reinsurer shall be 36.8% of the Reassured's gross collected premiums for the covered business.

B. As respects the business written in the Preferred Hospitality and the Preferred Technology Programs only, eighteen months after the inception of this Contract, the Reassured shall pay an additional premium equal to 75.0% of subject developed incurred losses in excess of the Reinsurers' additional premium trigger as provided above under the Quota Share Participation Article subject to a maximum of 75% of the difference between the Program Specific Reinsurance Loss Ratio Cap and the Additional Premium Trigger on each respective program. At each 12 month period thereafter, a review of developed incurred losses will be performed and any additional or return premiums, subject to the maximum, will be paid.

C. The Reinsurer shall pay the Reassured a profit commission, equal to 40.0% of the net profit, if any, accruing to the Reinsurer from business attaching to each Contract Year, the first Contract Year being June 1, 2000 through May 31, 2001.

D. The Reinsurer's net profit for each Contract Year shall be calculated in accordance with the following formula, it being understood that a positive balance equals net profit and a negative balance equals net loss:

1. Contract Year Premiums earned hereunder; less
2. Cumulative ceded losses incurred hereunder for the Contract Year.

E. The Reassured shall calculate the Profit Commission, if any, for the first Contract Year on the first business day of June, 2002 and calculate and report annually thereafter the Profit Commission for the Contract Year, if any, until all losses subject hereto have been finally settled.

F. As respects subsequent Contract Years, except the final Contract Year, the Reassured shall calculate the net profit, if any, two years after the end of each Contract Year, and annually thereafter until all losses subject hereto have been finally settled.

G. Each such calculation for each Contract Year shall be based on cumulative transactions hereunder from the beginning of the Contract Year through the date of calculation. As respects the initial calculation for the Contract Year as defined above, any profit commission shown to be due the Reassured shall be paid by the Reinsurer four (4) years after the end of each Contract Year, that is, twenty-four months after the first calculation. As respects each recalculation, in the event the Reinsurers previously paid a Profit Commission to the Reassured for the Contract Year, any additional profit commission shown to be due the Reassured shall be paid by the Reinsurer within fifteen (15) days after such recalculation. Any return profit commission shown to be due the Reinsurer shall be paid by the Reassured within fifteen (15) days after receipt of the Reinsurer's advices to that effect.

H. "Premiums earned" as used herein shall mean net written premiums for policies with effective or renewal dates during the Contract Year, less the unearned portion thereof as of the effective date of calculation, it being understood and agreed that all premiums for policies with effective or renewal dates during a Contract Year shall be credited to that Contract Year, unless this Contract is terminated on a "cut-off" basis, in which event the unearned reinsurance as of the effective date of termination shall be returned by the Reinsurers to the Reassured.

I. "Losses incurred" as used herein shall mean ceded losses paid as of the effective date of calculation, plus the ceded reserves for losses outstanding, including any amounts for losses incurred but not reported, as of the same date, all as respects losses occurring under original policies ceded during the Contract Year under consideration.

ARTICLE IX - EXPERIENCE ACCOUNT

A. The Reassured shall maintain, for the benefit of the Reinsurer, a notional Experience Account subject to the terms herein. The Reassured and the Reinsurers agree that loss settlements herein shall be paid first from the Experience Account until depleted; thereafter loss settlements shall be collected monthly, in accordance with the reports and remittances provisions of the Contract, directly from the Reinsurer.

B. The Experience Account shall be maintained for the business covered under this Contract and shall be defined as:

1. 90.0% of the cumulative Reinsurance Premium developed hereunder (being 100.0% of the Reinsurance Premium developed less 10.0% of the Reinsurance Premium developed as an allowance for the Reinsurers' expenses ("Reinsurer's Margin") which shall be paid directly to the Reinsurer), less

2. 100.0% of cumulative Net Loss Payments for covered losses subject hereto, and any applicable Profit Commission payments for any Contract Year covered hereunder; plus

3. The cumulative Investment Income credited to the notional Experience Account.

The sum of 1. and 3. above for each contract year shall be defined as the "Contract Year Premium"

C. 90.0% of the Monthly Reinsurance Premium shall be contributed to the Experience Account on the dates such amounts are notionally due, in accordance with the reports and remittances provisions of the Contract. The Monthly Reinsurers Margin shall be transferred to the Reinsurer in accordance with the reports and remittances provisions of the Contract.

D. Net Loss payments due from the Reinsurer shall be charged against the notional Experience Account on the date such monies are due.

E. The Experience Account Interest Credit shall be computed annually for the Experience Account, and shall be equal to the notional average daily balance of the Experience Account during the calendar year (or portion thereof) multiplied by the Interest Credit Rate (or pro rata portion thereof) applicable, credited annually in arrears.

F. The Interest Credit Rate applicable to the Experience Account for each Contract Year for the business covered under this Contract shall be equal to the weighted average of the three-year U.S. Treasury Note yield published in the Wall Street Journal. The weighted average rate shall be defined as 50% of the three-year U.S. Treasury Note yield as published in the Wall Street Journal on the first business day of December each year plus 50% of the three-year U.S. Treasury Note yield as published in the Wall Street Journal on the first business day of June each year.

G. Should any one of the following events occur, the Reinsurer may, at its own discretion, demand immediate transfer of cash and cash equivalent assets equal to the notional Experience Account to either the Reinsurer or a Trust Fund, with a bank acceptable to both parties, within 30 days after such demand:

- The Reassured's A.M. Best rating falls below A-
- The Reassured's surplus falls below $50,000,000
- The Reassured ceases writing new or renewal business

In the event the assets are transferred to a Trust Fund, the Reassured shall maintain the Trust Fund balance to be equal to the notional Experience Account as defined herein including the requisite interest credit and shall be responsible for any and all Trust Fund fees.

In the event the assets are transferred to the Reinsurer, the Interest Credit Rate shall be calculated in accordance with Paragraph F. above.

H. In the event the Reassured has not elected to commute covered claims for any Contract Year covered by this Contract, after 60 months from the end of a Contract Year, the Reinsurer may demand release of the Experience Account balance relating to that Contract Year. Subsequent to the Reassured releasing the Experience Account to the Reinsurer, the Reassured shall submit thereafter to the Reinsurer its request for loss settlements on a monthly basis in accordance with the reports and remittances provisions of the Contract. The Reinsurer shall reimburse the Reassured its share of such funds within 15 days of receipt of the Reassured's proof of loss.

ARTICLE X - UNDERWRITING GUIDELINES AND SPECIAL TERMINATION

A. The Reassured has established for the purpose of the business subject to this agreement underwriting guidelines, a copy of which is on file with the Reinsurer. It is a condition precedent to the Reinsurer's liability hereunder that the Reassured shall not introduce at any time after the Reassured enters into this agreement any change in these established underwriting guidelines which may increase or extend the liability or exposure of the Reinsurer hereunder in respect of the classes of business to which this agreement applies without the prior written approval of the Reinsurer. The Reassured must submit to the Reinsurer, for special acceptance hereunder, any policy or policies which are not fully in compliance with these guidelines. If the Reassured issues any policy not in compliance with these guidelines that has not been specially accepted by the Reinsurer, the Reinsurer has the right to:

i) terminate this agreement immediately as respects new business from the date such non-compliance policy or policies attach, however, the Reinsurer agrees to allow the Reassured to cede policies that are in compliance with the underwriting guidelines and for which quotes were outstanding as of the date such non-compliance policy or policies attach;

ii) terminate this agreement within 75 days as respects renewal business from the date such non-compliance policy or policies attach, however, the Reinsurer agrees to allow the Reassured to cede policies that are in compliance with the underwriting guidelines and for which quotes were outstanding as of the date such non-compliance policy or policies attach.

B. Either the Reassured or the Reinsurers may terminate this Contract upon the happening of any one of the following circumstances at any time by the giving of 75 days notice in writing to the other:

1. A State Insurance Department or other legal authority orders the other party to cease writing business, or

2. Discovery by either party of fraudulent acts, including Venture Programs, Inc. as underwriting manager for the Reassured.

3. Criminal acts or prosecution for criminal activities by Venture Programs, Inc. as underwriting manager for the Reassured.

4. Violation of fiduciary responsibility for the remittance of premiums due from Venture Programs, Inc. as underwriting manager for the Reassured.

C. In the event of such termination, the liability of the Reinsurers shall be terminated in accordance with the termination provisions of this Contract.

D. Notwithstanding any other provision of this Contract, in the event that any policy is required by statute or departmental regulation or order to be continued in force, the Reinsurers will continue to remain liable with respect to each such policy until the Reassured may legally cancel, non-renew or otherwise eliminate liability under such policy or policies.

ARTICLE XI - REPORTS AND REMITTANCES

Within sixty (60) days after the close of each month, the Reassured shall furnish the Reinsurers with a report summarizing gross premium ceded, less losses paid, loss adjustment expense paid, monies recovered and net balance due either party on each program ceded. In addition, the Reassured shall furnish the Reinsurers an annual statement showing the total reserves for outstanding losses including loss adjustment expense and such other information as may be required by the Reinsurers for completion of their NAIC annual statements. Amounts due the Reinsurers shall be remitted with the report.

ARTICLE XII - NET RETENTION

For this Contract Year and each successive Contract Year, the Reassured shall retain an amount of all Net Loss equal to 20.0% of the Cumulative Original Gross Written Premium net for its own account.

ARTICLE XIII - NET LOSS

All Loss and Loss Adjustment Expenses plus any Loss in Excess of Policy Limits/ Extra Contractual Obligations, after deducting all recoveries, all salvage and all amounts due from any other Reinsurers (whether collected or not). Loss adjustment expenses shall include but not be limited to: a) expenses sustained in connection with settlement and litigation of claims and suits, satisfaction of judgments, resistance to or negotiations concerning a loss, b) legal expenses and costs incurred in connection with coverage questions regarding specific claims and legal actions, including declaratory judgment actions, connected thereto, c) all interest on judgments other than prejudgment interest when added to a judgment, and d) expenses sustained to obtain recoveries, salvages or other reimbursements, or to secure the reverse or reduction of a verdict or judgment. All loss settlements made by the Reassured, within the terms and conditions of this Contract, shall be unconditionally binding upon the Reinsurers, and the Reinsurers agree to pay or allow, as the case may be, their share of each such settlement in accordance with this Contract.

ARTICLE XIV - COMMUTATION

A. The Reassured can, at its sole discretion, elect to commute this Contract at any calendar quarter ending on or after July 1, 2001, subject to 90 days advance written notice, and provided the notional Experience Account balance is positive.

B. Upon commutation, the liability for all outstanding loss recoveries due herein shall revert to the Reassured in exchange for the Reinsurer releasing 100.0% of the positive notional Experience Account to the Reassured (unless assets equivalent to the Experience Account have been transferred directly to the Reinsurer or a Trust Fund; in which case, the assets shall be returned to the Reassured by the Reinsurer or from the Trust Fund).

C. Release of the Experience Account (or payment of the assets equivalent to the Experience Account) shall constitute a full and final settlement of the terms of this Contract, and the Reinsurer shall be released from all current and future liability herein.

ARTICLE XV - OFFSET (BRMA 36C)

The Reassured and the Reinsurers shall have the right to offset any balance or amounts due from one party to the other under the terms of this Contract. The party asserting the right of offset may exercise such right any time whether the balances due are on account of premiums or losses or otherwise.

ARTICLE XVI - ERRORS AND OMISSIONS

Inadvertent delays, errors or omissions made in connection with this Contract shall not relieve either party from any liability which would have attached had such delay, error or omission not occurred, provided always that such delay, error or omission shall be rectified as soon as possible after discovery by the Reassured's Home Office.

ARTICLE XVII - CURRENCY (BRMA 12A)

A. Whenever the word "Dollars" or the "$" sign appears in this Contract, they shall be construed to mean United States Dollars and all transactions under this Contract shall be in United States Dollars.

B. Amounts paid or received by the Reassured in any other currency shall be converted to United States Dollars at the rate of exchange at the date such transaction is entered on the books of the Reassured.

ARTICLE XVIII - TAXES (BRMA 50A)

In consideration of the terms under which this Contract is issued, the Reassured undertakes not to claim any deduction of the premium hereon when making Canadian Tax returns or when making tax returns, other than Income or Profits Tax returns, to any State or Territory of the United States of America or to the District of Columbia.

ARTICLE XIX - FEDERAL EXCISE TAX (BRMA 17A)

(Applicable to those Reinsurers, excepting Underwriters at Lloyd's London and other Reinsurers exempt from Federal Excise Tax, who are domiciled outside the United States of America.)

A. The Reinsurers have agreed to allow for the purpose of paying the Federal Excise Tax the applicable percentage of the premium payable hereon (as imposed under Section 4371 of the Internal Revenue Code) to the extent such premium is subject to the Federal Excise Tax.

B. In the event of any return of premium becoming due hereunder, the Reinsurers shall deduct the applicable percentage from the return premium payable hereon and the Reassured or its agent should take steps to recover the tax from the United States Government.

ARTICLE XX - ACCESS TO RECORDS (BRMA 1C)

The Reassured shall place at the disposal of the Reinsurers at all reasonable times, and the Reinsurers shall have the right to inspect through their designated representatives, during the term of this Contract and thereafter, all books, records and papers of the Reassured in connection with any reinsurance hereunder, or the subject matter hereof.

ARTICLE XXI - ARBITRATION

A. As a condition precedent to any right of action hereunder, any dispute or difference between the Reassured and Reinsurer relating to the interpretation or performance of this Contract, including its formation or validity, or any transaction under this Contract, whether arising before or after termination, shall be submitted to binding arbitration.

B. Upon written request of any party, each party shall choose an arbitrator and the two chosen shall select a third arbitrator. If either party refuses or neglects to appoint an arbitrator within 30 days after receipt of the written request for arbitration, the requesting party may appoint a second arbitrator. If the two arbitrators fail to agree on the selection of a third arbitrator within 30 days of their appointment, each of them shall name three individuals, of whom the other shall decline two, and the selection of the third arbitrator from those remaining named individuals shall be made by the Federal District Court for the Eastern District of Pennsylvania. The Arbitrator's shall be active or retired officers and/or legal council of an insurance or reinsurance company. Each party shall submit its case to the arbitrators within 30 days of the appointment of the third arbitrator.

C. The parties hereby waive all objections to the method of selection of the arbitrators, it being the intention of both sides that all arbitrators be chosen from those submitted by the parties.

D. The arbitrators shall have the power to determine all procedural rules for the holding of the arbitration including but not limited to inspection of documents, examination of witnesses and any other matter relating to the conduct of the arbitration. The arbitrators shall interpret this Contract as an honorable engagement and not as merely a legal obligation; they are relieved of all judicial formalities and may abstain from following the strict rules of law. The arbitrators may not award punitive or exemplary damages. Each party shall bear the expense of its own arbitrator and shall share equal with the other party the expense of the third arbitrator and of the arbitration.

E. Arbitration hereunder shall take place in Philadelphia, Pennsylvania, unless both parties otherwise agree. Except as hereinabove provided, the arbitration shall be in accordance with the rules and procedures established by the Uniform Arbitration Act as enacted in Pennsylvania.

ARTICLE XXII - INSOLVENCY (BRMA 19C)

A. In the event of the insolvency of the Reassured, this reinsurance shall be payable directly to the Reassured, or to its liquidator, receiver, conservator or statutory successor on the basis of the liability of the Reassured without diminution because of the insolvency of the Reassured or because the liquidator, receiver, conservator or statutory successor of the Reassured 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 Reassured shall give written notice to the Reinsurers of the pendency of a claim against the Reassured indicating the policy insured 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 Reassured 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 Reassured 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 Reassured solely as a result of the defense undertaken by the Reinsurers.

B. Where two or more Reinsurers 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 this Contract as though such expense had been incurred by the insolvent Reassured.

ARTICLE XXIII - SERVICE OF SUIT (BRMA 49A)

(This Article only applies to Reinsurers domiciled outside of the United States and/or unauthorized in any states, territory or district of the United States having jurisdiction over the Reassured.)

A. It is agreed that in the event of the failure of the Reinsurers hereon to pay any amount claimed to be due hereunder, the Reinsurers hereon, at the request of the Reassured, shall submit to the jurisdiction of a court of competent jurisdiction within the United States. Nothing in this Article constitutes or should be understood to constitute a waiver of the Reinsurers' rights to commence an

action in any court of competent jurisdiction in the United States, to remove an action to a United States District Court, or to seek a transfer of a case to another court as permitted by the laws of the United States or of any state in the United States. It is further agreed that service of process in such suit may be made upon Mendes and Mount, 750 Seventh Avenue, New York, New York 10019-6829, and that in any suit instituted, the Reinsurers shall abide by the final decision of such court or of any Appellate Court in the event of an appeal.

B. The above-named are authorized and directed to accept service of process on behalf of the Reinsurers in any such suit and/or upon the request of the Reassured to give a written undertaking to the Reassured that they shall enter a general appearance upon the Reinsurers' behalf in the event such a suit shall be instituted.

C. Further, pursuant to any statute of any state, territory or district of the United States which makes provision therefor, the Reinsurers hereon hereby designate the Superintendent, Commissioner or Director of Insurance or other officer specified for that purpose in the statute, or his successor or successors in office, as their true and lawful attorney upon whom may be served any lawful process in any action, suit or proceeding instituted by or on behalf of the Reassured or any beneficiary hereunder arising out of this Contract of reinsurance, and hereby designates the above-named as the person to whom the said officer is authorized to mail such process or a true copy thereof.

ARTICLE XXIV – RESERVES

A. If a jurisdiction of the United States shall not permit the Reassured, in the statements required to be filed with its regulatory authority(ies), to receive full credit as admitted reinsurance for any Reinsurer's share of obligations, the Reassured shall forward to such Reinsurer a statement of the Reinsurer's share of such obligations. Upon receipt of such statement the Reinsurer shall promptly apply for, and provide the Reassured with, a "clean," unconditional and irrevocable Letter of Credit, in the amount specified in the statement submitted, with terms and bank acceptable to the regulatory authority(ies) having jurisdiction over the Reassured.

B. "Obligations," as used in this Article, shall mean the sum of losses paid and allocated loss adjustment expenses paid by the Reassured but not yet recovered from the Reinsurer, plus reserves for reported losses, allocated loss adjustment expenses, losses incurred but not reported and premiums unearned, if any.

C. The Reinsurer hereby agrees that the Letter of Credit shall provide for automatic extension of the Letter of Credit without amendment for one year from the date of expiration of said Letter or any future expiration date unless thirty (30) days prior to any expiration the issuing bank shall notify the Reassured by registered mail that the issuing bank elects not to consider the Letter of Credit renewed for any additional period. An issuing bank, not a "qualified bank" as defined by Regulation No. 133 promulgated by the Insurance Department of the State of New York, shall provide sixty (60) days notice to the Reassured prior to any expiration.

D. Notwithstanding any other provision of this Contract, the Reassured or any successor by operation of law of the Reassured including, without limitation, any liquidator, rehabilitator, receiver or conservator of the Reassured may draw upon such credit, without diminution because of the insolvency of any party hereto, at any time and undertakes to use and apply such credit for one or more of the following purposes only:

1. To pay the Reinsurer's share or to reimburse the Reassured for the Reinsurer's share of any obligations, as stipulated in the statement submitted by the Reassured to the Reinsurer, which is due to the Reassured and not otherwise paid by the Reinsurer.

2. In the event the Reassured has received effective notice of non-renewal of the Letter of Credit and the Reinsurer's liability remains unliquidated and undischarged thirty (30) days prior to the expiry date of the Letter of Credit, to withdraw the balance of the Letter of Credit and place such sums in an interest bearing trust account to secure the continuing liabilities of the Reinsurer under this Contract until a renewal Letter of Credit acceptable to the regulatory authority(ies) having jurisdiction over the Reassured, or a substitute in lieu thereof acceptable to the regulatory authority(ies) having jurisdiction over the Reassured, has been received by the Reassured. The Reassured shall provide to the Reinsurer payment of any interest thereon accruing from such account.

3. To make refund of any sum which is in excess of the actual amount required for Sections 1 and 2 of this paragraph.

E. At annual intervals or more frequently as determined by the Reassured, but never more frequently than quarterly, the Reassured shall prepare a specific statement, for the sole purpose of amending the Letter of Credit, of the Reinsurer's share of any obligations. If the statement shows that the Reinsurer's share of obligations exceeds the balance of credit as of the statement date, the Reinsurer shall, within thirty (30) days after receipt of notice of such excess, secure delivery to the Reassured of an amendment of the Letter of Credit increasing the amount of credit by the amount of such difference. If the statement shows, however, that the Reinsurer's share of obligations is less than the balance of credit as of the statement date, the Reassured shall, within thirty (30) days after receipt of written request from the Reinsurer, release such excess credit by agreeing to secure an amendment to the Letter of Credit reducing the amount of credit available by the amount of such excess credit.

F. The bank shall have no responsibility whatsoever in connection with the propriety of withdrawals made by the Reassured or the disposition of funds withdrawn, except to assure that withdrawals are made only upon the order of properly authorized representatives of the Reassured. The Reassured shall incur no obligation to the bank in acting upon the credit, other than as appears in the express terms thereof.

ARTICLE XXV - INTERMEDIARY (BRMA 23A)

Towers Perrin Reinsurance is hereby recognized as the Intermediary negotiating this Contract for all business hereunder. All communications (including but not limited to notices, statements, premium, return premium, commissions, taxes, losses, loss adjustment expense, salvages and loss settlements) relating thereto shall be transmitted to the Reassured or the Reinsurers through Towers Perrin Reinsurance, Mellon Bank Center, 1735 Market Street, Philadelphia, Pennsylvania, 19103-7501. Payments by the Reassured to the Intermediary shall be deemed to constitute payment to the Reinsurers. Payments by the Reinsurers to the Intermediary shall be deemed to constitute payment to the Reassured only to the extent that such payments are actually received by the Reassured.

LEGION INSURANCE COMPANY

THE PREFERRED PROGRAMS

CASUALTY QUOTA SHARE REINSURANCE CONTRACT

EFFECTIVE JUNE 1, 2000

EXHIBIT A: EXCLUSIONS

1. Business classified as:

   a. Underground Mining;
   b. Railroad Liability, including operation of any carrier on rails, or Federal Railroad Act.
   c. Aviation, other than incidental industrial aid.
   d. Ocean Marine, including Protection and Indemnity when covering passenger ships;
   e. Kidnap and Ransom, and Political Risk; and
   f. SEC Liability; and
   g. Professional Liability, when written as such.

2. Liability of the Reassured arising, by contract, operation of law, or otherwise, from its participation or membership, whether voluntary or involuntary, in any insolvency fund. "Insolvency fund" includes any guaranty fund, insolvency fund, plan, pool, association, fund or other arrangement, howsoever denominated, established or governed; which provides for any assessment of or payment or assumption by the Reassured of part or all of any claim, debt, charge, fee or other obligation of an insurer, or its successors or assigns, which has been declared by any competent authority to be insolvent, or which is otherwise deemed unable to meet any claim, debt, charge, fee or other obligation in whole or in part.

3. Reinsurance Assumed, except internal pooling and reinsurance agreements among the various companies named as "Reassured".

4. Loss or liability excluded by the provisions of the "Nuclear Incident Exclusion Clause - Liability - Reinsurance - U.S.A." and "Nuclear Incident Exclusion Clause - Liability - Reinsurance - Canada" attached to and forming part of this Contract.

5. Business derived directly or indirectly from any Pool, Association or Syndicate which maintains its own reinsurance facilities.

6. War (as per the Reassured's original policies.)

7. Pollution as per ISO wording (CG 0001) except as modified by the Pesticide or Herbicide Application Coverage Endorsement (CG 2264).

8. Manufacture, Storage, Distribution, Installation, Transportation or Removal of Asbestos or Asbestos unless unknown to the Reassured, and when known by the Reassured, cancellation to be effected within the time permitted by regulating authorities.

NUCLEAR INCIDENT EXCLUSION CLAUSE – LIABILITY – REINSURANCE – U.S.A. (BRMA 35A)

1. This reinsurance does not cover any loss or liability accruing to the Reassured as a member of, or subscriber to, any association of insurers or reinsurers formed for the purpose of covering nuclear energy risks or as a direct or indirect reinsurer of any such member, subscriber or association.

2. Without in any way restricting the operation of paragraph 1 of this Clause, it is understood and agreed that for all purposes of this reinsurance all the original policies of the Reassured (new, renewal and replacement) of the classes specified in Clause II of this paragraph 2 from the time specified in Clause III in this paragraph 2 shall be deemed to include the following provision (specified as the Limited Exclusion Provision):

Limited Exclusion Provision*

I. It is agreed that the policy does not apply under any liability coverage, to [injury, sickness, disease, death or destruction / bodily injury or property damage]

with respect to which an insured under the policy is also an insured under a nuclear energy liability policy issued by Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters or Nuclear Insurance Association of Canada, or would be an insured under any such policy but for its termination upon exhaustion of its limit of liability.

II. Family Automobile Policies (liability only), Special Automobile Policies (private passenger automobiles, liability only), Farmers Comprehensive Personal Liability Policies (liability only), Comprehensive Personal Liability Policies (liability only) or policies of a similar nature; and the liability portion of combination forms related to the four classes of policies stated above, such as the Comprehensive Dwelling Policy and the applicable types of Homeowners Policies.

III. The inception dates and thereafter of all original policies as described in II above, whether new, renewal or replacement, being policies which either

(a) become effective on or after 1st May, 1960, or

(b) become effective before that date and contain the Limited Exclusion Provision set out above;

provided this paragraph 2 shall not be applicable to Family Automobile Policies, Special Automobile Policies, or policies or combination policies of a similar nature, issued by the Reassured on New York risks, until 90 days following approval of the Limited Exclusion Provision by the Governmental Authority having jurisdiction thereof.

III. Except for those classes of policies specified in Clause II of paragraph 2 and without in any way restricting the operation of paragraph 1 of this Clause, it is understood and agreed that for all purposes of this reinsurance the original liability policies of the Reassured (new, renewal and replacement) affording the following coverages:

Owners, Landlords and Tenants Liability, Contractual Liability, Elevator Liability, Owners or Contractors (including railroad), Protective Liability, Manufacturers and Contractors Liability, Product Liability, Professional and Malpractice Liability, Storekeepers Liability, Garage Liability, Automobile Liability (including Massachusetts Motor Vehicle or Garage Liability)

shall be deemed to include, with respect to such coverages, from the time specified in Clause V of this paragraph 3, the following provision (specified as the Broad Exclusion Provision):

Broad Exclusion Provision*

It is agreed that the policy does not apply:

A. Under any Liability Coverage, to [injury, sickness, disease, death or destruction / bodily injury or property damage]

1. with respect to which an insured under the policy is also an insured under a nuclear energy liability policy issued by Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters or Nuclear Insurance Association of Canada, or would be an insured under any such policy but for its termination upon exhaustion of its limit of liability; or

2. resulting from the hazardous properties of nuclear material and with respect to which (1) any person or organization is required to maintain financial protection pursuant to the Atomic Energy Act of 1954, or any law amendatory thereof, or (2) the insured is, or had this policy not been issued would be, entitled to indemnity from the United States of America, or any agency thereof, under any agreement entered into by the United States of America, or any agency thereof, with any person or organization.

B. Under any Medical Payments Coverage, or under any Supplementary Payments Provision relating to [immediate medical or surgical relief]

[first aid] to expenses incurred with respect to [bodily injury, sickness, disease or death / bodily injury] resulting from the hazardous properties of nuclear material and arising out of the operation of a nuclear facility by any person or organization.

C. Under any Liability Coverage, to [injury, sickness, disease, death or destruction / bodily injury or property damage] resulting from the hazardous properties of nuclear material, if

1. the nuclear material (1) is at any nuclear facility owned by, or operated by or on behalf of, an Insured, or (2) has been discharged or dispersed therefrom;

2. the nuclear material is contained in spent fuel or waste at any time possessed, handled, used, processed, stored, transported or disposed of by or on behalf of an Insured; or

3. the [injury, sickness, disease, death or destruction / bodily injury or property damage] arises out of the furnishing by an Insured of services, materials, parts or equipment in connection with the planning, construction, maintenance, operation or use of any nuclear facility, but if such facility is located within the United States of America, its territories, or possessions or Canada, this exclusion (c) applies only to [injury to or destruction of property at such nuclear facility / property damage to such nuclear facility and any property thereat].

D. As used in this endorsement:

"Hazardous properties" include radioactive, toxic or explosive properties; "nuclear material" means source material, special nuclear material or byproduct material; "source material", "special nuclear material", and "byproduct material" have the meanings given them in the Atomic Energy Act of 1954 or in any law amendatory thereof; "spent fuel" means any fuel element or fuel component, solid or liquid, which has been used or exposed to radiation in a nuclear reactor; "waste" means any waste material (1) containing byproduct material other than tailings or wastes produced by the extraction or concentration of uranium or thorium from any ore processed primarily for its source material content, and (2) resulting from the operation by any person or organization of any nuclear facility included under the first two paragraphs of the definition of nuclear facility; "nuclear facility" means:

1. any nuclear reactor,

2. any equipment or device designed or used for (1) separating the isotopes of uranium or plutonium, (2) processing or utilizing spent fuel, or (3) handling, processing or packaging waste,

3. any equipment or device used for the processing, fabricating or alloying of special nuclear material if at any time the total amount of such material in the custody of the Insured at the premises where such equipment or device is located consists of or contains more than 25 grams of plutonium or uranium 233 or any combination thereof, or more than 250 grams of uranium 235,

4. any structure, basin, excavation, premises or place prepared or used for the storage or disposal of waste,

and includes the site on which any of the foregoing is located, all operations conducted on such site and all premises used for such operations; "nuclear reactor" means any apparatus designed or used to sustain nuclear fission in a self-supporting chain reaction or to contain a critical mass of fissionable material;

[With respect to injury to or destruction of property, the word "injury" or "destruction" / ("property damage" includes all forms of radioactive contamination of property. / [exclusion of forms of radioactive contamination of property.]

E. The inception dates and thereafter of all original policies affording coverages specified in this paragraph 3, whether new, renewal or replacement, being policies which become effective on or after 1st May, 1960, provided this paragraph 3 shall not be applicable to:

a) Garage and Automobile Policies issued by the Reassured on New York risks, or

b) statutory liability insurance required under Chapter 90, General Laws of Massachusetts,

until 90 days following approval of the Broad Exclusion Provision by the Governmental Authority having jurisdiction thereof.

IV. Without in any way restricting the operation of paragraph 1 of this Clause, it is understood and agreed that paragraphs 2 and 3 above are not applicable to original liability policies of the Reassured in Canada and that with respect to such policies this Clause shall be deemed to include the Nuclear Energy Liability Exclusion Provisions adopted by the Canadian Underwriters' Association or the Independent Insurance Conference of Canada.

*NOTE: The words printed in italics in the Limited Exclusion Provision and in the Broad Exclusion Provision shall apply only in relation to original liability policies which include a Limited Exclusion Provision or a Broad Exclusion Provision containing those words.

NUCLEAR INCIDENT EXCLUSION CLAUSE – LIABILITY – REINSURANCE – CANADA (BRMA 35D)

I. This Agreement does not cover any loss or liability accruing to the Reassured as a member of, or subscriber to, any association of insurers or reinsurers formed for the purpose of covering nuclear energy risks or as a direct or indirect reinsurer of any such member, subscriber or association.

II. Without in any way restricting the operation of paragraph 1 of this clause, it is agreed that for all purposes of this Agreement all the original liability contracts of the Reassured, whether new, renewal or replacement, of the following classes, namely:

Personal Liability
Farmers' Liability
Storekeepers' Liability

which become effective on or after 31st December 1984, shall be deemed to include, from their inception dates and thereafter, the following provision:

Limited Exclusion Provision

This Policy does not apply to bodily injury or property damage with respect to which the Insured is also insured under a contract of nuclear energy liability insurance (whether the Insured is unnamed in such contract and whether or not it is legally enforceable by the Insured) issued by the Nuclear Insurance Association of Canada or any other group or pool of insurers or would be an Insured under any such policy but for its termination upon exhaustion of its limits of liability.

With respect to property, loss of use of such property shall be deemed to be property damage.

III. Without in any way restricting the operation of paragraph 1 of this clause, it is agreed that for all purposes of this Agreement all the original liability contracts of the Reassured, whether new, renewal or replacement, of any class whatsoever (other than Personal Liability, Farmers' Liability, Storekeepers' Liability or Automobile Liability contracts), which become effective on or after 31st December 1984, shall be deemed to include from their inception dates and thereafter, the following provision:

Broad Exclusion Provision

It is agreed that this Policy does not apply:

A. To liability imposed by or arising under the Nuclear Liability Act; nor

B. To bodily injury or property damage with respect to which an Insured under this policy is also insured under a contract of nuclear energy liability insurance (whether the Insured is unnamed in such contract and whether or not it is legally enforceable by the Insured) issued by the Nuclear Insurance Association of Canada or any other insurer or group or pool of insurers or would be an Insured under any such policy but for its termination upon exhaustion of its limit of liability; nor

C. To bodily injury or property damage resulting directly or indirectly from the nuclear energy hazard arising from:

1. the ownership, maintenance, operation or use of a nuclear facility by or on behalf of an Insured.

2. the furnishing by an Insured of services, materials, parts or equipment in connection with the planning, construction, maintenance, operation or use of any nuclear facility; and

3. the possession, consumption, use, handling, disposal or transportation of fissionable substances, or of other radioactive material (except radioactive isotopes, away from a nuclear facility, which have reached the final stage of fabrication so as to be useable for any scientific, medical, agricultural, commercial or industrial purpose) used, distributed, handled or sold by an Insured.

As used in this Policy:

IV. The term "nuclear energy hazard" means the radioactive, toxic, explosive or other hazardous properties of radioactive material.

V. The term "radioactive material" means uranium, thorium, plutonium, neptunium, their respective derivatives and compounds, radioactive isotopes of other elements and any other substances that the Atomic Energy Control Board may, by regulation, designate as being prescribed substances capable of releasing atomic energy, or as being requisite for the production, use or application of atomic energy.

VI. The term "nuclear facility" means:

A. Any apparatus designed or used to sustain nuclear fission in a self-supporting chain reaction or to contain a critical mass of plutonium, thorium and uranium or any one or more of them;

B. Any equipment or device designed or used for (1) separating the isotopes of plutonium, thorium and uranium or any one or more of them, (2) processing or utilizing spent fuel, or (3) handling, processing or packaging waste;

C. Any equipment or device used for the processing, fabricating or alloying of plutonium, thorium or uranium enriched in the isotope uranium 233 or in the isotope uranium 235, or any one or more of them if at any time the total amount of such material in the custody of the Insured at the premises where such equipment or device is located consists of or contains more than 25 grams of plutonium or uranium 233 or any combination thereof, or more than 250 grams of uranium 235;

D. Any structure, basin, excavation, premises or place prepared or used for the storage or disposal of waste radioactive material;

and includes the site on which any of the foregoing is located, together with all operations conducted thereon and all premises used for such operations.

VII. The term "fissionable substance" means any prescribed substance that is, or from which can be obtained, a substance capable of releasing atomic energy by nuclear fission.

VIII. With respect to property, loss of use of such property shall be deemed to be property damage.

EXHIBIT B

NOTICE TO CEDANTS
Marti Little, General Counsel
Legion Insurance Company (In Liquidation)
One Logan Square, Suite 1400
Philadelphia, PA 19103

Gregg C. Frederick
Executive Vice President, Reinsurance
Legion Insurance Company (In Liquidation)
One Logan Square, Suite 1400
Philadelphia, Pa 19103

NOTICE TO REINSURER

Todd Gray
Assistant Vice President
Horizon Management Group, LLC
55 Farmington Avenue, Suite 800
Hartford, CT 06105

Paul R. Aiudi, Esq.
Assistant Vice President
& Senior Counsel
The Hartford
55 Farmington Avenue, Suite 800
Hartford, CT 06105

EXHIBIT 2

Legion Insurance Company (In Liquidation)
Villanova Insurance Company (In Liquidation)
Hart Re Commutation by Company

	Legion	Villanova	Totals
Gross Amount Due	$16,969,842	$996,146	$17,965,988
Discounted Amount Due	$16,770,777	$996,146	$17,766,923
Commutation Agreed	$15,102,921	$897,079	$16,000,000