



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) 787-8009
Fax (717) 772-4543

August 7, 2007

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

RE: Joel S. Ario, Acting Insurance Commissioner of the Commonwealth of Pennsylvania v. Villanova Insurance Company,
No. 182 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 Mutual Indemnity U.S., Ltd.

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

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

Joel S. Ario, Acting
Insurance Commissioner of the
Commonwealth of Pennsylvania

Plaintiff,

v.

Docket No. 182 M.D. 2002

Villanova Insurance Company
One Logan Square, Suite 1400
Philadelphia, PA 19103

Defendant.

RECEIVED
COMMONWEALTH COURT
OF PENNSYLVANIA
-7 AUG 2007 14 2

**LIQUIDATOR'S PETITION FOR APPROVAL OF SETTLEMENT AND
COMMUTATION AGREEMENT AND RELEASE BETWEEN THE LIQUIDATOR
AND MUTUAL INDEMNITY U.S., Ltd.**

Petitioner Joel S. Ario, Acting Insurance Commissioner of the Commonwealth of Pennsylvania in his official capacity as Statutory Liquidator of Legion Insurance Company ("Legion") and Villanova Insurance Company ("Villanova"), (collectively, the "Liquidator"), respectfully requests that this Court enter an Order approving the Commutation, Settlement and Release Agreement ("Commutation") between the Liquidator and Mutual Indemnity (U.S.), Ltd. ("Mutual").

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

1. On July 25, 2003, this Court found Villanova insolvent and appointed the Commissioner as Liquidator of Villanova 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 Villanova's estate for eventual distribution to its policyholders and creditors.

3. In connection with guaranteed cost insurance policies issued prior to receivership, Villanova and Mutual entered into certain reinsurance agreements identified in Schedule 2 to the Commutation Agreement attached hereto as Exhibit A, pursuant to which Villanova ceded to Mutual a certain share of Villanova's liabilities under the guaranteed costs policies (the "GC Reinsurance Agreements").

4. Villanova and Mutual desire to terminate their business relationship and have agreed to commute certain of their respective obligations under the GC Reinsurance Agreements.

5. Mutual's obligations to Villanova under the GC Reinsurance Agreements include obligations that may become payable in the future and that cannot be determined in an amount certain at this time.

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

7. Accordingly, Villanova has negotiated the Commutation Agreement with Mutual, which is attached as Exhibit A to this Petition.

8. Pursuant to the Commutation Agreement, Mutual will pay one thousand and forty-seven dollars (\$1,047) to Villanova, as set forth in Exhibit B to this Petition.

9. Pursuant to the Commutation Agreement, Villanova and Mutual will release each other from certain liabilities arising out of, or in connection with the GC Reinsurance Agreements.

10. Villanova entered into this Commutation in reliance on its independent investigation and analysis of the GC Reinsurance Agreements and Villanova's rights and obligations under the GC Reinsurance Agreements.

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

12. Particularly, the Liquidator believes that Villanova's receipt of approximately \$1,047 is reasonable and adequate consideration for the commutation of certain of Mutual's obligations to Villanova under the GC Reinsurance Agreements.

13. Villanova currently estimates Mutual's current and future obligations under the GC Reinsurance Agreements to be approximately \$1,047, 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 \$1,047 in cash is reasonable given the time value of money, the results of arbitrations that Villanova 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 Villanova'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, his staff, and Villanova staff members familiar with the company's dealings with Mutual, the Liquidator has determined that the Commutation is a fair and reasonable commutation of certain of Villanova's and Mutual's obligations to each other under the GC Reinsurance Agreements. The Insurance Department Act authorizes the Liquidator

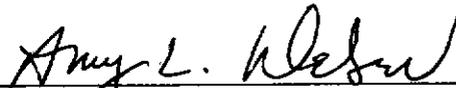
to take such actions as she deems “necessary or expedient to . . . conserve or protect [the insolvent insurer’s] assets or property [.]” including the power to “compromise” claims involving assets of the insolvent insurer in order to accomplish or aid in achieving the purposes of liquidation. See 40 P.S. § 221.23(6), (9), and (23).

15. The Liquidator further believes that the Commutation will help him 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 Villanova’s immediately available assets and minimize any unavoidable loss to policyholders, claimants and creditors resulting from Villanova’s insolvency. See 40 P.S. § 221.1(c).

16. Mutual 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

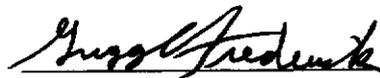
Pennsylvania Insurance Department
Office of Liquidations, Rehabilitations
and Special Funds
901 N. 7th Street
Harrisburg, PA 17102
(717) 787-6009

Attorney for Joel S. Ario, Acting Insurance
Commissioner of the Commonwealth of
Pennsylvania, in his official capacity as Statutory
Liquidator of Villanova Insurance Company (In
Liquidation)

Dated: August 7, 2007

VERIFICATION

I, Gregg Frederick, Executive Vice President, have been retained by Joel S. Ario, Acting Insurance Commissioner of the Commonwealth of Pennsylvania in his official capacity as Statutory Liquidator of Villanova Insurance Company, and am responsible for the on-site reinsurance operations of Villanova Insurance Company (In Liquidation). I have read the Liquidator's Petition for Approval of Settlement and Commutation Agreement and Release Between the Liquidator and Mutual Indemnity (US) Ltd., 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: August 6, 2007

EXHIBIT

A

SETTLEMENT AND COMMUTATION AGREEMENT AND RELEASE

Dated _____, 2007

by and among

**JOEL ARIO, Acting Insurance Commissioner
of the Commonwealth of Pennsylvania
as Liquidator of
Legion Insurance Company and
Villanova Insurance Company,**

and

MUTUAL INDEMNITY (US) LTD.

INDEX OF SCHEDULES AND EXHIBITS

Schedule 1	Mutual Indemnity Reinsurer
Schedule 2	GC Reinsurance Agreements
Schedule 3	Terminated GC Programs
Schedule 4	Settlement Amount

This **SETTLEMENT AND COMMUTATION AGREEMENT AND RELEASE** (the "**Agreement**"), dated as of _____, 2007, is entered into by JOEL ARIO, Acting Insurance Commissioner of the Commonwealth of Pennsylvania (the "**Commissioner**"), in his capacity as Liquidator (the "**Liquidator**") of and acting on behalf of and in the name of each of Legion Insurance Company (in Liquidation) ("**Legion**") and Villanova Insurance Company (in Liquidation) ("**Villanova**"), each of Legion and Villanova being an insurance company organized and existing under the laws of the Commonwealth of Pennsylvania, and the company listed in Schedule 1 hereto (the "**Mutual Indemnity Reinsurer**"). Legion and Villanova are referred to herein collectively as the "**Legion Companies**" and individually as a "**Legion Company**." References to the Liquidator as a party to this Agreement and any Ancillary Agreement (as defined below) shall also be deemed to include the Legion Companies in Liquidation.

WHEREAS, Legion and Villanova have issued guaranteed cost insurance policies (the "**GC Policies**") pursuant to which insureds paid to the applicable Legion Company, and the applicable Legion Company accepted from the insureds, insurance premiums as more fully described in such policies;

WHEREAS, in connection with the GC Policies, the Legion Companies and the Mutual Indemnity Reinsurer have entered into certain reinsurance agreements identified in Schedule 2 hereto (the "**GC Reinsurance Agreements**"), pursuant to which the Legion Companies ceded to the Mutual Indemnity Reinsurer, and the Mutual Indemnity Reinsurer accepted from the Legion Companies, a certain share of the Legion Companies' liabilities under the GC Policies, as more

fully reflected in the percentages of participation of each respective GC Reinsurance Agreement and each respective period of coverage under the GC Reinsurance Agreements;

WHEREAS, the Liquidator, on behalf of the Legion Companies, and the Mutual Indemnity Reinsurer have agreed to, among other things, settle and commute all actual or potential past, present or future claims arising under the GC Reinsurance Agreements issued under the IPC Programs identified in Schedule 3 hereto (the "Terminated GC Programs") and for the Settlement Amount identified in Schedule 4 (the "Settlement Amount");

WHEREAS, this Agreement shall not be effective unless and until it is approved in its entirety by order (the "Commutation Order") of the Commonwealth Court of Pennsylvania (the "Court");

WHEREAS, the parties intend to be legally bound hereby;

NOW THEREFORE, the Liquidator, on behalf of the Legion Companies, and the Mutual Indemnity Reinsurer agree as follows:

ARTICLE I – COMMUTATION, SETTLEMENT, AND PAYMENT

1. This Agreement shall, subject to its terms and conditions, operate as a full and final settlement, commutation, and release of the respective rights, obligations, and liabilities of the Mutual Indemnity Releasees and Legion Releasees (as defined below) with respect to the GC Reinsurance Agreements.

2., Within ten days after the date of the Commutation Order, the Settlement Amount shall be paid by way of deduction from the trust accounts created by the April 23, 2003 Funds-Withheld Trust Agreements (the "Legion Trust Agreement," the "Villanova Trust Agreement," and, collectively, the "Trust Agreements") entered into between the Liquidator and the Mutual Indemnity Reinsurer with regard to Legion (the "Legion Trust Account") and Villanova (the "Villanova Trust Account")(collectively, the "Trust Accounts") in the amount and allocation set forth in Schedule 4; provided; however, that should there be insufficient funds in the Legion Trust Account or Villanova Trust Account to satisfy the portion of the Settlement Amount attributable to each, the Mutual Indemnity Reinsurer shall within the same time period pay the difference by wire transfer as follows: [wire transfer instructions to Commissioner].

3. The Settlement Amount paid to the Liquidator, on behalf of the Legion Companies, by the Mutual Indemnity Reinsurer pursuant to this Agreement shall be the sole payment by the Mutual Indemnity Reinsurer or any other person or entity to the Liquidator or any other person or entity for the Mutual Indemnity Reinsurer's reinsurance or other obligations under or relating in any way to the GC Reinsurance Agreements.

ARTICLE II – RELEASES

1. Subject to the terms and conditions of this Agreement and entry of the Commutation Order, the Liquidator, on behalf of the Legion Companies, hereby releases, indemnifies, acquits, and forever discharges the Mutual Indemnity Reinsurer and its current, past and future officers, directors, and employees and its current, past and future parent and related companies (collectively, the "Mutual Indemnity Releasees") from any and all payment obligations, adjustments, obligations, offsets, actions, causes of action, suits, debts, dues, sums of money, premiums, returned premiums, unearned premiums, liabilities, losses, salvage,

commissions, accounts, reckonings, bonds, bills, covenants, contracts, controversies, agreements, promises, variances, damages, judgments, expenses, acts, omissions, executions, claims and demands whatsoever, all whether known or unknown, in law or equity, in contract or in tort, which the Liquidator, or the Legion Companies ever had, now have, or hereafter may have against the Mutual Indemnity Releasees, for amounts due under the GC Reinsurance Agreements, it being the intent of the parties hereto that the commutation and settlement shall operate as a full and final settlement of the Mutual Indemnity Releasees' past, present and future obligations to the Liquidator, and/or the Legion Companies, and/or anyone else under the above.

2. Subject to the terms and conditions of this Agreement and entry of the Commutation Order, the Mutual Indemnity Reinsurer, hereby releases, indemnifies, acquits, and forever discharges the Liquidator on behalf of the Legion Companies and the Legion Companies and their current, past and future officers, directors, and employees (collectively, the "Legion Releasees") from any and all payment obligations, adjustments, obligations, offsets, actions, causes of action, suits, debts, dues, sums of money, premiums, returned premiums, unearned premiums, liabilities, losses, salvage, commissions, accounts, reckonings, bonds, bills, covenants, contracts, controversies, agreements, promises, variances, damages, judgments, expenses, acts, omissions, executions, claims and demands whatsoever, all whether known or unknown, in law or equity, in contract or in tort, which the Mutual Indemnity Reinsurer ever had, now have, or hereafter may have against the Legion Releasees, for amounts due under the GC Reinsurance Agreements, it being the intent of the parties hereto that the commutation and settlement shall operate as a full and final settlement of each of the Legion Releasees' past, present and future obligations to the Mutual Indemnity Reinsurer under the above.

3. Neither the Liquidator on behalf of the Legion Companies, nor the Legion Companies will demand, claim, file suit or institute arbitration proceedings against the Mutual Indemnity Reinsurer or any of the past and present officers, directors and employees of the Mutual Indemnity Reinsurer relating to the payment of any reinsurance obligation under the GC Reinsurance Agreements and/or that is being settled or commuted pursuant to this Agreement.

4. Except as specifically provided herein, neither the releases provided in this Agreement nor the payment of the Settlement Amount shall have any effect on any obligation of the Mutual Indemnity Reinsurer under any other agreement or contract, including but not limited to any obligations of the Mutual Indemnity Reinsurer in connection with Large Loss Deductible Policies ("LD Policies") provided by the Legion companies and/or Deductible Reimbursement Policies provided by the Mutual Indemnity Reinsurer in connection with the LD Policies.

ARTICLE III – APPROVALS

1. Within seven days of the date hereof, the Liquidator, shall apply to the Court for the Commutation Order approving the terms of this Agreement ("Court Approval").

2. The Mutual Indemnity Reinsurer shall cooperate fully with the Liquidator, and will use its best efforts to aid the Liquidator in obtaining Court Approval.

3. Each party hereto may give notice of proposed Court Approval to any person or entity in each such party's discretion.

ARTICLE IV – FURTHER COVENANTS AND AGREEMENTS

1. To the extent funds remain in the Legion Trust Account and/or Villanova Trust Account after deduction of the Settlement Amount, the Liquidator shall direct the trustee of the

Mutual Indemnity Reinsurer within ten days of the date of the Commutation Order as follows [wire instructions to Mutual]. Within ten days of final distribution of the funds from the Legion Trust Account and the Villanova Trust Account, the parties hereto shall jointly notify the trustee that the Trust Accounts and Trust Agreements are to be terminated ten days after the date of the notification. Thereafter, the parties to the Trust Agreements shall have no further rights or obligations under the Trust Agreements.

2. In instances where losses arise from both guaranteed cost and large deductible policies on the same program year and erode a common annual aggregate, the Mutual Indemnity Reinsurer and the Legion Companies will use the gross losses (before discount) commuted and paid under this agreement in determining any future liability under that aggregate.

3. The Mutual Indemnity Reinsurer confirms that the terms of this Agreement are in accordance with Bermuda law. Each of the parties hereto agrees that by entering into this Agreement, such party is affirming the validity of the reinsurance obligations commuted and settled by this Agreement.

4. This Agreement shall be binding upon any permitted successors to the parties hereto, including, without limitation, any liquidator, should the Mutual Indemnity Reinsurer be placed into liquidation or become subject to "winding-up" or other insolvency proceedings. The Mutual Indemnity Reinsurer shall exercise its best efforts to maintain the effectiveness of this Agreement in the event that such Mutual Indemnity Reinsurer becomes subject to "winding up" or other insolvency proceedings.

5. Any time that a consent or approval of a party to this Agreement is required under this Agreement, such consent or approval shall not be unreasonably withheld or delayed.

ARTICLE V – REPRESENTATIONS AND WARRANTIES

1. Each of the parties hereto expressly represents and warrants that: (i) this Agreement has been duly authorized, executed and delivered by and on behalf of it and constitutes its legal, valid and binding agreement, subject to Court Approval; (ii) no authorization, consent or approval of any third party other than the Court is required in connection with the execution, delivery or performance by it of this Agreement; and (iii) the execution, delivery or performance by it of this Agreement does not and will not conflict with, or result in any material breach or violation of, its organization documents or any agreements to which it is a party or by which it or any of its assets are bound.

ARTICLE VI – DELIVERY OF NOTICE

1. All notices required hereunder shall be in writing and shall be given by personal delivery or registered or certified mail, return receipt requested, postage prepaid to the addresses set forth in paragraph 2 of this Article VI, and shall be deemed given upon receipt. In addition, notice may be given by facsimile transmission and shall be deemed given upon sending of the transmission (with confirmed receipt) with the mailing of a copy of such transmission. Notices under this Article VI shall include service of process.

2. Notices to the parties shall be addressed as follows:

Notice to the Liquidator:

Insurance Commissioner of the Commonwealth of
Pennsylvania as Liquidator of Legion Insurance Company
and Villanova Insurance Company
Pennsylvania Insurance Department
901 N. 7th Street
Harrisburg, PA 17102
Attention: Amy L. Weber, Esquire

Telephone: (215) 963-7588
Facsimile: (215) 963-1220

With a concurrent copy to:

Liquidation Team Counsel
Legion Insurance Company
(in Liquidation)
One Logan Square
Suite 1400
Philadelphia, PA 19103
Attention: Laura M. Spear, Esquire

And

Miller, Alfano & Raspanti, P.C.
1818 Market Street, Suite 3402
Philadelphia, PA 19103
Attention: Gaetan J. Alfano, Esquire
Telephone: (215) 972-6400
Facsimile: (215) 981-0082

Notice to the Mutual Indemnity Reinsurer:

Mutual Indemnity (US) Ltd.
P.O. Box HM 2064
44 Church Street
Hamilton HM HX Bermuda
Attention: David Alexander
Telephone: (441) 295-5688
Facsimile: (441) 295-6052

With a concurrent copy to:

Ballard Spahr Andrews & Ingersoll, LLP
1735 Market St
Philadelphia, PA 19103
Attention: Douglas Y. Christian
Telephone: (215) 864-8404
Facsimile: (215) 864-9206

and

Conyers Dill & Pearman
PO Box HM 666
Hamilton HM CX, Bermuda

Attention: Paul Smith

Telephone: +1 (441) 295 1422
Facsimile: +1 (441) 292 4720

3. The parties hereto further agree that service of process for any dispute in Article VII, is effective upon delivery to the persons identified in paragraph 2 above.

ARTICLE VII – GENERAL

1. This Agreement is the final, complete, and entire agreement between the parties hereto and is the product of each party's own due diligence and independent investigation, legal advice and analysis of the Settlement Amount and each party's rights and obligations thereunder, and not on the basis of any representations, warranties or statements by any other party hereto and thereto. This Agreement shall supersede all other prior negotiations, commitments, agreements, and understandings, both oral and written, between the parties hereto and thereto with respect to the subject matter hereof and thereof but expressly limited only to the subject matter thereto. No other representations, understandings, or agreements have been made or relied upon in the making of this Agreement other than those specifically set forth or referred to in this Agreement.

2. This Agreement may only be modified or amended by a written agreement, entered into subsequent to the date of this Agreement and duly executed by the parties hereto and approved by the Court.

3. This Agreement and any of the rights and/or obligations herein may not be assigned in whole or in part by any of the parties hereto without prior written approval of the parties hereto.

4. The parties to this Agreement do not intend to confer any rights on any person or entity not a party to this Agreement. No third party rights or obligations are created hereby.

5. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assigns, including, without limitation, any liquidator, rehabilitator, receiver or conservator or any successor merged or consolidated entity.

6. Waiver by any of the parties hereto of any term, provision, or condition of this Agreement shall not be construed to be a waiver of any other term, provision, or condition hereof, nor shall such waiver be deemed a waiver of any subsequent breach of the same term, provision, or condition. Except as expressly set forth in this Agreement, the terms of the Non Commutation Settlement Agreement and the Insurance and Reinsurance Partial Settlement and Commutation Agreement and Limited Release, dated April 23, 2003, as approved by the Court (collectively, "the 2003 Agreements") shall remain in full force and effect and shall govern the respective rights and obligations of the parties thereunder under the applicable IPC Program. Nothing in this Agreement is intended to constitute a waiver of any rights under the 2003 Agreements except to the extent, if any, expressly set forth herein and, to the extent that any matter is expressly addressed in any term, provision or condition of this Agreement.

7. The failure of any party hereto to enforce at any time any of the provisions of this Agreement shall in no way be construed to be a waiver of these provisions, nor in any way to affect the validity of this Agreement, or any part of it, or the rights of any party to thereafter enforce each and every provision.

8. Each of the parties hereto shall use its best efforts to cooperate with the other parties hereto in performing all acts necessary for carrying out this Agreement. The parties hereto hereby agree to execute promptly any and all supplemental agreements, releases, affidavits, waivers and other documents of any nature or kind which another party may reasonably require in order to implement the provisions or objectives of this Agreement.

9. The parties hereto are entering into this Agreement in good faith, at arm's-length and in the regular course of business, and are in agreement that this Agreement is and will be valid and enforceable only upon Court approval.

10. This Agreement is subject to Court Approval. In the event the Court does not approve this Agreement in its entirety as executed, the Agreement shall be void ab initio. The parties hereto may seek to renegotiate its terms and, if they reach agreement, subsequently request Court approval of the renegotiated agreement

11. This Agreement shall be interpreted, construed, and enforced in accordance with the laws of the Commonwealth of Pennsylvania (without giving effect to conflict of law principles).

12. In the event any differences or disputes arise between the Liquidator, on behalf of the Legion Companies, and the Mutual Indemnity Reinsurer with reference to this Agreement or the terms hereof, the same shall be referred to and determined by the Court. The Court shall have sole and exclusive jurisdiction over all disputes between the parties to this Agreement under this Agreement.

13. Neither the entry into this Agreement by the Mutual Indemnity Reinsurer nor any of the provisions of this Agreement, including but not limited to the requirement of Court approval and dispute resolution and the choice of law provision, are intended by the parties to

support any claim that the Court has personal jurisdiction over the Mutual Indemnity Reinsurer regarding any right or obligation other than those set forth herein.

14. This Agreement may be executed in one or more counterparts, each of which, when so executed and delivered shall be deemed an original and all such counterparts shall together constitute one and the same instrument and agreement.

15. The headings in this Agreement are descriptive only and shall not affect the interpretation or construction of this Agreement. The recitals to this Agreement, including the "Whereas" clauses, shall form a part hereof.

16. None of the parties to this Agreement shall be considered to be the drafter of this Agreement or any provisions thereof, and it shall not be interpreted or construed more or less favorably for any party because of its status as a drafter of the Agreement or any provision thereof.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be duly executed as of the date first written above.

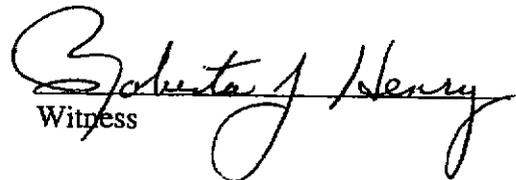
JOEL ARIO,
Acting Insurance Commissioner of the Commonwealth
of Pennsylvania as Liquidator of Legion Insurance
Company (in Liquidation) and Villanova Insurance
Company (in Liquidation)

By: 
Name: BRUCE M DACEY
Title: CHIEF TAKEOWN MGMT DIR
Date: 8/3/07
Executed in Harrisburg, Pennsylvania


Witness

MUTUAL INDEMNITY (US) LTD.

By: 
Name: DAVID ALEXANDER
Title: PRESIDENT
Date: 7/27/07
Executed in Hamilton, Bermuda


Witness

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REINSURANCE TREATY NO. 103

LEGION INSURANCE COMPANY
("COMPANY")
and

MUTUAL INDEMNITY LTD.,
MUTUAL INDEMNITY (BARBADOS) LTD. AND
MUTUAL INDEMNITY (US) LTD.
("REINSURER")

AGGREGATE EXCESS OF LOSS

REINSURANCE AGREEMENT

EFFECTIVE: January 1, 1991

LEGION INSURANCE COMPANY and
MUTUAL INDEMNITY LTD.
MUTUAL INDEMNITY (BARBADOS) LTD. AND
MUTUAL INDEMNITY (US) LTD.

AGGREGATE EXCESS OF LOSS REINSURANCE AGREEMENT

EFFECTIVE: January 1, 1991

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AGGREGATE EXCESS OF LOSS REINSURANCE AGREEMENT

This Agreement is made and entered into by and between LEGION INSURANCE COMPANY, Philadelphia, Pennsylvania (hereinafter called the "Company") on the one part and MUTUAL INDEMNITY LTD., Hamilton, Bermuda, MUTUAL INDEMNITY (BARBADOS) LTD. of Bridgetown, Barbados and MUTUAL INDEMNITY (US) LTD. of Hamilton, Bermuda (hereinafter severally and not jointly called the "Reinsurer") of the other part.

The Reinsurer, being constituted of more than one corporation, whose names are set forth above, this Agreement shall apply severally as between the Company and each such corporation with respect to each Program (as defined below) as set forth in each of the Exhibits signed by such corporation and attached to this Agreement. The rights and obligations provided for herein of any one such corporation will not be as held, assumed or guaranteed by any other corporation constituting the Reinsurer.

ARTICLE 1

BUSINESS REINSURED

- A. By this Agreement, and subject to the limitations set forth herein, Reinsurer agrees to reinsure the Company in respect of the excess aggregate liability which may accrue to the Company under its policies, contracts and binders of insurance (hereinafter called "Policies") issued or renewed on or after the effective date hereof, and classified by the Company and Reinsurer as part of a Program (the "Program"), as defined below, and subject to the terms, conditions, and limitations set forth herein and in the Exhibits attached hereto.

ARTICLE 2

COMMENCEMENT AND TERMINATION

- A. This Agreement shall become effective at 12:01 a.m., Eastern Standard Time, January 1, 1991, with respect to losses arising out of occurrences commencing on or after that date on Policies issued or renewed under Programs on or after that date, and shall continue in force thereafter until terminated as provided in the following paragraph.

- B. Either the Company or the Reinsurer shall have the right to terminate this Agreement as of 12:01 a.m., Eastern Standard Time, any January 1, by giving 90 days' prior notice in writing via either Certified or Registered Mail, return receipt requested.
- C. This Agreement as to any Program may be canceled in whole or in part by the Company by giving ninety (90) days prior written notice to the Reinsurer. The Reinsurer shall have the right to cancel this Agreement as to any Program by giving a number of days prior written notice to the Company which shall be not less than thirty (30) days more than the longest prior notice of cancellation required by any named insured or insureds under policies issued under the Program.
- D. In the event of termination of this Agreement the Reinsurer will continue to cover all Policies coming within the scope of this Agreement, including those written or renewed during the period of notice, until the natural expiration or anniversary of such Policies plus odd time, whichever occurs first, but in no event longer than 15 months from the date of termination.
- E. The Reinsurer shall also remain liable for all losses and allocated loss adjustment and claim expense incurred against the reinsured policies covered by this agreement, whether or not such losses and expenses are reported after the termination of the Agreement or the termination date of such reinsured policies. However, for any terminated program, the Reinsurer's maximum aggregate liability set forth in each Exhibit shall be based only on the earned premium under the Program, unless otherwise set forth in such Exhibit, provided, however, that such maximum aggregate liability shall not be less than the dollar minimum set forth in each such Exhibit.
- F. Alternatively, at the option of the Company, coverage hereunder may be terminated as respects policies in force as of the date of termination and Reinsurers will return all unearned premium.

ARTICLE 3

RETENTION/LIMITS

As respects any Program, the Company and the Reinsurer shall determine an annual aggregate retention ("Annual Aggregate Retention") applicable to the aggregate of Net Losses in any one account year to Net losses from Workers' Compensation and Employer Liability for such Program for any one account year, which Annual Aggregate Retention shall be set forth in an exhibit for that Program, attached to this Agreement and made a part hereof (an "Exhibit").

The Company's losses subject to the Annual Aggregate Retention for each Program shall be limited to losses not exceeding the Loss Limit as set forth in the Exhibit for such Program.

As respects the Company's Net Losses subject to the aggregate retention within any Program, the Company shall retain an amount of Ultimate Net Loss which in the aggregate in any one Account Year is equal to the Annual Aggregate Retention as set forth in that Program's Exhibit.

For any Program, the Reinsurer shall indemnify the Company for the amount by which such aggregate Ultimate Net Losses in any one account year exceed the Annual Aggregate Retention set forth in that Program's Exhibit up to but not to exceed the maximum limit of liability as respects Ultimate Net Loss any one Account Year for the aggregate retention within such Program, as set forth in that Program's Exhibit.

ARTICLE 4

TERRITORY

This Agreement shall apply to losses covered by the Policies wherever occurring.

ARTICLE 5

DEFINITIONS

- A. The Term "Workers' Compensation and Employers' Liability Business" as used in the Agreement shall mean all insurance or reinsurance written by the Company and classified by the Company as workers' compensation and employers' liability, including death, dismemberment, permanent and total disability, permanent partial disability, temporary total disability and medical expenses as a result of an occupational accident; such benefits forming part of the Company's portfolio in respect of statutory and voluntary workers' compensation including United States Longshoremen and Harborworkers, employers' liability, admiralty and Jones act, and maritime endorsement. Coverage is extended to business relating to U.S. aviation and aerospace industry including any parent and/or subsidiary.
- B. The terms "Net Loss" or "Ultimate Net Loss" as used in this Agreement shall mean the actual loss paid by the Company, or for which the Company becomes liable to pay not exceeding the "Loss Limit" set for any Program as set forth in the Exhibit for such Program, plus a pro rata share (for Minnesota losses a 100% share) of all interest and adjustment expenses including cost of litigation, in proportion that the amount not exceeding the said Loss Limit bears to the total amount of the loss, but

salvages and all recoveries, including recoveries under all reinsurance which inure to the benefit of this Agreement (whether recovered or not), shall be first deducted from such loss to arrive at the amount of liability attaching hereunder.

All salvages, recoveries or payments recovered or received subsequent to loss settlements hereunder shall be applied as if recovered or received prior to the aforesaid settlement and all necessary adjustments shall be made by the parties hereto.

Nothing in this clause shall be construed to mean that losses are not recoverable hereunder until the Company's Ultimate Net Loss has been ascertained.

- C. The term "Policy" as used in this Agreement shall mean any binder, policy, or contract of insurance or reinsurance issued, accepted or held covered provisionally or otherwise, by or on behalf of the Company.
- D. The term "Program" as used in this Agreement shall mean a policy or group of Policies for one insured or a group of insureds separately identified by the Company as a Program. The Company will be the sole judge of what constitutes one insured or one group of insureds, and will have the prerogative of including in one program only policies which are ascribed to the same underwriting year.
- E. The term "Account Year" as used in this Agreement shall mean the period (not exceeding one year in duration, plus odd time, not to exceed 18 months in all) of the policy or policies issued by the Company in respect of any one Insured Program.
- F. Other terms used in this agreement shall have the definition first appearing in the Insurance Code of the Commonwealth of Pennsylvania, or the NAIC Examiners Handbook, or the NAIC Accounting Practices and Procedures Manual for Fire and Casualty Insurance Companies or the Reinsurance Association of America, Glossary of Reinsurance Terms.

ARTICLE 6

PREMIUM

1. The premium for each Program shall be as set forth in the Exhibit for such Program (hereinafter the "Reinsurer's Premium").
2. The Reinsurer's Premium shall be payable within the time specified in Article 7. The amounts owed by the parties to each other shall be reconciled as provided in paragraph 3 of this Article 6.

3. The Reinsurer's Premium payable shall be reconciled against (i) the amount necessary to establish or maintain any required level of Paid Loss Deposit Funds and (ii) that portion of the Reinsurer's liability under each of the Exhibits attached to this Agreement represented by Paid Losses to the extent that such item was not previously reconciled under this Agreement.
4. The Company shall withhold and pay the applicable United States Federal Excise Tax, if any. It is further understood that the Company shall not be liable to the Reinsurer for any unrecoverable amounts of Federal Excise Tax paid on such premiums and subsequently determined not to have been payable thereon and that the Reinsurer shall indemnify the Company for any Federal Excise Tax liability in excess of the amount set forth in each Exhibit. The Company shall make a good faith effort to recover any Federal Excise Tax erroneously withheld or paid over and shall return any amount so recovered to the Reinsurer.
5. The Reinsurer shall allow the Company a ceding commission as set forth in each Exhibit. The Reinsurer understands and agrees that the ceding commission set forth in each Exhibit is based in part on an estimate of certain expenses incurred by the Company, and agrees to allow such additional ceding commission to pay the actual expenses incurred by Company in excess of such estimate. In return for accepting 100% of the liability for such excess expenses, if the actual expenses are determined by the Company to be less than the estimate, the Reinsurer shall receive as an experience credit an amount equal to 100% of the difference between the actual and estimated expenses.

ARTICLE 7

RECONCILIATION/PAID LOSS DEPOSIT FUND

1. Within thirty (30) days after each payment of premium is received by the Company in accordance with the terms of the Policy, the Company will issue to the Reinsurer a reconciliation statement (the "Reconciliation Statement") setting forth the reinsurance payable as reconciled against the items described in ARTICLE 6 paragraph 3. If the result of the reconciliation is that one party owes money to the other, the responsible party shall pay the amount so owed within the time required by this Agreement, or if not otherwise specified, within 20 days after the receipt of the Reconciliation Statement. All payments hereunder shall be made in United States currency.
2. The parties hereto recognize and agree that each party's liability hereunder shall extend beyond the time that each party is receiving premiums under their respective Policy, and possibly beyond the expiration date of the Policies and this Agreement:

and that in such an event the reconciliations may involve only a computation of the Reinsurer's liability to the Company for losses, if any.

3. Within 60 days after the end of each calendar month Legion shall provide monthly loss statements to the Reinsurer for the settlement of losses paid during that reporting period. The Reinsurer will pay the amount so owed within 20 days after receipt of the statement, provided, however, that when as a result of any one loss the total amount due from the Reinsurer exceeds \$10,000, the Reinsurer will upon demand and receipt of satisfactory proof of loss, remit its proportion forthwith.
4. Legion will, with funds (i) to be withheld from premium cessions due to the Reinsurer or (ii) provided by the Reinsurer, establish and maintain a Paid Loss Deposit Fund, the purpose of which is to provide a source of funds for payment of Reinsurer's liability under this Agreement. This paid loss deposit fund shall be established for each Program once losses incurred exceed Legion's retention as set forth in each Exhibit to this Agreement, and shall be adjusted on a monthly basis to the average of two months paid losses based on the most recent three months paid losses.

ARTICLE 8

LETTER OF CREDIT

1. In connection with each Program, the Reinsurer will furnish to the Company a clean, irrevocable, evergreen Letter of Credit from a U.S. Bank (which is a member of the Federal Reserve System) acceptable to Legion in its sole discretion (hereinafter the "Issuing Bank"), or other deposits or guarantees acceptable to the Company, in an amount equal to the Company's ceded reserve for outstanding losses, losses incurred but not yet reported, allocated loss adjustment expense, and unearned premium. The Letter of Credit, or any replacement or renewal thereof, shall be in a form acceptable to the Company and in compliance with the statutes and regulations of the Commonwealth of Pennsylvania, for the purpose of securing the obligations of the Reinsurer under this Agreement, provided that at no time shall the Reinsurer be obligated to provide a Letter of Credit in connection with any of the Programs which exceed the Reinsurer's maximum liability, at any point, to the Company for such Program, unless otherwise required by state regulatory authorities. During the term of this Agreement, the amount of such security may be adjusted by the Company to secure the obligations of the Reinsurer hereunder. If the Company deems such an adjustment necessary, the Reinsurer will, within thirty (30) days of receipt of written request by the Company, obtain and deliver an amendment to such Letter of Credit or will obtain an excess Letter of Credit to cover the increased amount of such security. If the Letter of Credit terminates or expires for any reason, while the

Reinsurer remains liable for losses under this Agreement. the Reinsurer shall, thirty (30) days prior to termination or expiration, deliver to the Company a substitute in an amount and form acceptable to the Company which shall become effective immediately upon the termination or expiration of the prior irrevocable Letter of Credit.

ARTICLE 9

CURRENCY

All of the provisions of this Agreement involving dollar amounts are expressed in terms of United States dollars and are premium and loss payments hereunder shall be made in United States dollars.

ARTICLE 10

TAXES

The Company will be liable for state and local premium taxes on premiums reported to the Reinsurer hereunder.

ARTICLE 11

REPORTS

It is understood and agreed that the Company will report to the Reinsurer any information which the Reinsurer may require to prepare its Annual Statement and other regulatory filings which is reasonably available to the Company.

ARTICLE 12

NOTICE OF LOSS AND LOSS SETTLEMENTS

The Company will advise the Reinsurer promptly of all claims which in the opinion of the Company may involve the Reinsurer, and of all subsequent developments on these claims which may materially affect the position of the Reinsurer.

The Reinsurer agrees to abide by the loss settlements of the Company, it being understood, however, that when so requested the Company will afford the Reinsurer an opportunity to be associated with the Company, at the expense of the Reinsurer, in the defense of any claim or suit or proceeding involving this reinsurance and that the Company will cooperate in every respect in the defense or control of such claim, suit or proceeding. All settlements by the Company of claims involving this reinsurance, including voluntary Compromise and Release, when made by the Company, shall be unconditionally binding on the Reinsurer.

The Reinsurer will pay its share of loss settlements in accordance with Article 7(3) of this Agreement.

This Agreement shall protect the Company, subject to the Loss Limit set forth in each Exhibit, where the loss includes any Extra Contractual Obligations for 100% of such Extra Contractual Obligations. "Extra Contractual Obligations" are defined as those liabilities not covered under any other provision of this Agreement and which arise from handling of any claim on business covered hereunder, such liabilities arising because of, but not limited to, the following: failure by the Company to settle within the Policy limit, or by reason of alleged or actual negligence, fraud or bad faith in rejecting an offer of settlement or in the preparation of the defense or in the trial of any action against its insured or in the preparation or prosecution of any appeal consequent upon such action.

The date on which any Extra Contractual Obligation is incurred by the Company shall be deemed, in all circumstances, to be the date of the original Loss Occurrence, and the Reinsurer's Loss Limit referred to in the preceding paragraph shall separately apply to Extra Contractual Obligations and any other covered loss of the Company relating thereto.

However, this Article shall not apply where the loss has been incurred due to the fraud of a member of the Board of Directors or a corporate officer of the Company acting individually or collectively or in collusion with any individual or corporation or any other organization or party involved in the presentation, defense or settlement of any claim covered hereunder.

One Hundred percent of expenses attributable to any portion of loss designated as an Extra Contractual Obligation will be subject to proration in accordance with the other terms of this Article.

ARTICLE 13

SALVAGE AND SUBROGATION

Should the Company effect subrogation or salvage recovery or receive reimbursement of loss subject to this Agreement, then such recovery, less all expenses incurred in effecting the recovery (excluding salaries and expenses of officials and employees of the Company not

classified as loss adjusters) will be applied between the parties having interest in the loss in the order inverse to that in which their respective liability attached.

Should a recovery effect be unsuccessful, or should the expense of making a recovery exceed the recovery, then the Company and the Reinsurer shall share such expense in proportion to their interest in the loss.

ARTICLE 14

ERRORS AND OMISSIONS/SERVICE OF SUIT

1. Any inadvertent delay, omission or error shall not be held to relieve either party hereto from any liability which would attach to it hereunder if such delay, omission or error had not been made, providing such delay, omission or error is rectified upon discovery.
2. In the event of the failure of the Reinsurer to pay any amount claimed to be due hereunder or to provide any Letter of Credit required under Article 8, the Reinsurer shall, at the request of Company, submit to the jurisdiction of any court of competent jurisdiction within the United States and shall comply with all requirements necessary to give such Court jurisdiction; and all matters arising hereunder shall be determined in accordance with the law and practice of such Court.
3. Service of process in such suit(s) against the Reinsurer may be made upon Dunnington, Bartholow & Miller, 666 Third Avenue, New York, New York 10017, Attention: Richard E. O'Brien, Esq. and that in any suit instituted against the Reinsurer upon this Contract, Reinsurer shall abide by the final decision of such Court or of any Appellate Court in the event of an appeal. The above-named are authorized and directed to accept service of process on behalf of Reinsurer in any such suit and/or upon the request of the Company to give a written undertaking to the Company that they shall enter a general appearance upon Reinsurer's behalf in the event such suit shall be instituted. Further, pursuant to any statute of any State, Territory, or District of the United States which makes provision therefore, Reinsurer herein 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 Company or any beneficiary hereunder arising out of this Contract and hereby designate the above-named Dunnington, Bartholow & Miller as the firm to whom the said officer is authorized to mail such process or a true copy thereof.

ARTICLE 15

INSPECTION

The Company shall place at the disposal of the Reinsurer at all reasonable times, and the Reinsurer shall have the right to inspect, through its authorized representatives, all books, records and papers of the Company in connection with any reinsurance hereunder, or claims in connection herewith.

ARTICLE 16

INSOLVENCY

In the event of the insolvency of the Company, reinsurance under this Agreement shall be payable by the Reinsurer on the basis of the liability of the Company under Policy or Policies reinsured without diminution because of the insolvency of the Company to the Company or its liquidator, receiver, or statutory successor, except as provided by Section 4118(a) of the New York Insurance Law or except where the Agreement specifically provides another payee of such reinsurance in the event of the insolvency of the Company, and where the Reinsurer with the consent of the direct insured or insureds has assumed such Policy obligations of the Company as direct obligations of the Reinsurer to the payee under such Policies and in substitution for the obligations of the Company to such payees.

It is agreed, however, that the liquidator or receiver or statutory successor of the insolvent Company shall give written notice to the Reinsurer of the pendency of a claim against the insolvent Company on the Policy or Policies reinsured within a reasonable time after such claim is filed in the insolvency proceeding and that during the pendency of such claim the Reinsurer may investigate such claim and interpose, at its own expense, in the proceeding where such claim is to be adjudicated, any defense or defenses which it may deem available to the Company or its liquidator or receiver or statutory successor. The expense thus incurred by the Reinsurer shall be chargeable, subject to court approval, against the insolvent Company as part of the expense of liquidation to the extent of a proportionate share of the benefit which may accrue to the Company solely as a result of the defense undertaken by the Reinsurer.

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 Agreement as though such expense had been incurred by the insolvent Company.

Should the Company go into liquidation or should a receiver be appointed the Reinsurer shall be entitled to deduct from any sums which may be due or may become due to the Company under this Reinsurance Agreement, any sums which are due to the Reinsurer by the Company under this Reinsurance Agreement and which are payable at a fixed or stated date, as well as any other sums due the Reinsurer which are permitted to be offset under applicable law.

ARTICLE 17

ARBITRATION

As a condition precedent to any right of action hereunder, any irreconcilable dispute between the parties to this Agreement will be submitted for decision to a board of arbitration composed of two arbitrators and an umpire.

Arbitration shall be initiated by the delivery of a written notice of demand for arbitration by one party to the other within a reasonable time after the dispute has arisen.

The members of the board of arbitration shall be active or retired disinterested officers of insurance or reinsurance companies or Underwriters at Lloyd's London, not under control of or a former officer of either party to this Agreement. Each party shall appoint its arbitrator and the two arbitrators shall choose an umpire before instituting the hearing. If the respondent fails to appoint its arbitrator within four weeks after being requested to do so by the claimant, the latter shall also appoint the second arbitrator. If the two arbitrators fail to agree upon the appointment of an umpire within four weeks after their nominations, each of them shall name three, of whom the other shall decline two, and the decision shall be made by the then current President of the Reinsurance Association of America.

The claimant shall submit its pre-hearing brief within 45 days from appointment of the umpire. The respondent shall submit its brief within 45 days thereafter and the claimant may submit a reply brief within 30 days after filing of the respondent's brief.

The board shall make its decision with regard to the custom and usage of the insurance and reinsurance business. The board shall issue its decision in writing based upon a hearing in which evidence may be introduced without following strict rules of evidence but in which cross-examinations and rebuttal shall be allowed. The board shall make its decision within 60 days following the termination of the hearing unless the parties consent to an extension. The majority decision of the board shall be final and binding upon all parties to the proceeding. Judgement may be entered upon the award of the board in any court having jurisdiction.

If more than one Reinsurer is involved in the same dispute, all such reinsurers shall constitute and act as one party for the purpose of this clause, and communications shall be made by the Company to each of the Reinsurers constituting the one party, provided, however, that nothing therein shall impair the rights of such Reinsurers to assert several, rather than joint, defenses or claims, nor be construed as changing the liability of the Reinsurers under the terms of this Agreement from several to joint. If more than one Reinsurer is involved in the arbitration as respondent, the time for appointing the arbitrators will be extended to six weeks.

Each party shall bear the expense of its own arbitrator and shall jointly and equally bear with the other party the expense of the umpire. The remaining costs of the arbitration proceedings shall be allocated by the board.

ARTICLE 18

CONDITIONS

1. This Agreement shall be governed by and construed according to the laws of the Commonwealth of Pennsylvania.
2. This Agreement may not be released, discharged, changed or modified except by an instrument in writing by a duly authorized representative of all of the Parties.
3. All notices, requests, demands or other communications made hereunder shall be in writing and shall be deemed duly given on the date of receipt when personally delivered or sent by telex, facsimile transmission, overnight courier or registered or certified mail, postage pre-paid and return receipt requested, to the persons and addresses set forth below, or to such other address or person as either party may hereafter designate by notice to the other party:

If to the Company, then to:

Legion Insurance Company
One Liberty Place, Suite 2200
1650 Market Street
Philadelphia, PA 19103
Attention: Andrew S. Walsh

If to the Reinsurers:

Mutual Indemnity Ltd.
Mutual Indemnity (US) Ltd.
Mutual Indemnity (Barbados) Ltd.
44 Church Street
P.O. Box 2064
Hamilton, Bermuda
Attention: Paul Watson

IN WITNESS WHEREOF, the parties hereto have signed this Reinsurance Agreement as of the dates set forth below.

In Hamilton, Bermuda,
this 16th day of December 1991.

MUTUAL INDEMNITY LTD.

By: Paul Watson

In Philadelphia, Pennsylvania,
this 16th day of December, 1991.

LEGION INSURANCE COMPANY

By: Glen Harsh

In Hamilton, Bermuda,
this 16th day of December 1991.

MUTUAL INDEMNITY (US) LTD.

By: Paul Watson

In Hamilton, Bermuda,
this 16th day of December 1991.

MUTUAL INDEMNITY
(BARBADOS) LTD.

By: Paul Watson

EXHIBIT XXX-XXX-95

TO REINSURANCE TREATY NO. 103

BETWEEN

LEGION INSURANCE COMPANY ("COMPANY")

AND

MUTUAL INDEMNITY LTD.
MUTUAL INDEMNITY (BARBADOS) LTD.
MUTUAL INDEMNITY (BERMUDA) LTD.

AND

MUTUAL INDEMNITY (US) LTD.
("REINSURER")

This Exhibit shall be between Legion Insurance Company and Mutual Indemnity (Bermuda) Ltd., to be effective _____ and shall be subject to all terms and conditions of the Reinsurance Agreement (the "Agreement") to which it is attached.

The Reinsurer shall be liable to the Company under terms and conditions of this Agreement for the following:

COVERAGES:	Workers' Compensation and Employer's Liability
POLICY NUMBERS:	WC1 XXX XXX
PROGRAM:	XXXXXXXXXXXXXXXXXXXXXXXXXXXX
TERM:	X/XX/XX to X/XX/XX

LOSS LIMIT

All states except Minnesota -	\$250,000 per occurrence plus proportional allocated loss adjustment expense
Minnesota -	\$250,000 per occurrence plus 100% of allocated loss adjustment expense +

+ The loss limit for losses occurring in Minnesota shall be adjusted effective January 1, 1996 for losses occurring after that date to the retention chosen by the Company under its reinsurance agreement with the Minnesota Workers' Compensation Reinsurance Association.

ANNUAL AGGREGATE RETENTION

The Annual Aggregate Retention referred to in Article 3 of the Agreement shall be XX.X% of Gross Written Premium.

REINSURER'S MAXIMUM LIMIT OF LIABILITY

The Reinsurer's maximum aggregate liability for the term for all items including but not limited to Net losses or Ultimate Net Losses, Allocated Claims Expense and punitive or exemplary damages is limited to an amount equal to XX.XX% of the Gross Written Premium of the Program.

REINSURER'S PREMIUM

Reinsurer's Premium shall equal XX.XXX% of Gross Written Premium to the Program.

CEDING COMMISSION

The Reinsurer shall allow the Company a commission equal to XX.XXX% of Gross Written Premium. This ceding commission includes an estimated percentage of taxes, licenses, fees, assessments, guaranty funds, assigned risk pool charges, and unallocated claims expenses not paid by Insured which shall be adjusted pursuant to Article 6(5) of the Agreement to cover actual expenses by the Company for such items.

IN WITNESS WHEREOF, the parties have set their hand:

At Hamilton, Bermuda,

At Philadelphia, Pennsylvania

On the _____ day of _____,
1995

On the _____ day of _____,
1995

MUTUAL INDEMNITY (BERMUDA)
LTD.

LEGION INSURANCE COMPANY

By: _____
Paul Watson
President

By: _____
Allen G. Barry, III
Vice President

AMENDMENT

This Amendment is made to an aggregate excess of loss reinsurance agreement (the "Agreement") dated as of January 1, 1991, as amended, by and between LEGION INSURANCE COMPANY ("LEGION") on the one part and Mutual Indemnity, Ltd., Mutual Indemnity (Barbados) Ltd. and Mutual Indemnity (US) Ltd. (collectively referred to as the "Reinsurers") on the other part.

In Consideration of the mutual promises contained herein, and intending to be legally bound hereby, the parties agree to amend the Agreement as follow:

1. Article 8, Reconciliation/Paid Loss Deposit Fund is amended as follows:
 - a. The first sentence of the section shall read: "Within 30 days after the end of each calendar month Legion shall provide monthly loss statements to the Reinsurer for the settlement of losses paid during that reporting period."

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the dates set forth above.

At Philadelphia, Pennsylvania
on the 7th day of ~~November~~, 1992

LEGION INSURANCE COMPANY

By: Glenn R. Partridge
Glenn R. Partridge
Senior Vice President

At Hamilton, Bermuda
on the 7 day of Dec, 1992

MUTUAL INDEMNITY (US) LTD.

By: Paul Watson
Paul Watson
President

At Hamilton, Bermuda
on the 7 day of Dec, 1992

MUTUAL INDEMNITY LTD.

By: Paul Watson
Paul Watson
President

At Hamilton, Bermuda
on the 7 day of Dec, 1992

MUTUAL INDEMNITY
(BARBADOS) LTD.

By: Paul Watson
Paul Watson
President

AMENDMENT

This Amendment is made to a reinsurance agreement (the "Agreement") dated as of January 1, 1991, as amended, by and between LEGION INSURANCE COMPANY ("LEGION") on the one part and Mutual Indemnity, Ltd., Mutual Indemnity (Barbados) Ltd. and Mutual Indemnity (US) Ltd. (collectively referred to as the "Reinsurers") on the other part.

In Consideration of the mutual promises contained herein, and intending to be legally bound hereby, the parties agree to amend the Agreement as follow:

1. A new ARTICLE 3-A is added and shall read as follows:

ADDITIONAL LIMITS OF LIABILITY

A. In addition to the amount by which the aggregate Ultimate Net Losses in any one Account Year exceed the Annual Aggregate Retention set forth in each of the Program Exhibits to this Agreement, up to but not exceeding the maximum limit of liability as respects Ultimate Net Loss any one Account Year for the aggregate retention within each program, as set forth in the Program's Exhibit, the Reinsurers will also be liable for Reinsurers' Additional Liability, which for any program shall be the amount by which the Ultimate Net Loss exceeds:

1. The maximum aggregate limit of liability set forth in each Exhibit, plus
2. \$5,000,000.

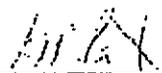
B. The Reinsurer's Additional Liability combined under this Agreement and the reinsurance agreement between the parties dated January 1, 1988, as amended, shall not exceed \$5,000,000 Ultimate Net Loss any one program, \$10,000,000 Ultimate Net Loss in the aggregate for all programs, any one underwriting year.

2. Effective Date - As respects Legion Insurance Company, Mutual Indemnity Ltd., Mutual Indemnity (Barbados) Ltd. and Mutual Indemnity (US) Ltd., this Amendment shall be effective as of January 1, 1991.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the dates set forth above.

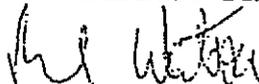
At Philadelphia, Pennsylvania
on the 26th day of JANUARY, 1993

LEGION INSURANCE COMPANY

By: 
Glenn R. Partridge
Senior Vice President

At Hamilton, Bermuda
on the 4 day of Feb, 1993

MUTUAL INDEMNITY LTD.

By: 
Paul Watson
President

At Hamilton, Bermuda
on the 4 day of Feb , 1993

MUTUAL INDEMNITY (US) LTD.

By: Paul Watson
Paul Watson
President

At Hamilton, Bermuda
on the 4 day of Feb , 1993

MUTUAL INDEMNITY (BARBADOS) LTD.

By: Paul Watson
Paul Watson
President

**Legion Insurance Company (In Liquidation)
 Villanova Insurance Company (In Liquidation)
 Listing of Commuted Accounts with Mutual Indemnity (U.S.), LTD**

Agency Code	Account Name	Share Series	Account Type	Legion Company
149202	PROMETHEUS REAL EST	B4	Guar Cost & Large Ded	Both LIC/VIC
103701	CECORR, INC.	M3	Guar Cost & Large Ded	Legion
110103	BRASWELL ENTERPRISES	V3	Guar Cost & Large Ded	Legion
110701	SIERRA PINE	N3	Guar Cost & Large Ded	Legion
116601	BUCCANEERS LIMITED	Q3	Guar Cost & Large Ded	Legion
116603	BUCCANEERS LIMITED	Q3	Guar Cost & Large Ded	Legion
116604	BUCCANEERS LIMITED	Q3	Guar Cost & Large Ded	Legion
138901	FINE HOST CORP	T3	Guar Cost & Large Ded	Legion
138902	FINE HOST CORP	T3	Guar Cost & Large Ded	Legion
138903	FINE HOST CORP	T3	Guar Cost & Large Ded	Legion
148701	AMERICA SERVICE GRP	C4	Guar Cost & Large Ded	Legion
148702	AMERICA SERVICE GRP	C4	Guar Cost & Large Ded	Legion
149201	PROMETHEUS REAL EST	B4	Guar Cost & Large Ded	Legion
151101	KING'S HAWAIIAN	E4	Guar Cost & Large Ded	Legion
151901	HRN SERVICES	G4	Guar Cost & Large Ded	Legion
151902	HRN SERVICES	G4	Guar Cost & Large Ded	Legion
158401	FOUNTAINS CONTINUUM	M4	Guar Cost & Large Ded	Legion
158601	INTEGRATED AIRLINE	L4	Guar Cost & Large Ded	Legion
427012	AMERICAN HEALTH CTRS	V	Guar Cost & Large Ded	Legion
427013	AMERICAN HEALTH CTRS	F4	Guar Cost & Large Ded	Legion
427098	AMERICAN HEALTH CTRS	V	Guar Cost & Large Ded	Legion
427109	AMERICAN HEALTH CTRS	V	Guar Cost & Large Ded	Legion
427432	AMERICAN HEALTH CTRS	V	Guar Cost & Large Ded	Legion
427543	AMERICAN HEALTH CTRS	V	Guar Cost & Large Ded	Legion
427654	AMERICAN HEALTH CENT	V	Guar Cost & Large Ded	Legion
427765	AMERICAN HEALTH CENT	V	Guar Cost & Large Ded	Legion
427876	AMERICAN HEALTH CENT	V	Guar Cost & Large Ded	Legion
427987	AMERICAN HEALTH CENT	V	Guar Cost & Large Ded	Legion
445332	JACK B. KELLEY	H	Guar Cost & Large Ded	Legion
445443	JACK B. KELLEY	H	Guar Cost & Large Ded	Legion
445554	JACK B. KELLEY	H	Guar Cost & Large Ded	Legion
445665	JACK B. KELLEY	H	Guar Cost & Large Ded	Legion
445776	JACK B. KELLEY	H	Guar Cost & Large Ded	Legion
445887	JACK B. KELLEY	H	Guar Cost & Large Ded	Legion
460332	HEALTHCARE INT'L	M	Guar Cost & Large Ded	Legion
460443	HEALTHCARE INT'L	M	Guar Cost & Large Ded	Legion
473232	GOLDEN CORRAL	F	Guar Cost & Large Ded	Legion
476232	MERCHANTS METAL PROD	G	Guar Cost & Large Ded	Legion
476343	MERCHANTS METAL PROD	G	Guar Cost & Large Ded	Legion
476454	MERCHANTS METAL PROD	G	Guar Cost & Large Ded	Legion
517010	HOWARD BAER	S	Guar Cost & Large Ded	Legion
517132	HOWARD BAER	S	Guar Cost & Large Ded	Legion
517243	HOWARD BAER	S	Guar Cost & Large Ded	Legion
517798	HOWARD BAER	S	Guar Cost & Large Ded	Legion
517809	HOWARD BAER	S	Guar Cost & Large Ded	Legion
522132	CONTICO	T	Guar Cost & Large Ded	Legion
522243	CONTICO	T	Guar Cost & Large Ded	Legion
553132	HOWELL CORP	Y	Guar Cost & Large Ded	Legion
557009	LETICA CORP	Z	Guar Cost & Large Ded	Legion
557010	LETICA CORP	Z	Guar Cost & Large Ded	Legion

557132	LETICA CORP	Z	Guar Cost & Large Ded	Legion
557243	LETICA CORP	Z	Guar Cost & Large Ded	Legion
557354	LETICA CORP	Z	Guar Cost & Large Ded	Legion
557465	LETICA CORP	Z	Guar Cost & Large Ded	Legion
557576	LETICA CORP	Z	Guar Cost & Large Ded	Legion
557687	LETICA CORP	Z	Guar Cost & Large Ded	Legion
557798	LETICA CORP	Z	Guar Cost & Large Ded	Legion
557809	LETICA CORP	Z	Guar Cost & Large Ded	Legion
560008	CONS PERS	L3	Guar Cost & Large Ded	Legion
560009	CONS PERS	L3	Guar Cost & Large Ded	Legion
560010	CONS PERS	L3	Guar Cost & Large Ded	Legion
560587	CONS PERS	L3	Guar Cost & Large Ded	Legion
560698	CONS PERS	L3	Guar Cost & Large Ded	Legion
560709	CONS PERS	L3	Guar Cost & Large Ded	Legion
588008	MEDIA SERVICES	W2	Guar Cost & Large Ded	Legion
588009	MEDIA SERVICES	W2	Guar Cost & Large Ded	Legion
588010	MEDIA SERVICES	W2	Guar Cost & Large Ded	Legion
588365	MEDIA SERVICES	W2	Guar Cost & Large Ded	Legion
588476	MEDIA SERVICES	W2	Guar Cost & Large Ded	Legion
588587	MEDIA SERVICES	W2	Guar Cost & Large Ded	Legion
588698	MEDIA SERVICES	W2	Guar Cost & Large Ded	Legion
588709	MEDIA SERVICES	W2	Guar Cost & Large Ded	Legion
597143	EVCON INDUSTRIES	C2	Guar Cost & Large Ded	Legion
597254	EVCON INDUSTRIES	C2	Guar Cost & Large Ded	Legion
603008	PASCHALL TRUCK	F2	Guar Cost & Large Ded	Legion
603009	PASCHALL TRUCK	F2	Guar Cost & Large Ded	Legion
603143	PASCHALL TRUCK	F2	Guar Cost & Large Ded	Legion
603254	PASCHALL TRUCK	F2	Guar Cost & Large Ded	Legion
603365	PASCHALL TRUCK	F2	Guar Cost & Large Ded	Legion
603476	PASCHALL TRUCK	F2	Guar Cost & Large Ded	Legion
603587	PASCHALL TRUCK	F2	Guar Cost & Large Ded	Legion
603698	PASCHALL TRUCK	F2	Guar Cost & Large Ded	Legion
603709	PASCHALL TRUCK	F2	Guar Cost & Large Ded	Legion
636153	FOR BETTER LIVING	K2	Guar Cost & Large Ded	Legion
636264	FOR BETTER LIVING	K2	Guar Cost & Large Ded	Legion
655154	M A BRÜDER & SONS	L2	Guar Cost & Large Ded	Legion
671154	PETSMART	N2	Guar Cost & Large Ded	Legion
671265	PETSMART	N2	Guar Cost & Large Ded	Legion
671376	PETSMART	N2	Guar Cost & Large Ded	Legion
671487	PETSMART	N2	Guar Cost & Large Ded	Legion
687154	TOWER AIR	O2	Guar Cost & Large Ded	Legion
689265	CH AIS - BRIM	B3	Guar Cost & Large Ded	Legion
689376	CH AIS - BRIM	B3	Guar Cost & Large Ded	Legion
722165	LABOR READY	T2	Guar Cost & Large Ded	Legion
722276	LABOR READY	T2	Guar Cost & Large Ded	Legion
722387	LABOR READY	R3	Guar Cost & Large Ded	Legion
722498	LABOR READY	R3	Guar Cost & Large Ded	Legion
740165	SAN FRAN GIANTS	U2	Guar Cost & Large Ded	Legion
740276	SAN FRAN GIANTS	U2	Guar Cost & Large Ded	Legion
740387	SAN FRAN GIANTS	U2	Guar Cost & Large Ded	Legion
740498	SAN FRAN GIANTS	U2	Guar Cost & Large Ded	Legion
740509	SAN FRAN GIANTS	U2	Guar Cost & Large Ded	Legion
742165	PAUL ARPIN VAN LINES	V2	Guar Cost & Large Ded	Legion
742276	PAUL ARPIN VAN LINES	V2	Guar Cost & Large Ded	Legion
742387	PAUL ARPIN VAN LINES	V2	Guar Cost & Large Ded	Legion
773165	AMERICAN ALUMINUM	A3	Guar Cost & Large Ded	Legion

843176	HAVATAMPA, INC	F3	Guar Cost & Large Ded	Legion
843287	HAVATAMPA, INC	F3	Guar Cost & Large Ded	Legion
843397	HAVATAMPA, INC	O3	Guar Cost & Large Ded	Legion
848176	NY METS	G3	Guar Cost & Large Ded	Legion
848287	NY METS	G3	Guar Cost & Large Ded	Legion
857176	MSA INDUSTRIES	I3	Guar Cost & Large Ded	Legion
112001	DIAMOND PRODUCTS CO	F3	Guar Cost Only	Legion
156801	MESILLA VALLEY TRANS	K4	Guar Cost Only	Legion
426189	NORTH COAST BLDRS	A	Guar Cost Only	Legion
426210	NORTH COAST BLDRS	A	Guar Cost Only	Legion
427189	AMERICAN HEALTH CTRS	V	Guar Cost Only	Legion
427290	AMERICAN HEALTH CTRS	V	Guar Cost Only	Legion
427321	AMERICAN HEALTH CTRS	V	Guar Cost Only	Legion
428432	AG AGENCY	W	Guar Cost Only	Legion
428543	AG AGENCY	G2	Guar Cost Only	Legion
437189	MCANALLY	B	Guar Cost Only	Legion
437210	MCANALLY	B	Guar Cost Only	Legion
437331	MCANALLY	B	Guar Cost Only	Legion
437442	MCANALLY	B	Guar Cost Only	Legion
437553	MCANALLY	B	Guar Cost Only	Legion
437664	MCANALLY	B	Guar Cost Only	Legion
438189	LATHAM LUMBER	C	Guar Cost Only	Legion
438210	LATHAM LUMBER	C	Guar Cost Only	Legion
438331	LATHAM LUMBER	C	Guar Cost Only	Legion
443554	REGENCY HEALTH	M2	Guar Cost Only	Legion
445221	JACK B. KELLEY	H	Guar Cost Only	Legion
460221	HEALTHCARE INT'L	M	Guar Cost Only	Legion
473121	GOLDEN CORRAL	F	Guar Cost Only	Legion
476121	MERCHANTS METAL PROD	G	Guar Cost Only	Legion
483121	REEF INDUSTRIES	J	Guar Cost Only	Legion
494121	C.R. ANTHONY	N	Guar Cost Only	Legion
495121	HELENA LABS	P	Guar Cost Only	Legion
504121	PIONEER	O	Guar Cost Only	Legion
517009	HOWARD BAER	S	Guar Cost Only	Legion
579143	PA RESTAURANT	B2	Guar Cost Only	Legion
579254	PA RESTAURANT	B2	Guar Cost Only	Legion
579365	PA RESTAURANT	B2	Guar Cost Only	Legion
579476	PA RESTAURANT	B2	Guar Cost Only	Legion
579587	PA RESTAURANT	B2	Guar Cost Only	Legion
579698	PA RESTAURANT	B2	Guar Cost Only	Legion
775165	EMI ENTERPRISES	C3	Guar Cost Only	Legion
834287	TAFCO REFRIDGERATION	E3	Guar Cost Only	Legion
151102	KING'S HAWAIIAN	E4	Guar Cost & Large Ded	Villanova
154601	SUNSHINE COMMUNICATI	J4	Guar Cost & Large Ded	Villanova

Legion Insurance Company (In Liquidation)
Villanova Insurance Company (In Liquidation)
Commutation Summary with Mutual Indemnity (U.S.), LTD

	<u>Legion</u>	<u>Villanova</u>	<u>Total</u>
Expected Ultimate Losses	2,301,334	1,047	2,302,381
Discount of Reserves	(421,609)	0	(421,609)
Commutation Value	<u>1,879,725</u>	<u>1,047</u>	<u>1,880,771</u>

REINSURANCE AGREEMENT

REINSURANCE CONTRACT between LEGION INSURANCE COMPANY, Philadelphia, Pennsylvania (hereinafter called the "Company") and MUTUAL INDEMNITY (US), LTD., of Hamilton, Bermuda (hereinafter called the "Reinsurer").

BY THIS AGREEMENT the Company agrees to cede and the Reinsurer agrees to accept a portion of the Company's liability provided by the Company's policies as specified in the Exhibits attached to this Agreement, subject to the following terms and conditions:

ARTICLE I - TERM

This Agreement shall take effect as of 12:01 a.m. Standard Time on October 1, 1989 (hereinafter called the "Effective Date") at the place of the issuance of the policies, and shall remain in force thereafter until terminated as provided in Article IX.

ARTICLE II - DEFINITIONS

For the purposes of this Agreement, the following terms shall have these meanings:

1. "Policy" - Company policy number(s) as set forth in the various Exhibits attached to this Agreement, and any binder extension or renewal thereof and endorsement or alteration thereto issued to those named insureds designated in each of the Exhibits attached to this Agreement.
2. "Incurred Losses" - All Paid Losses, plus case reserves for Outstanding Losses and a reserve for losses and expenses incurred but not reported ("IBNR") under the Policy as estimated by the Company.
3. "Paid Losses" - Claims under the Policy paid by the Company; plus all Allocated Claims Expense paid by the Company in connection with the Policy, whether or not related to claims paid.
4. "Outstanding Losses" - Loss payments and Allocated Claims Expenses not yet paid on claims reported to the Company in connection with the Policy.
5. "Allocated Claims Expense" - Such claims expenses that the Company, under its accounting practices, directly allocated to a particular claim. Such expenses include, but are not limited to attorney's fees for claims in suit, court costs, and related costs such as filing fees, and the costs of medical examination, expert medical or other testimony, laboratory services and x-rays, autopsies, stenographic services, witnesses and summonses and copies of documents; but shall not include the salaries and traveling expenses of the Company's employees and the Company's overhead.
6. Other terms used in this agreement shall have the definition first appearing in the Insurance Code of the Commonwealth of Pennsylvania, the NAIC Examiners Handbook, NAIC Accounting Practices and Procedures Manual for Fire and Casualty Insurance Companies and the Reinsurance Association of America, Glossary of Reinsurance Terms.

ARTICLE III - REINSURER'S LIABILITY

1. Reinsurer shall be liable for losses as set forth in the Exhibits attached hereto and made a part hereof.

ARTICLE IV - LOSS SETTLEMENTS

1. While the Reinsurer does not undertake to investigate or defend claims or suits under the Policy, it shall where permitted by law, have the right and opportunity to associate at its own expense, with the Company and its representatives in the defense of any claim, suit or proceeding involving this reinsurance. Except as otherwise specifically provided for herein, the Reinsurer's liability shall follow that of the Company under the Policy. All settlements by the Company of claims involving this reinsurance, including voluntary Compromise and Release, when made by the Company, shall be unconditionally binding on the Reinsurer and Guarantor.
2. The Company shall furnish the Reinsurer a copy of the Policy and all endorsements thereto which in any manner affect this Agreement and shall make available for inspection to the Reinsurer, at reasonable times, any of its records relating to this reinsurance or claims in connection therewith.
3. The Company will pay or credit the Reinsurer up to the amount of the Reinsurer's interest for amounts attributable to reimbursement or indemnity obtained or recovery made by the Company relating to the Policy, after deducting the actual cost (excluding Company salaries and office expenses) of obtaining such indemnity or reimbursement or making such recovery, and after the Company has been reimbursed up to the amount of its interest.

ARTICLE V - PAID LOSS DEPOSIT FUND

1. The Company will, with Reinsurance Premium withheld pursuant to Article VI, and supplemented by funds to be provided by the Reinsurer as required, establish and maintain a Paid Loss Deposit Fund, the purpose of which is to provide a source of funds for payment of Reinsurer's liability under this Agreement. The initially required level of the Paid Loss Deposit Fund shall be the amount specified in each Exhibit attached to this Agreement. The Company and Reinsurer agree, if necessary, to adjust the required level of the Paid Loss Deposit Fund monthly in order to maintain the Paid Loss Deposit Fund at a level equal to two (2) months' average Paid Losses. Average Paid Losses shall be mutually determined and agreed upon by the parties.

ARTICLE VI - PREMIUM

1. The premium for this reinsurance shall be as set forth in the Exhibits attached to this Agreement (hereinafter the "Reinsurance Premium").
2. Subject to the provisions of this Article, paragraphs 5 through 9, below, Reinsurance Premium shall be payable to the Reinsurer within the time specified in ARTICLE VII. The amounts owed by the parties to each other shall be reconciled as provided in paragraph 3 immediately below.

3. The Reinsurance Premium payable to the Reinsurer shall be reconciled against that portion of the Reinsurer's liability under each Exhibit attached to this Agreement represented by Paid Losses to the extent that such items were not previously reconciled under this Agreement:
 - (a) The amount of the initially required level of the Paid Loss Deposit Fund;
 - (b) The amount necessary to establish or maintain any adjusted required level of the Paid Loss Deposit Fund; and
 - (c) That portion of the Reinsurer's liability under each Exhibit attached to this Agreement represented by Paid Losses.
4. It is understood that from time to time the Reinsurer may, but shall not be obligated to, make Reinsurance Premium refunds to the Company based upon the Reinsurer's experience under each Exhibit. Any such Reinsurance Premium refunds paid to the Company will be applied by the Company to the use and benefit of the named insured stated in the Exhibits as participating in the insurance program subject to this Agreement.
5. The Company and the Reinsurer agree that the Reinsurance Premium shall be withheld as received by the Company as security for the performance of the obligations of the Reinsurer hereunder, subject to the provisions of Article VII, below.
6. For each program as set forth in the exhibits attached hereto, as premium is received by the Company, the Company shall internally allocate assets with a net admitted asset value on such date of receipt of such premium equal to the applicable Reinsurance Premium withheld, and shall allocate investment income earned on such allocated assets to the Reinsurer. All such investment income shall be held by the Company and reinvested for the benefit of the Reinsurer. Any investment income allocated to the Reinsurer pursuant to the provisions of this Article shall be offset against any other obligations of the Reinsurer.
7. The Company and the Reinsurer agree that the Reinsurance Premium withheld under this Agreement is held subject to withdrawal by and under the control of the Company. However, the Company or its successors in interest shall be entitled to utilize the Reinsurance Premium withheld only for one or more of the following purposes:
 - a. To reimburse itself for unearned premiums returned to owners of Policies reinsured under this Agreement on account of cancellations or terminations of such Policies;
 - b. To reimburse itself for Paid Losses, as defined in Article II, under the terms of the Policies reinsured under this Agreement;
 - c. To reimburse itself for any other amounts claimed to be due under this Agreement.
 - d. Upon termination of this Agreement, to establish reserves for Outstanding Losses and IBNR.
8. Should any of the amounts withheld by the Company be in excess of the actual amounts required to meet the obligations of the Reinsurer under "a", "b", or "c" above, in addition to meet the Reinsurer's obligations for Outstanding Losses and IBNR, then such excess amounts and amounts not due the Company under the terms of this Agreement shall be periodically transferred and assigned or otherwise released to the Reinsurer. Should the amounts withheld

by the Company be insufficient to meet the obligations of the Reinsurer under "a", "b" or "c" above, plus the Reinsurer's obligations for Outstanding Losses and IBNR, then the Reinsurer shall supplement the amounts withheld by the Company, upon demand by the Company, with a Letter of Credit as set forth in Article VIII, below, in an amount sufficient to meet such obligations.

9. The Company may allocate any or all of the Reinsurance Premium withheld pursuant to this Article to the Paid Loss Deposit Fund described in Article V, at the sole discretion of the Company.
10. All of the foregoing shall be applied without diminution because of the insolvency of either the Company or the Reinsurer.

ARTICLE VII - RECONCILIATION

1. Within thirty (30) days after the end of each calendar month, the Company will issue a Reconciliation Statement reflecting:
 - a. a reserve for unearned premium;
 - b. Paid Losses, as defined in Article II;
 - c. a reserve for Outstanding Losses;
 - d. a reserve for IBNR;
 - e. any other amounts claimed to be due under this agreement.

If the result of the reconciliation is that the Reinsurer owes money to the Company, the Reinsurer will pay the amount so owed within the time required by this Agreement, or if not otherwise specified, within 20 days after the receipt of the Reconciliation Statement. If the result of any such reconciliation is that the Company owes money to the Reinsurer the Company will allocate the amount so owed at the time the Reconciliation Statement is issued in accordance with the provisions of Article VI, paragraphs 5 through 9, above. All payments hereunder shall be made in United States currency.

2. The parties hereto recognize and agree that the Reinsurer's liability hereunder will extend beyond the time that the Company is receiving premiums under the Policy, and possibly beyond the expiration date of the Policy and this Agreement; and that in such an event the reconciliations may involve only a computation of the Reinsurer's liability to the Company, if any.

ARTICLE VIII - LETTER OF CREDIT

1. Any Letter of Credit required to be provided by Reinsurer under Article Six, Section Eight, above, shall be a clean irrevocable Letter of Credit from a U.S. Bank which is a member of the Federal Reserve System. Any such Letter of Credit shall be in a form acceptable to the Company and in compliance with the statutes and regulations of the Commonwealth of Pennsylvania, for the purpose of securing the obligations of the Reinsurer hereunder, providing

that at no time shall the Reinsurer be obligated to provide a Letter of Credit in connection with any of the Exhibits hereto which, when taken together with the Reinsurance Premium withheld and investment income earned in connection with such Exhibit, exceeds the Reinsurer's maximum liability, at any point, to the Company. During the term of this Agreement, the amount of such security may be adjusted by the Company to secure the obligations of the Reinsurer hereunder. If the Company deems such an adjustment necessary, the Reinsurer will, within thirty (30) days of receipt of written request by the Company, obtain and deliver an amendment to such Letter of Credit or will obtain an excess Letter of Credit to cover the increased amount of such Letter of Credit. If the said Letter of Credit terminates or expires for any reason (other than for termination of the Reinsurer's obligations under this Agreement), Reinsurer will, thirty (30) days prior to termination or expiration, deliver to the Company a substitute in an amount and form acceptable to the Company which will become effective immediately upon the termination or expiration of the prior irrevocable Letter of Credit.

ARTICLE IX - ARBITRATION

1. Any dispute arising out of this Agreement shall be submitted to the decision of a Board of Arbitration composed of two (2) arbitrators and an umpire, meeting in Philadelphia, Pennsylvania unless otherwise agreed by the Company and the Reinsurer. Arbitration in accordance with this Article is a condition precedent to institution of an action to resolve disputes under this Agreement.
2. The members of the Board of Arbitration shall be active or retired disinterested officers, directors or managerial employees of insurance or reinsurance companies. Each party shall appoint its arbitrator and the two arbitrators shall choose an umpire before instituting the hearing. If the respondent fails to appoint its arbitrator within sixty (60) days after being requested to do so by the claimant, the latter shall also appoint the second arbitrator. If the two arbitrators fail to agree upon the appointment of an umpire within four (4) weeks after their nominations, each of them shall name three (3) of whom the other shall decline two (2). The two (2) remaining names shall be submitted to the then current President of the Reinsurance Association of America, who shall pick the umpire from those names.
3. The claimant shall submit its initial brief within twenty (20) days from appointment of the umpire. The respondent shall submit its brief within twenty (20) days thereafter and the claimant may submit a reply brief within ten (10) days after filing of the respondent's brief.
4. The Board shall make an award with regard to the custom and usage of the insurance business. The Board shall issue its award in writing based upon a hearing in which evidence may be introduced without following strict rules of evidence but in which cross examination and rebuttal shall be allowed. The Board shall make its award within sixty (60) days following the termination of the hearing unless the parties consent to an extension. A decision by the majority of the members of the Board shall become the award of the board and shall be final and binding upon all parties to the proceeding.
5. Each party shall bear the expense of its own arbitrator and shall jointly and equally bear with the other party the expense of the umpire. The remaining costs of the arbitration proceedings shall be allocated by the Board.

ARTICLE X - TERMINATION

1. This Agreement may be cancelled as to any Exhibit in whole or in part by the Company by giving ninety (90) days prior written notice to the Reinsurer. The Reinsurer shall have the right to cancel this Agreement as to any Exhibit by giving a number of days prior written notice to the Company which shall be not less than thirty (30) days more than the longest prior notice of cancellation required by any Named Insured or Insureds under a Policy specified in the Exhibit which is the subject of the cancellation.
2. In the event a Policy reinsured under this Agreement is cancelled, this Agreement shall automatically be cancelled with respect to that Policy as of the effective date of the cancellation of the Policy.
3. In either such event, the Reinsurer will be paid a pro rata portion of the Reinsurance Premium to which it would have been entitled had this Agreement or any Exhibit to this Agreement not been cancelled.
4. In the event of cancellation or termination of this Agreement in whole or in respect to specific Policies, the Reinsurer's liability with respect to losses incurred on policies issued prior to date of cancellation shall continue. The Reinsurer recognizes that the Company's obligations which accrue during the term of the Policy will correspondingly survive the termination of the Policy and the termination of this Agreement. If any Exhibit to this Agreement terminates, the Reinsurer's liability under each terminated Exhibit will continue with respect to losses incurred on Policies issued prior to the effective date of termination of the Exhibit, and the Reinsurer will pay the Company for Paid Losses, and short term cancellation penalty if applicable, and allocated claims expense until there are no more Incurred Losses outstanding; unless the Company and Reinsurer agree at mutual terms to discontinue any liability hereunder.

ARTICLE XI - ERRORS AND OMISSIONS

Inadvertent delays, errors or omissions made by the Company or Reinsurer in connection with this Agreement or any transaction hereunder shall not relieve the other party from any liability which would have attached, had such delay, error or omission not occurred, provided that such error or omission will be rectified as soon as possible after discovery.

ARTICLE XII - RESOLUTION OF DISPUTES

1. In the event of the failure of Reinsurer to pay any amount claimed to be due hereunder or to provide any Letter of Credit required under Article VII, the Reinsurer, at the request of the Company, will submit to the jurisdiction of any court of competent jurisdiction within the United States and will comply with all requirements necessary to give such Court jurisdiction; and all matters arising hereunder shall be determined in accordance with the law and practice of such Court. The Reinsurer will abide by the final decision of such court, or any appellate court in the event of appeal.

Service of process in such suit may be made upon Dunnington, Bartholow & Miller, 666 Third Avenue, New York, New York 10017 and in any suit instituted against the Reinsurer upon this Contract. The above-named are authorized and directed to accept service of process on behalf of Reinsurer in any such suit and/or upon the request of the Company to give a written undertaking to the Company that they will enter a general appearance upon Reinsurers' behalf in the event such suit shall be instituted. Further, pursuant to any statute of any State, Territory, or District of the United States which makes provision therefore, the Reinsurer hereby designates the Superintendent, Commissioner, or Director of Insurance or other officer specified for that purpose in the applicable insurance 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 Company or any beneficiary hereunder arising out of this Agreement and hereby designate the above-named Dunnington, Bartholow & Miller as the firm to whom the said officer is authorized to mail such process or a true copy thereof.

ARTICLE XIII - INSOLVENCY

The Reinsurer hereby agrees that, as to all reinsurance made, ceded, renewed or otherwise becoming effective hereunder, the reinsurance shall be payable by the Reinsurer on the basis of the liability of Company under the Policy without diminution because of the insolvency of Company.

It is further agreed and understood that in the event of insolvency of Company, the liquidator or receiver or statutory successor of Company shall give written notice to the Reinsurer of the pendency of any claim against the insolvent Company under the Policy within a reasonable time after such claim is filed in the insolvency proceeding; that during the pendency of any such claim the Reinsurer may investigate and interpose, at its own expense, in the proceeding where any such claim is to be adjudicated any defense or defenses which it may deem available to the Company or its liquidator or receiver or statutory successor; that the expense thus incurred by the Reinsurer as the assuming insurer shall be chargeable subject to court approval against the insolvent Company as part of the expense of liquidation to the extent of a proportionate share of the benefit which may accrue to Company solely as a result of the defense undertaken by the Reinsurer as the assuming insurer.

It is further agreed and understood that as to all reinsurance made, ceded, renewed or otherwise becoming effective hereunder, the reinsurance shall be payable by the Reinsurer to Company or to its liquidator or receiver or statutory successor, except (a) where the contract specifically provides another payee of such reinsurance in the event of the insolvency of Company or (b) where the Reinsurer with the consent of the direct insured or insureds have assumed the obligations of the Company to the payees under the Policy and in substitution for the obligations of Company to such payees.

ARTICLE XIV - CONDITIONS

1. This Agreement shall be governed by and construed according to the laws of the Commonwealth of Pennsylvania.
2. This Agreement may not be released, discharged, changed or modified except by an instrument in writing by a duly authorized representative of all of the Parties.

3. Any notices, requests or other communications hereunder will be in writing and addressed as follows:

If to the Reinsurer, then to:

Mutual Indemnity (US), Ltd.
c/o Mutual Risk Management, Ltd.
69 Front Street
P. O. Box HM 2064
Hamilton, HM HX, Bermuda

If to the Company, then to:

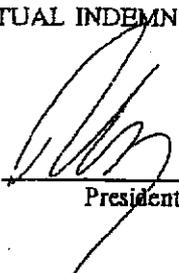
Legion Insurance Company
Three Mellon Center, Suite 800
15th Street and South Penn Square
Philadelphia, PA 19102
Attention: Andrew S. Walsh

IN WITNESS WHEREOF, the parties have set their hand:

at Hamilton, Bermuda on

the 24th day of August, 1990.

MUTUAL INDEMNITY (US), LTD.

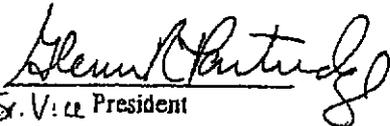
By: 

President

At Philadelphia, Pennsylvania

on the 24th day of August 1990.

LEGION INSURANCE COMPANY

By: 

Sr. Vice President

REINSURANCE AGREEMENT

No. 301

This Agreement is made and entered into by and between Legion Insurance Company, Philadelphia, PA and Legion Indemnity Company, Chicago, IL (hereinafter the "Company") on the one part and Mutual Indemnity Ltd., Hamilton, Bermuda, Mutual Indemnity (Barbados) Ltd. of Bridgetown, Barbados, Mutual Indemnity (Bermuda) Ltd., Mutual Indemnity (Dublin) Ltd., and Mutual Indemnity (US) Ltd., of Hamilton, Bermuda (hereinafter severally and not jointly called the "Reinsurer") of the other part.

Article 1 - Business Reinsured

By this Agreement and subject to the limitations set forth herein, the Reinsurer agrees to indemnify the Company in respect of the liability which may accrue to the Company as a result of Loss under Policies set forth in the Exhibits attached hereto.

Article 2 - Cover

The Company shall cede and the Reinsurer shall accept by way of reinsurance a 100% quota share of all Loss in respect of Policies coming within the scope of this Agreement. Loss shall include loss, loss adjustment expense and punitive damages.

Article 3 - Term

This Agreement shall be effective on the effective date and time as provided in the Exhibit(s) to this Agreement and shall continue in force until all liabilities under Policy(ies) set forth in the Exhibits are extinguished or terminated.

Article 4 - Collateral

The Reinsurer agrees that it will furnish at its option to the Company cash and/or a Letter of Credit (or Letters of Credit) drawn upon a bank approved by the Company and in an amount as set forth in the Exhibits attached hereto. Such Letter of Credit shall be existing and valid so long as the Company shall be exposed to any liability under its Policies and upon the notice of termination of any Letter of Credit, unless the Reinsurer substitutes a new and valid Letter or Credit in the amount required to be maintained hereunder or any other satisfactory security, the Company may draw down the funds under such Letter of Credit.

The Reinsurer and the Company agree that the Letter of Credit may be drawn upon at any time, notwithstanding any other provision of this Agreement, and be utilized by the Company or any successor, by operation of law, of the Company including, without limitation, any liquidator, rehabilitator, receiver or conservator of the Company only to reimburse the Company for the Reinsurer's obligations, the payment of which is due under the terms of this Agreement and which has not been otherwise paid after ten (10) days notice thereof from the Company to the Reinsurer.

In the event the amount drawn by the Company on any Letter of Credit is in excess of the actual amount that the Company is permitted to withdraw hereunder, the Company shall promptly return to the Reinsurer the excess amount so drawn. All of the foregoing shall be applied without diminution because of the insolvency on the part of the Company or the Reinsurer.

The issuing bank shall have no responsibility whatsoever in connection with the propriety of withdrawals made by the Company or the disposition of funds withdrawn, except to ensure that withdrawals are made only upon the order of properly authorized representatives of the Company.

The Company agrees that prior to the withdrawal of any funds under the Letter of Credit or any other collateral provided by the Reinsurer it shall deliver to the Reinsurer ten (10) days advance notice specifying the amount and reason thereafter.

At the request of the Reinsurer, the Letter of Credit will be adjusted quarterly by any amounts paid by the Reinsurer during the quarter by notice from the Company to the issuing bank of the amount thereof. In connection with all payments of losses for which the Company has an indemnity obligation under the Policy and Loss Adjustment Expenses (as defined in the Policy) and provided the Company is in compliance with this Agreement, the Company may make such payments and call upon the Reinsurer to reimburse the Company and in the event of failure of the Reinsurer to make reimbursement within thirty (30) days after demand the Company may draw upon a Letter of Credit or use other security held by it. In the event that any bank issuing any Letter of Credit furnishes notice of the termination of a Letter of Credit, the Reinsurer agrees to provide a substitute Letter of Credit or other security satisfactory to the Company immediately and failure to do so shall entitle the Company to draw upon such Letter of Credit.

In the event that the Company shall hold funds of the Reinsurer either as a result of direct payment or by reason of drawing down a part of or all of a Letter of Credit the Company agrees to pay to the Reinsurer the earning rate on the funds held. Such earning rate shall be computed by multiplying the average rate of U.S. 6 month Treasury Bills during the quarter by the average funds held by the Company.

Article 6 - Access to Records

The Company and the Reinsurer each agree that the other will have access to the books and records of the other at reasonable times for the purpose of obtaining information such as shall be required under this Agreement, the Policy or the subject matter thereof.

Article 7 – Follow the Fortunes

The Reinsurer agrees to follow the fortunes of the Company and indemnify the Company in all respects in connection with the Policies herein reinsured, including, but not limited to, any award and/or settlement of punitive damages, judgments in excess of the limits of the liability, the holding by any court of any portion of the Policy invalid (for example, the invalidation of the requirement that coverage is limited to occurrences reported during the policy period), costs associated with disputes between the Company and the Insured, and any other similar happening. In all such cases the Reinsurer accepts, without limitation of any kind, its liability as provided herein.

Article 8 – Arbitration

- A. As a condition precedent to any right of action hereunder, any dispute or difference between the Company and the Reinsurer relating to the interpretation or performance of this Agreement, including its formation or its validity, or any transaction under this Agreement, 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 thirty (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 the third arbitrator within thirty (30) days of their appointment, each of them shall name three individuals, the other shall decline two, and the selection of the third arbitrator from those remaining shall be made by the Federal District Court for the Eastern District of Pennsylvania. All arbitrators shall be disinterested active or retired executive officials of insurance or reinsurance companies or underwriters at Lloyd's, London. Each party shall submit its case to the arbitrators within thirty (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 the 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, examinations of witnesses and any other matter relating to the conduct of the arbitration. The arbitrators shall interpret this Agreement 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 award interest and costs, but in no event shall punitive or exemplary damages be awarded. Each party shall bear the expense of its own arbitrator and shall share equally with the other party in the expense of the third arbitrator and of the arbitration.

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

Article 9 – Service of Suit

It is agreed that in the event of the failure of the Reinsurer hereon to pay any amount claimed to be due hereunder, the Reinsurer hereon, at the request of the Company, will, subject to Article 8, submit to the jurisdiction of a Court of competent jurisdiction with the United States. Nothing in this clause constitutes or should be understood to constitute a waiver of Reinsurer's 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 & Mount, 750 Seventh Avenue, New York, NY 10019-6829 and that in any suit instituted against any one of them upon this Agreement, Reinsurer will abide by the final decision of such Court or of any Appellate Court in the event of an appeal.

The above-named are authorized and directed to accept service of process on behalf of Reinsurer in any such suit and/or upon the request of the Company to give a written undertaking to the Company that they will enter a general appearance upon Reinsurer's behalf in the event such a suit shall be instituted. Nothing shall prevent Reinsurer from changing counsel or engaging any party it chooses to represent its interests.

Further, pursuant to any Statute of any state, territory or district of the United States which makes provision therefore, Reinsurer 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 Company or any beneficiary hereunder arising out of this Agreement of reinsurance, and hereby designate the above-named Mendes & Mount as the person to whom the said officer is authorized to mail such process or a true copy thereof.

Article 10 – Premium and Commission

The Company shall pay to the Reinsurer premium as set forth in the Exhibits attached to this Agreement.

The Reinsurer shall allow the Company a ceding commission as set forth in the Exhibits attached to this Agreement.

Article 11 – Notice of Loss and Loss Settlements

The Reinsurer agrees to abide by the loss settlements of the Company, it being understood, however, that when so requested the Company will afford the Reinsurer an opportunity to be

associated with the Company, at the expense of the Reinsurer, in the defense of any claim or suit or proceeding involving this reinsurance and that the Company will cooperate in every respect in the defense or control of such claim, suit or proceeding. All settlements by the Company of claims involving this reinsurance, including voluntary Compromise and Release, when made by the Company shall be unconditionally binding on the Reinsurer.

Article 12 - Currency

Whenever the word "Dollars" or the "\$" sign appears in this Agreement, they shall be construed to mean United States Dollars and all transactions under this Agreement shall be in the United States Dollars. Amounts paid or received by the Company 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 Company.

Article 13 - Insolvency

In the event of the insolvency of the Company, this reinsurance shall be payable directly to the Company, or to its liquidator, receiver, conservator or statutory successor on the basis of the liability of the Company without diminution because of the insolvency of the Company or because the liquidator, receiver, conservator or statutory successor of the Company has failed to pay all or a portion of any claim or except (a) where the Agreement specifically provides another payee of such reinsurance in the event of insolvency of the Company, and (b) where the Reinsurer with the consent of the direct insured or insureds have voluntarily assumed such policy obligations of the Company as direct obligation of the Reinsurer to the payees under such policies and in substitution for the obligations of the Company to the payees. It is agreed, however, that the liquidator, receiver, conservator or statutory successor of the Company shall give written notice to the Reinsurer of the pendency of a claim against the Company indicating the policy insured which claim would involve a possible liability on the part of the Reinsurer 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 Reinsurer 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 it may deem available to the Company or its liquidator, receiver, conservator or statutory successor. The expense thus incurred by the Reinsurer shall be chargeable, subject to the approval of the court, against the Company as part of the expense of conservation or liquidation to the extent of a pro rata share of the benefit which may accrue to the Company solely as a result of the defense undertaken by the Reinsurer.

Article 14 - Errors & Omissions

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

Article 15 - Federal Excise Tax

(Federal Excise Tax applies only to those Reinsurers, excepting Underwriters at Lloyds and other Reinsurers exempt from Federal Excise Tax, who are domiciled outside the United States of America.)

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

Article 16 - Tax

In consideration of the terms under which this Agreement is issued, the Company undertakes not to claim any deduction of the premium hereon when making Canadian tax 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 17 - Miscellaneous

- A. This Agreement represents the sole and exclusive agreement among the parties concerning the subject matter hereof and shall be governed by and construed according to the laws of the Commonwealth of Pennsylvania.
- B. This Agreement may not be released, discharged, changed or modified except by an instrument in writing signed by a duly authorized representative of all of the Parties.
- C. All notices, requests, demands or other communications made hereunder shall be in writing and shall be deemed duly given on the date of receipt when personally delivered or sent by telex, facsimile transmission, overnight courier or registered or certified mail, postage pre-paid and return receipt requested, to the persons and addresses set forth below, or to such other address or person as either party may hereafter designate by notice to the other party:
- D.

If to the Company, then to:

LEGION INSURANCE COMPANY
One Logan Square, suite 1400
Philadelphia, PA 19103

Attention: Andrew S. Walsh,
General Counsel

If to the Reinsurer, then to:

MUTUAL INDEMNITY LIMITED
44 Church Street
PO Box 2064
Hamilton, HM, HX, Bermuda

Attention: David Alexander, President

In Witness Whereof to the Parties have executed this Agreement

on the ____ day of _____, 2002, in Philadelphia, PA

LEGION INSURANCE COMPANY
LEGION INDEMNITY COMPANY
VILLANOVA INSURANCE COMPANY
("Company")

By: _____

n Witness Whereof to the Parties have executed this Agreement

on the ____ day of _____, 2002 in Hamilton, Bermuda

MUTUAL INDEMNITY LTD.
MUTUAL INDEMNITY (BARBADOS) LTD.
MUTUAL INDEMNITY (BERMUDA) LTD.
MUTUAL INDEMNITY (DUBLIN) LTD.
MUTUAL INDEMNITY (US) LTD
("Reinsurer")

By: _____

EXHIBIT ____

TO REINSURANCE AGREEMENT NO. 301

BETWEEN

LEGION INSURANCE COMPANY
LEGION INDEMNITY INSURANCE COMPANY
VILLANOVA INSURANCE COMPANY
("COMPANY")

AND

MUTUAL INDEMNITY LTD.
MUTUAL INDEMNITY (BARBADOS) LTD.
MUTUAL INDEMNITY (BERMUDA) LTD.
MUTUAL INDEMNITY (DUBLIN) LTD.
MUTUAL INDEMNITY (US) LTD
("Reinsurer")

This Exhibit shall be effective XXXXXXXXXXXX and shall be subject to all terms and conditions of the Reinsurance Agreement (the "Agreement") to which it is attached.

The Reinsurer shall be liable to the Company under terms and conditions of this Agreement for the following Policy:

POLICY NUMBER(S): XXXXXXXXXXXX

NAME INSURED: XXXXXXXXXXXX

COVERAGES: XXXXXXXXXXXX

POLICY PERIOD: XXXXXXXXXXXX

POLICY PREMIUM: The Company shall pay to the Reinsurer \$XXXXXXX less a ceding commission provided herein.

CEDING COMMISSION

The Reinsurer shall allow the Company a flat commission equal to \$XXXXXXXX. The Reinsurer understands and agrees that the ceding commission is based in part on an estimate of certain expenses incurred by the Company, including but not limited to, taxes (including Federal Excise Tax), licenses, assigned risk assessments, boards, bureau, (which represent an amount equal to \$ XXXXXXXX and unallocated claims expenses not paid by insured and agrees to allow such additional ceding commission to pay the actual expenses incurred by Company in excess of such estimate. In return for accepting 100% of the liability for such excess expenses, if the actual expenses are determined by the Company to be less than the estimate, the Reinsurer shall receive an amount equal to 100% of the difference between the actual and estimated expenses.

COLLATERAL

The initial collateral shall be in the amount of \$XXXXXXXXXX and shall be posted prior to the inception of the Policy. The collateral shall be subject to quarterly adjustments in accordance with Article 4.

INFORMATION

Policy Limits at Inception Date of the Policy:

IN WITNESS WHEREOF, the parties hereto have signed this Reinsurance Agreement as of the dates set forth below.

In Philadelphia, PA

In _____, _____

On the _____ day of _____, 2002

On the _____ day of _____, 2002

LEGION INSURANCE COMPANY
LEGION INDEMNITY
VILLANOVA INSURANCE COMPANY

MUTUAL INDEMNITY LTD.
MUTUAL INDEMNITY (BARBADOS) LTD.
MUTUAL INDEMNITY (BERMUDA) LTD.
MUTUAL INDEMNITY (DUBLIN) LTD.
MUTUAL INDEMNITY (US) LTD

By: _____

By: _____

Title: _____

Title: _____

SCHEDULE 1

Mutual Indemnity (US) Ltd.

Treaty 101

REINSURANCE AGREEMENT

Effective

January 1, 1988

REINSURANCE AGREEMENT

REINSURANCE CONTRACT between LEGION INSURANCE COMPANY, Philadelphia, Pennsylvania (hereinafter called the "Company") on the one part and Mutual Indemnity Ltd. of Hamilton, Bermuda, and Mutual Indemnity (Barbados) Ltd. of Bridgetown, Barbados (hereinafter called the "Reinsurer") of the other part.

The Reinsurer being constituted of more than one corporation, whose names are set forth above, this Agreement shall apply severally as between the Company and each such corporation with respect to the policy or policies reinsured by each such corporation as specified in each of the Exhibits attached to this Agreement. The rights and obligations provided for herein of any one corporation constituting the Reinsurer will not be as held, assumed or guaranteed by any other corporation constituting the Reinsurer.

BY THIS AGREEMENT the COMPANY agrees to cede and the REINSURER agrees to accept, a portion of the COMPANY'S Liability provided by the COMPANY'S policies as specified in the Exhibits attached to this Agreement, subject to the following terms and conditions:

ARTICLE I - Term

This Agreement shall take effect as of 12:01 a.m. Standard Time on January 1, 1988 at the place of the issuance of the policies, and shall remain in force thereafter until terminated as provided in Article IX.

ARTICLE II - Definitions

For the purposes of this Agreement, the following terms shall have these meanings:

1. "Policy" - Company policy(ies) number(s) as set forth in the various Exhibits attached to this Agreement, and any binder extension or renewal thereof and endorsement or alteration thereto issued to those named insureds designated in each of the Exhibits attached to this Agreement.
2. "Incurred Losses" - All Paid Losses, plus case reserves for unpaid losses and a reserve for losses incurred but not reported ("IBNR") under the Policy as estimated by the Company.
3. "Paid Losses" - Claims under the Policy paid by the Company; plus all Allocated Claims Expense paid by the Company in connection with the Policy, whether or not related to claims paid.
4. "Allocated Claims Expense" - Such claims expenses that the Company, under its accounting practices, directly allocated to a particular claim. Such expenses include, but are not limited to attorney's fees for claims in suit, court costs, and related costs such as filing fees, and the costs of medical examination, expert medical or other testimony, laboratory services and x-rays, autopsies, stenographic services, witnesses and summonses and copies of documents; but shall not include the salaries and traveling expenses of the Company's employees and the Company's overhead.

5. "Net Premium Paid" - The premium paid to the Reinsurer after all deductions by the Company plus the amount of additional premium paid to the Reinsurer (after all deductions) minus the return premium paid by the Reinsurer to the Company.
6. Other terms used in this agreement shall have the definition first appearing in the Insurance Code of the Commonwealth of Pennsylvania, the NAIC Examiners Handbook, NAIC Accounting Practices and Procedures Manual for Fire and Casualty Insurance Companies or the Reinsurance and the Reinsurance Association of America, Glossary of Reinsurance Terms.

ARTICLE III - Loss Settlements

1. While the Reinsurer does not undertake to investigate or defend claims or suits under the Policy, it shall where permitted by law, have the right and opportunity to associate at its own expense, with the Company and its representatives in the defense of any claim, suit or proceeding involving this reinsurance. Except as otherwise specifically provided for herein, the Reinsurer's liability shall follow that of the Company under the Policy. All settlements by the Company of claims involving this reinsurance, including voluntary Compromise and Release, when made by the Company, shall be unconditionally binding on the Reinsurer.
2. The Company shall furnish the Reinsurer a copy of the Policy and all endorsements thereto which in any manner affect this Agreement and shall make available for inspection to the Reinsurer, at reasonable times, any of its records relating to this reinsurance or claims in connection therewith.
3. The Company will pay or credit the Reinsurer up to the amount of the Reinsurer's interest for amounts attributable to salvage, reimbursement obtained or recovery made by the Company relating to the Policy, after deducting the actual cost (excluding Company salaries and office expenses) of obtaining such salvage or reimbursement or making such recovery, and after the Company has been reimbursed up to the amount of its interest.

ARTICLE IV - Loss Deposit Fund

1. The Company will, with funds to be provided by the Reinsurer, establish and maintain a Paid Loss Deposit Fund, the purpose of which is to provide a source of funds for payment of Reinsurer's liability under this Agreement. The initially required level of the Paid Loss Deposit Fund shall be the amount specified in each Exhibit attached to this Agreement. The Company and Reinsurer agree, if necessary, to adjust the required level of the Paid Loss Deposit Fund monthly in order to maintain the Paid Loss Deposit Fund at a level equal to two (2) months' average Paid Losses. Average Paid Losses shall be mutually agreed upon by the parties.

2. If, following the effective date appearing on an Exhibit attached to this agreement, the Company becomes obligated to pay amounts representing the Reinsurer's liability under this Agreement that exceed the then-current initially required or adjusted required level of the Paid Loss Deposit Fund, the Reinsurer shall immediately, after receipt of a written demand by the Company, forward funds to the Company sufficient to cover such amounts greater than the Paid Loss Deposit Fund balance. The Reinsurer will be credited for the forwarding of such funds (less any interest paid) in a subsequent Reconciliation Statement.

ARTICLE V - Premium

1. The premium for this reinsurance shall be equal to the defined term "Reinsurer Premium", as set forth in the Exhibits attached to this Agreement.
2. Reinsurance premium shall be payable to the Reinsurer within the time specified in ARTICLE VI. The amounts owed by the parties to each other shall be reconciled as provided in paragraph 3 immediately below.
3. The reinsurance premium payable to the Reinsurer shall be reconciled against the following items to the extent that such items were not previously reconciled under this Agreement:
 - (a) the amount of the initially required level of the Paid Loss Deposit Fund;
 - (b) the amount necessary to establish or maintain any adjusted required level of the Paid Loss Deposit Fund; and
 - (c) that portion of the Reinsurer's liability under each Exhibit attached to this Agreement represented by Paid Losses.
4. The Company shall withhold and pay the applicable United States Federal Excise Tax, if any. It is further understood that the Company shall not be liable to the Reinsurer for any unrecoverable amounts of Federal Excise Tax paid on such premiums and subsequently determined not to have been payable thereon and that the Reinsurer shall indemnify the Company for any Federal Excise Tax liability in excess of the allowance provided herein. The Company shall make a good faith effort to recover any excise tax erroneously withheld or paid over and shall return any amount so recovered to the Reinsurer.

5. It is understood that from time to time the Reinsurer may but shall not be obligated to make premium refunds to the Company based upon the Reinsurer's experience under each Exhibit. Any such premium refunds paid to the Company will be applied by the Company to the use and benefit of the named insured stated in the Exhibits as participating in the insurance program subject to this Agreement.

ARTICLE VI - Reconciliation

1. Within sixty (60) days after each payment of premium is received by the Company in accordance with the terms and conditions of the Policy, the Company will issue to the Reinsurer a Reconciliation Statement reflecting items a, b, and c described in ARTICLE V, paragraph 3. If the result of any such reconciliation is that the Reinsurer owes money to the Company, the Reinsurer will pay the amount so owed within the time required by this Agreement, or if not otherwise specified, within 20 days after the receipt of the Reconciliation Statement. If the result of any such reconciliation is that the Company owes money to the Reinsurer the Company will pay the amount so owed at the time the Reconciliation Statement is issued. All payments hereunder shall be made in United States currency.
2. The parties hereto recognize and agree that the Reinsurer's liability hereunder will probably extend beyond the time that the Company is receiving premiums under the Policy, and possibly beyond the expiration date of the Policy and this Agreement; and that in such an event the reconciliations may involve only a computation of the Reinsurer's liability to the Company, if any.
3. Within 60 days after the end of each calendar month the Company shall provide monthly loss statements to the Reinsurer for settlement of losses paid during that reporting period. The Reinsurer will pay the amount so owed within 20 days after receipt of the statement.

ARTICLE VII - Letter of Credit

1. In connection with each of the Exhibits hereto, the Reinsurer will furnish to the Company a clean irrevocable Letter of Credit from a U.S. Bank which is a member of the Federal Reserve System or other deposits or guarantees acceptable to the Company, in an amount equal to the Company's reserve for outstanding losses, IBNR, Allocated Loss Adjustment Expense ("ALAE"), and unearned premiums. The Letter of Credit shall be in a form acceptable to the Company and in compliance with the statutes and regulations of the Commonwealth of Pennsylvania, for the purpose of securing the obligations of the Reinsurer hereunder, providing that at no time shall the Reinsurer be obligated to provide a Letter of Credit in connection with any of the Exhibits hereto which exceeds the Reinsurer's maximum liability, at any point, to the Company. During the term of this Agreement, the amount of such security may be adjusted by the Company to secure the obligations of the Reinsurer hereunder. If the Company deems

such an adjustment necessary, the Reinsurer will, within thirty (30) days of receipt of written request by the Company, obtain and deliver an amendment to such Letter of Credit or will obtain an excess Letter of Credit to cover the increased amount of such Letter of Credit. If the said Letter of Credit terminates or expires for any reason, other than the termination of this Agreement, Reinsurer will, thirty (30) days prior to termination or expiration, deliver to the Company a substitute in an amount and form acceptable to the Company which will become effective immediately upon the termination or expiration of the prior irrevocable Letter of Credit.

2. Upon the termination of this Agreement, any security furnished by Reinsurer to the Company shall expire concurrently with such termination; provided, however, as of such termination date Reinsurer shall furnish to the Company, in lieu of such prior security, a clean irrevocable Letter of Credit in a form acceptable to Company, in an amount equal to the outstanding losses subject to this Agreement and the amount of such security shall be adjusted each November 30 to reflect the outstanding claims.

ARTICLE VIII - Arbitration

1. As a condition precedent to any right of action hereunder, any dispute arising out of this Agreement shall be submitted to the decision of a Board of Arbitration composed of two (2) arbitrators and an umpire, meeting in Philadelphia, Pennsylvania unless otherwise agreed by the Company and the Reinsurer.
2. The members of the Board of Arbitration shall be active or retired disinterested officials of insurance or reinsurance companies. Each party shall appoint its arbitrator and the two arbitrators shall choose an umpire before instituting the hearing. If the respondent fails to appoint its arbitrator within sixty (60) days after being requested to do so by the claimant, the latter shall also appoint the second arbitrator. If the two arbitrators fail to agree upon the appointment of an umpire within four (4) weeks after their nominations, each of them shall name three (3), of whom the other shall decline two (2). The two remaining names shall be submitted to the then current President of the Reinsurance Association of America, who shall pick the umpire from those names.
3. The claimant shall submit its initial brief within twenty (20) days from appointment of the umpire. The respondent shall submit its brief within twenty (20) days thereafter and the claimant may submit a reply brief within ten (10) days after filing of the respondent's brief.
4. The board shall make an award with regard to the custom and usage of the insurance business. The board shall issue its award in writing based upon a hearing in which evidence may be introduced without following strict rules of evidence but in which cross examination and rebuttal shall be allowed. The board shall make its award within sixty (60) days following the termination of the hearing unless the parties consent to an extension. A decision by the majority of the members of the board shall become the award of the board and shall be final and binding upon all parties to the proceeding.

5. If more than one (1) reinsurer is involved in the same dispute all such reinsurers shall constitute and act as one (1) party for purposes of this clause and communications shall be made by Company to each of the reinsurers constituting the one (1) party; provided, however, that nothing therein shall impair the rights of such reinsurers to assert several, rather than joint, defenses or claims, nor be construed as changing the liability of the reinsurers under the terms of this Agreement from several to joint.
6. Each party shall bear the expense of its own arbitrator and shall jointly and equally bear with the other party the expense of the umpire. The remaining costs of the arbitration proceedings shall be allocated by the board.

ARTICLE IX - Termination

1. This Agreement as to any Exhibit, may be cancelled in whole or in part by the Company by giving ninety (90) days prior written notice to the Reinsurer. The Reinsurer shall have the right to cancel this Agreement as to any Exhibit by giving a number of days prior written notice to the Company which shall be not less than thirty (30) days more than the longest prior notice of cancellation required by any Named Insured or Insureds under the Policy specified in the Exhibit which is the subject of the cancellation.
2. In the event a Policy reinsured under this Agreement is cancelled, this Agreement shall automatically be cancelled with respect to that Policy as of the effective date of the cancellation of the Policy.
3. In either such event, the Reinsurer will be paid a pro rata portion of the reinsurance premium to which it would have been entitled had this Agreement or any Exhibit to this Agreement not been cancelled.
4. In the event of cancellation or termination of this Agreement in whole or in respect to specific policies, the Reinsurer's liability with respect to losses incurred prior to date of cancellation shall continue. However, the Reinsurer's maximum aggregate liability set forth in each Exhibit shall be prorated in the event of cancellation of the Policy(ies) underlying the Exhibit unless otherwise specified in the Exhibit. The Reinsurer recognizes that the Company's obligations which accrue during the term of the Policy will correspondingly survive the termination of the Policy and the termination of this Agreement. If any Exhibit to this Agreement terminates, the Reinsurer's liability under each terminated Exhibit will continue with respect to losses incurred prior to the effective date of termination of the Exhibit, and the Reinsurer will pay the Company for Paid Losses, and short term cancellation penalty if applicable, and allocated claims expense until there are not more Incurred Losses outstanding; unless the Company and Reinsurer agree at mutual terms to discontinue any liability hereunder.

ARTICLE X - Errors and Omissions

1. Inadvertent delays, errors or omissions made by the Company or Reinsurer in connection with this Agreement or any transaction hereunder shall not relieve the other party from any liability which would have attached, had such delay, error or omission not occurred, provided that such error or omission will be rectified as soon as possible after discovery.
2. In the event of the failure of Reinsurer hereon to pay any amount claimed to be due hereunder, Reinsurer hereon, at the request of the Reassured, will submit to the jurisdiction of any court of competent jurisdiction within the United States and will comply with all requirements necessary to give such Court jurisdiction; and all matters arising hereunder shall be determined in accordance with the law and practice of such Court.

Service of process in such suit may be made upon Dunnington, Bartholomew and Miller, 666 Third Avenue, New York, New York 10017 and in any suit instituted against the Reinsurer upon this Contract. Reinsurer will abide by the final decision of such Court or of any Appellate Court in the event of an appeal. The above-named are authorized and directed to accept service of process on behalf of Reinsurer in any such suit and/or upon the request of the Reassured to give a written undertaking to the Reassured that they will enter a general appearance upon Reinsurers' behalf in the event such suit shall be instituted. Further, pursuant to any statute of any State, Territory, or District of the United States which makes provision therefore, 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 and hereby designate the above-named Dunnington, Bartholomew and Miller, as the firm to whom the said officer is authorized to mail such process or a true copy thereof.

ARTICLE XI - Insolvency

The Reinsurer hereby agrees that, as to all reinsurance made, ceded, renewed or otherwise becoming effective hereunder, the reinsurance shall be payable by the Reinsurer on the basis of the liability of Company under the Policy without diminution because of the insolvency of Company.

It is further agreed and understood that in the event of insolvency of Company, the liquidator or receiver or statutory successor of Company shall give written notice to the Reinsurer of the pendency of any claim against the insolvent Company under the Policy within a reasonable time after such claim is filed in the insolvency proceeding; that during the pendency of any such claim the Reinsurer may investigate and interpose, at its own expense, in the proceeding where any such claim is to be adjudicated any defense or defenses

which it may deem available to the Company or its liquidator or receiver of statutory successor; that the expense thus incurred by the Reinsurer as the assuming insurer shall be chargeable subject to court approval against the insolvent Company as part of the expense of liquidation to the extent of a proportionate share of the benefit which may accrue to Company solely as a result of the defense undertaken by the Reinsurer as the assuming insurer.

It is further agreed and understood that as to all reinsurance made, ceded, renewed or otherwise becoming effective hereunder, the reinsurance shall be payable by the Reinsurer to Company or to its liquidator or receiver or statutory successor, except (a) where the contract specifically provides another payee of such reinsurance in the event of the insolvency of Company or (b) where the Reinsurer with the consent of the direct insured or insureds have assumed the obligations of the Company to the payees under the Policy and in substitution for the obligations of Company to such payees.

ARTICLE XII - Conditions

1. This Agreement shall be governed by and construed according to the laws of the Commonwealth of Pennsylvania.
2. This Agreement may not be released, discharged, changed or modified except by an instrument in writing by a duly authorized representative of both of the Parties.
3. Any notices, requests or other communications hereunder will be in writing and addressed as follows:

If to the Reinsurer, then to:

Mutual Indemnity Ltd.
Fifth Floor, The Emporium Building
69 Front Street
Hamilton, Bermuda

If to the Company, then to:

Legion Insurance Company
Three Mellon Center, Suite 800
15th Street and South Penn Square
Philadelphia, PA 19102

IN WITNESS WHEREOF the parties have set their hand,

At Hamilton, Bermuda

on the 8th day of September, 1988

MUTUAL INDEMNITY LTD.

By: [Signature]
President

MUTUAL INDEMNITY (BARBADOS) LTD.

By: [Signature]
President

At Philadelphia, Pennsylvania

on the 1st day of September, 1988

LEGION INSURANCE COMPANY

By: Glen R. Partridge
Senior Vice President

ADDENDUM TO REINSURANCE AGREEMENT

This Addendum is to a Reinsurance Agreement (the "Reinsurance Agreement") dated effective January 1, 1988 by and among Legion Insurance Company ("Legion"), Mutual Indemnity, Ltd. and Mutual Indemnity (Barbados) Ltd. (the "Mutual Indemnity Companies").

WHEREAS, Mutual Indemnity (US) Ltd., a reinsurance company domiciled in Bermuda, became an affiliate of the Mutual Indemnity Companies on January 1, 1989; and

WHEREAS, Mutual Indemnity (US) Ltd. has agreed to participate in the Reinsurance Agreement as of January 1, 1989.

NOW, THEREFORE, in consideration of the promises and covenants contained herein, the parties hereto agree as follows:

1. HML agrees to participate in the Reinsurance Agreement on all the terms and conditions of the Reinsurance Agreement, effective January 1, 1989.
2. Legion agrees to the participation of Mutual Indemnity (US) Ltd. in the Reinsurance Agreement.

IN WITNESS WHEREOF, Mutual Indemnity (US) Ltd. and Legion Insurance Company have caused this Addendum to be executed by their duly authorized representative as of January 1, 1989.

LEGION INSURANCE COMPANY

BY: *Glen H. Partida*
TITLE: VICE PRESIDENT

MUTUAL INDEMNITY (US) LTD.

BY: *[Signature]*
TITLE: President

AMENDMENT

This Amendment is made to a reinsurance agreement (the "Agreement") dated as of January 1, 1988, as amended, by and between LEGION INSURANCE COMPANY ("LEGION") on the one part and Mutual Indemnity, Ltd., Mutual Indemnity (Barbados) Ltd. and Mutual Indemnity (US) Ltd. (collectively referred to as the "Reinsurers") on the other part.

In Consideration of the mutual promises contained herein, and intending to be legally bound hereby, the parties agree to amend the Agreement as follows:

1. A new paragraph is added to the end of Article XII and shall read as follows:

The portion of any risk or obligation, assumed by the reinsurer, when such portion is ascertained, shall be payable on demand of the ceding insurer at the same time as the ceding insurer shall pay its net retained portion of such risk or obligation with reasonable provision for verification before payment.

2. Effective Date - As respects Legion Insurance Company, Mutual Indemnity, Ltd. and Mutual Indemnity (Barbados), Ltd., this Amendment shall be effective as of January 1, 1988, and as respects Mutual Indemnity (US) Ltd., this Amendment shall be effective as of January 1, 1989.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date set forth above.

At Philadelphia, Pennsylvania
on the day of , 1990

LEGION INSURANCE COMPANY

By: _____
Glenn R. Partridge
Senior Vice President

At Hamilton, Bermuda
on the day of , 1990

MUTUAL INDEMNITY, LTD.

By: _____
Robert A. Mulderig
President

At Bridgetown, Barbados
on the day of , 1990

MUTUAL INDEMNITY
(BARBADOS), LTD.

By: _____
Robert A. Mulderig
President

At Hamilton, Bermuda
on the day of , 1990

MUTUAL INDEMNITY (US), LTD.

By: _____
Robert A. Mulderig
President

AMENDMENT

This Amendment is made to a reinsurance agreement (the "Agreement") dated as of January 1, 1988, as amended, by and between LEGION INSURANCE COMPANY ("LEGION") on the one part and Mutual Indemnity, Ltd., Mutual Indemnity (Barbados) Ltd. and Mutual Indemnity (US) Ltd. (collectively referred to as the "Reinsurers") on the other part.

In Consideration of the mutual promises contained herein, and intending to be legally bound hereby, the parties agree to amend the Agreement as follows:

1. A new Article II, Section 7 is added and shall read as follows:
 7. "Ultimate Net Loss" - The actual loss paid by the Company, or for which the Company becomes liable to pay, not exceeding \$250,000 any net loss (or such higher or lower loss limit as may be set forth in the Limits of Liability section of each Exhibit to this Agreement) plus all Allocated Claims Expense paid by the company in connection with the Policies subject to such Exhibit, whether related or not to claims actually paid.

2. A new Article V-A is added and shall read as follows:

Article V-A - Cover/Limits of Liability

- a. With respect to all losses for each Policy reinsured hereunder, the Reinsurer will be liable for losses as set forth in the Limits of Liability section of each Exhibit to this Agreement.
- b. Notwithstanding the maximum aggregate limit of liability set forth in each of the Exhibits to this Agreement, with respect to all losses occurring (Ultimate Net Loss) for each program set forth in each Exhibit to this Agreement, the Reinsurer will be liable for the amount by which the Ultimate Net Loss exceeds:
 1. The maximum aggregate limit of liability set forth in each Exhibit; plus
 2. \$5,000,000.
- c. The Reinsurer's Liability shall not exceed \$10,000,000 Ultimate Net Loss in the aggregate for all Ultimate Net Loss ascribed to all programs, any one underwriting year.

2. Article IX, Section 3 of the Agreement is deleted in its entirety and replaced with a new Section 3 which shall read as follows:

3. In either such event, the Reinsurer will return the unearned premium (on a pro-rata basis) less the unearned ceding commission.

4. Effective Date - As respects Legion Insurance Company, Mutual Indemnity, Ltd. and Mutual Indemnity (Barbados), Ltd., this Amendment shall be effective as of January 1, 1988, and as respects Mutual Indemnity (US) Ltd., this Amendment shall be effective as of January 1, 1989.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date set forth above.

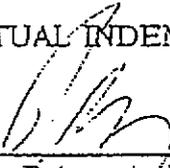
At Philadelphia, Pennsylvania
on the 31st day of August, 1990

LEGION INSURANCE COMPANY

By: 
Glenn R. Partridge
Senior Vice President

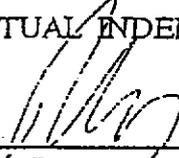
At Hamilton, Bermuda
on the 24th day of August, 1990
(HS)

MUTUAL INDEMNITY, LTD.

By: 
Robert A. Mulderig
President

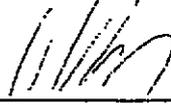
At Hamilton, Bermuda
on the 24th day of August, 1990

MUTUAL INDEMNITY, LTD.

By: 
Robert A. Mulderig
President

At Bridgetown, Barbados
on the 25th day of August, 1990

MUTUAL INDEMNITY
(BARBADOS), LTD.

By: 
Robert A. Mulderig
President

AMENDMENT

This Amendment is made to a reinsurance agreement (the "Agreement") dated as of January 1, 1988, as amended, by and between LEGION INSURANCE COMPANY ("LEGION") on the one part and Mutual Indemnity, Ltd., Mutual Indemnity (Barbados) Ltd. and Mutual Indemnity (US) Ltd. (collectively referred to as the "Reinsurers") on the other part.

In Consideration of the mutual promises contained herein, and intending to be legally bound hereby, the parties agree to amend the Agreement as follow:

1. Article V-A, paragraph (c) is amended and replaced by the following:
 - c. The Reinsurer's Additional Liability combined under this Agreement and the reinsurance agreement between the parties dated January 1, 1991, as amended, shall not exceed \$5,000,000 Ultimate Net Loss any one program, \$10,000,000 Ultimate Net Loss in the aggregate for all programs, any one underwriting year.
2. Effective Date - As respects Legion Insurance Company, Mutual Indemnity Ltd. and Mutual Indemnity (Barbados) Ltd., this Amendment shall be effective as of January 1, 1988, and as respects Mutual Indemnity (US) Ltd., this Amendment shall be effective as of January 1, 1989.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the dates set forth above.

At Philadelphia, Pennsylvania
on the 26th day of JANUARY, 1993

LEGION INSURANCE COMPANY

By: Glenn R. Partridge
Glenn R. Partridge
Senior Vice President

At Hamilton, Bermuda
on the 4 day of Feb, 1993

MUTUAL INDEMNITY (US) LTD.

By: Paul Watson
Paul Watson
President

At Hamilton, Bermuda
on the 4 day of Feb, 1993

MUTUAL INDEMNITY LTD.

By: Paul Watson
Paul Watson
President

At Hamilton, Bermuda
on the 4 day of Feb, 1993

MUTUAL INDEMNITY (BARBADOS) LTD.

By: Paul Watson
Paul Watson
President

**EXHIBIT
B**

Legion Insurance Company (In Liquidation)
Villanova Insurance Company (In Liquidation)
Commutation Summary with Mutual Indemnity (U.S.), LTD

	<u>Legion</u>	<u>Villanova</u>	<u>Total</u>
Expected Ultimate Losses	2,301,334	1,047	2,302,381
Discount of Reserves	(421,609)	0	(421,609)
Commutation Value	<u>1,879,725</u>	<u>1,047</u>	<u>1,880,771</u>