Mailing Address:
P.O. Box 1394
New York, NY 10008-1394

CIGNA Property
& Casualty
Special Risk Facilities

195 Broadway
New York, NY 10008
Telephone 212.618.5000
Facsimile 212.618.5236

RECEIVED
WELBECK MANAGEMENT LIMITED

January 20, 1995

Mr. Jonathan C. Richmond
Director/Financial Controller
Welbeck Management Limited
P.O. Box HM 2446
Hamilton HM JX, Bermuda

**RE: Hanson Industries: 10/1/94 - 10/1/95 Reinsurance Agreements and Addendums**

Dear Jon,

Attached are three copies of each of the following January 10, 1995 Hanson Industries' Reinsurance agreements:

Sinclair Insurance Company Ltd.
Major Insurance Company Limited
Bulldog Insurance Company Limited

These agreements reflect the expiring Reinsurance Agreements with the following exceptions:

1) The policy numbers and expenses have been updated to reflect the 10/1/94-95 updated proposals;
2) ARTICLE X has been modified to include all 10/1/94-95 Third Party Administrators;
3) Paragraph 3 of ARTICLE IX (in Sinclair) has been added;
4) Paragraphs 4, 5 & 6 of ARTICLE IX (in all three agreements) have been changed to reflect quarterly reconciliations as opposed to monthly. Quarterly reconciliations were agreed to last year an should be reflected as such.

These agreements contemplate all program changes known to CIGNA as of December 21, 1994. Any further changes going further should be made by use of addendums. Please review them and have two of each returned to my attention. The third copy of each is your fully executed copy. I have inserted yellow tabs where your signature is required. Please call me at (212) 618-5173 if you have any questions on these agreements.

Sincerely,

Emil Metropoulos

Emil Metropoulos
Account Executive - Casualty

Returned by courier 3/29/95

cc: Lisa Gallagher - CIGNA wo/attachments
Richard Bennett - SJNJ w /attachments

N17691

CIGNA Property
& Casualty
Special Risk Facilities

March 17, 1995

RECEIVED
WELBECK MANAGEMENT
LIMITED

Mr. Jonathan C. Richmond
Director/Financial Controller
Welbeck Management Limited
P.O. Box HM 2446
Hamilton HM JX, Bermuda

RE: **Hanson Industries: 10/1/94 - 10/1/95 Reinsurance Agreements Replacement Pages**

Dear Jon,

Attached are three copies of replacement pages 2, 28 and 29 (where applicable) to each of the following January 10, 1995 Hanson Industries' Reinsurance agreements:

Sinclair Insurance Company Ltd.
Major Insurance Company Limited
Bulldog Insurance Company Limited

These replacement pages to the agreements sent to you on January 20th contemplate all program changes known to CIGNA as of March 1, 1995. Any further changes going further should be made by use of addendums. Please review them and have two of each returned to my attention. The third copy of each is your fully executed copy. I have inserted yellow tabs where your signature is required. Please call me at 212.618.5173 if you have any questions on these agreements.

Sincerely,

Emil Metropoulos

Emil Metropoulos
Account Executive - Casualty

| | | | |
|---|---|---|---|
| cc: | Lisa Gallagher | - CIGNA | wo/attachments |
| | Richard Bennett | - SJNJ | w /attachments |

Sedgwick

**Sedgwick James of New Jersey, Inc.**
3 Becker Farm Road, Roseland, New Jersey 07068-3786
Telephone 201 533-9393. Direct Telephone 201 533-4761 . Facsimile 201 ~~XXXXXXXX~~ 535 - 0591

*March 14, 1995*

RECEIVED
MAR 1 5 1995
WELBECK MANAGEMENT
LIMITED

*Mr. Jonathan Richmond*
*Welbeck Management Limited*
*P.O. Box HM 2446*
*Hamilton HMJX, Bermuda*

*Re: Hanson Industries*
*Reinsurance Agreements: Bulldog, Major & Sinclair*
*Policy Period: 10/1/94 - 10/1/95*

*Dear Jon:*

*Further to our conversation earlier today, please find enclosed the revised Captive Funding pages (9 & 10) to each of the captioned agreements. We have reviewed the funding and found all to be in order.*

*We trust you will find all to be to your satisfaction, but should you have any questions please feel free to give me a call.*

*Sincerely,*

Richard Bennett

*Richard Bennett*
*Account Executive*

ok to insert
& sign per RB 3/14/95
changes will be covered by addendums.
Jon

Insurance Broking  Risk Services  Employee Benefits

GLD056774
0049-GLD-000056774

REINSURANCE AGREEMENT

between

INSURANCE COMPANY OF NORTH AMERICA,
a Pennsylvania corporation;

PACIFIC EMPLOYERS INSURANCE COMPANY,
a California corporation;

ALASKA PACIFIC ASSURANCE COMPANY,
an Alaska corporation; and

CIGNA INSURANCE COMPANY OF CANADA,
a Canadian corporation;

(hereinafter collectively referred to as the "Company");

and

SINCLAIR INSURANCE COMPANY LTD.,
a Bermuda company

(hereinafter referred to as "the Reinsurer")

WITNESSETH:

WHEREAS, the Company wishes to cede to the Reinsurer, and the Reinsurer wishes to reinsure, certain insurance under the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the payment of premiums and losses, and of the mutual covenants and agreements herein set forth, the Company and the Reinsurer hereby covenant and agree as follows:

## ARTICLE I

POLICIES REINSURED:

A. Name of Insured:

HANSON INDUSTRIES
U.S. Industries, Inc.
Anderson Hickey Inc.
Axelson, Inc.
Baylis Brothers Inc.
Duke City Lumber Company, Inc.
Georgia/Durango Boot Company
Grove North America
National Crane Corporation
Huron, Inc.
USI Lighting, Inc.
Columbia Lighting Inc.
Keystone Lighting, Inc.
Leon Plastics Inc.
MW Manufactures, Inc.
Prescolite
Teters Floral Products, Inc.
United Chair Inc.
SCM Chemicals, Inc.
SCM Metal Products, Inc.
Beazer USA, Inc.: (Benchmark Materials Division and Spectrum Construction Group only)
Quantum Chemical Corporation
Suburban Propane Company
(as stated in the Policy(ies) listed in Item B.)

B. Policy Numbers:

(1) WLR C4 115812-8 (DAS)
(2) WLR C2 419738-4 (DPMA)
(3) WLR C4 115827-A (DCI)
(4) WLR C4 115817-7 (DBE)
(5) WLR C4 115832-3 (DBECI)
(6) WLR C4 115839-6 (DQ)
(7) RSC C4 115813-A (CAS)
(8) RSC C4 115828-1 (CCI)
(9) RSC C4 115816-5 (CBE)
(10) RSC C4 115829-3 (CBECI)
(11) RSC C4 115841-4 (CQ)
(12) WC-00277 (GUWC)
(14) XLP G1 658890-8 (XEL)
(15) CGO G1 658779-5 (GLUS)
(16) CGL 033420 (GLCAN)
(17) 705-00139 (GLGU)
(18) SCA H0 635052-5 (ALUS)
(19) CAC 394400 (ALCAN)
(20) FAP-03724 (ALGU)

which are incorporated herein by reference and made a part hereof.

C. Policy Period: 12:01 A.M. Eastern Standard Time, October 1, 1994 to
12:01 A.M. Eastern Standard Time, October 1, 1995.

D. Insurance Coverage: As stated in the Policies listed in Item B.

E. Policy Limits:

(1) Policy Numbers:
WLR C4 115812-8; WLR C2 419738-4; WLR C4 115827-A;
WLR C4 115817-7; WLR C4 115832-3; WLR C4 115839-6;
RSC C4 115813-A; RSC C4 115828-1; RSC C4 115816-5;
RSC C4 115829-3; RSC C4 115841-4; WC-00277

(a)Worker's Compensation (Indemnity): <u>Statutory Limits</u>.
(b)Worker's Compensation (Occupational Disease): <u>Statutory Limits</u>.
(c)Employers Liability: One Million Dollars ($1,000,000) per person,
One Million Dollars ($1,000,000) per accident,
One Million Dollars ($1,000,000) per policy limit.

(2) Policy Numbers:
SCA H0 635052-5; CAC 394400; FAP-03724

Automobile Liability:
Two Million Dollars ($2,000,000) per accident

(3) Policy Numbers:
CGO G1 658779-5; CGL 033420; 705-00139

General Liability (Excluding Products):
Three Million Dollars ($3,000,000) per occurrence

(4) Policy Numbers:
CGO G1 658779-5; CGL 033420; 705-00139

Products Liability:
Five Million Dollars ($5,000,000) per occurrence

(5) Policy Number:
XLP G1 658890-8

Excess Employer's Liability:
$4,000,000 excess of $1,000,000 per person,
$4,000,000 excess of $1,000,000 per accident,
$4,000,000 excess of $1,000,000 per policy limit.

## ARTICLE II

TERM:

This Agreement is effective at 12:01 A.M. Eastern Standard Time, the 1st day of October, 1994. This Agreement shall continue in effect until terminated.

The Reinsurer's Obligations to the Company under this Agreement will survive the termination of the Policies and of this Agreement.

## ARTICLE III

TERRITORY:

This Agreement shall cover Losses occurring within the territorial limits provided by the Policies reinsured hereunder and listed in Article I hereof.

## ARTICLE IV

DEFINITIONS:

A. The term "Policies" as used in this Agreement shall mean the Policies described in Article I of this Agreement and any endorsements thereto, extensions or renewals thereof, and related binders or certificates issued to or on behalf of the Insured named in Article I hereof.

B. The term "Ultimate Net Loss" as used in this Agreement shall mean the actual Loss paid by the Company, such Loss to include, in addition to any limit of liability herein stated, Loss Expenses Paid. In those instances where no Loss is paid but there are Allocated Loss Expenses, the Reinsurer will assume all Allocated Loss Expenses. 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. 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 "Gross Premiums Written" as used in this Agreement shall mean Premiums received by the Company for Policies reinsured hereunder, adding all other Additional Premiums and subtracting all other Return Premiums and cancellations.

D. The term "Unearned Premiums Reserve" as used in this Agreement shall mean the premium for the unexpired portion of the Policy(ies) in force as of any specified date.

E. The term "Losses Paid" as used in this Agreement shall mean Losses Paid by the Company under the Policies less recoveries for salvage and subrogation.

F. The term "Loss Expenses Paid" as used in this Agreement shall mean Allocated and Unallocated Loss Expenses related to claims and Losses under the Policies.

(1) "Allocated Loss Expenses" as used in this Agreement shall mean all court costs, fees and expenses; interest; fees for service of process; fees to attorneys; costs of undercover operative and detective services; fees of independent adjusters or attorneys for investigation or adjustment of claims beyond initial investigation; cost of employing experts for preparation of maps, photographs, diagrams, chemical or physical analysis or for advice, opinion or testimony concerning claims under investigation, in litigation, or for which a Declaratory Judgment is sought; costs for legal transcripts of testimony taken at coroner's inquests, criminal or civil proceedings; costs for copies of any public records; costs of depositions and court reported or recorded statements; and any other similar fees, cost or expense reasonable chargeable to the investigation, negotiation, settlement or defense of a claim or Loss, or to the protection and perfection of the subrogation rights of any

insured covered by a Policy(ies) reinsured hereunder.

(2) "Unallocated Loss Expense" as used in this Agreement shall mean the Claims Service Fees charged hereunder as per Article X hereof.

G. The term "Outstanding Loss Reserves" as used in this Agreement shall mean Losses or claims reported to the Company under the Policies which have been reserved but are unpaid at any specified date.

H. The term "Losses" as used in this Agreement shall mean payments to claimants under Policies reinsured hereunder.

I. The term "Paid Loss Deposit Fund" as used in this Agreement shall mean a non-interest bearing cash fund established in accordance with Article IX to fund payment of Losses and Allocated Loss Expenses.

J. The term "IBNR" (Incurred But Not Reported) as used in this Agreement shall mean a reserve for liability for future payment of Losses which have already occurred but have not yet been reported to the Company (plus related Loss Expenses, if any) and shall also include expected future development, as estimated by the Company, on Outstanding Loss Reserves and Loss Expenses (Allocated and Unallocated).

K. The term "Obligations" as used in this Agreement shall mean:

(a) Losses, Allocated Loss Expenses and Unallocated Loss Expenses paid by the Company (or on its behalf) but not recovered from the Reinsurer;
(b) Outstanding Loss Reserves;
(c) Reserves for Losses Incurred But Not Reported;
(d) Reserves for Allocated Loss Expenses;
(e) Reserves for Unearned Premium; and
(f) Reserves for Unallocated Loss Expenses.

## ARTICLE V

INSURING CLAUSE:

A. As respects Workers' Compensation coverage under the Company's Policy Numbers: WLR C4 115812-8; WLR C2 419738-4; WLR C4 115827-A; WLR C4 115817-7; WLR C4 115832-3; WLR C4 115839-6; RSC C4 115813-A; RSC C4 115828-1; RSC C4 115816-5; RSC C4 115829-3; RSC C4 115841-4; WC-00277, the Reinsurer agrees to reinsure the Company and be liable for One Hundred Percent (100%) of the first Two Million Dollars ($2,000,000) of the Company's Ultimate Net Loss, plus Outstanding Loss Reserves, for all states except Minnesota, where the Reinsurer shall reinsure the Company and be liable for the first $450,000, of the Company's Ultimate Net Loss, plus Outstanding Loss Reserves, for benefits paid or payable per accident on behalf of the insured, such benefits being required by the Workmen's Compensation Law, Worker's Compensation Law or any Occupational Disease Law of the United States Government, state or states designated in Item 3 of the Declarations of the Company's Policy(ies) listed herein.

B. As respects Occupational Disease coverage under the Company's Policy Numbers: WLR C4 115812-8; WLR C2 419738-4; WLR C4 115827-A; WLR C4 115817-7; WLR C4 115832-3; WLR C4 115839-6; RSC C4 115813-A; RSC C4 115828-1; RSC C4 115816-5; RSC C4 115829-3; RSC C4 115841-4; WC-00277, the Reinsurer agrees to reinsure the Company and be liable for One Hundred Percent (100%) of the first Two Million Dollars ($2,000,000) per accident of the Company's Ultimate Net Loss, plus Outstanding Loss Reserves, for all states except Minnesota, where the Reinsurer shall be liable for the first $450,000 of the Company's Ultimate Net Loss, plus Outstanding Loss Reserves, per benefit paid or payable on behalf of the insured, such benefits being required by the Workmen's Compensation Law, Worker's Compensation Law or any Occupational Disease Law of the United States Government, state or states designated in Item 3 of the Declarations of the Company's Policy(ies) listed herein.

C. As respects Employers' Liability Insurance under the Company's Policy Numbers: WLR C4 115812-8; WLR C2 419738-4; WLR C4 115827-A; WLR C4 115817-7; WLR C4 115832-3; WLR C4 115839-6; RSC C4 115813-A; RSC C4 115828-1; RSC C4 115816-5; RSC C4 115829-3; RSC C4 115841-4; WC-00277, the Reinsurer agrees to reinsure the Company and be liable for One Hundred Percent (100%) of the first One Million Dollars ($1,000,000) per occurrence of the Company's Ultimate Net Loss, plus Outstanding Loss Reserves, for all states except Minnesota, where the Reinsurer shall be liable for the first $450,000 per occurrence of the Company's Ultimate Net Loss, plus Outstanding Loss Reserves, for such sums as the insured thereunder is legally obligated to pay as damages because of bodily injury by accident or disease.

D. As respects Comprehensive General Liability Insurance under the Company's Policy Numbers CGO G1 658779-5; CGL 033420; 705-00139, the Reinsurer agrees to reinsure the Company and be liable for One Hundred Percent (100%) of the first Two Million Dollars ($2,000,000) per occurrence, plus Sixty Six percent (66%) quota share of the next One Million Dollars ($1,000,000 excess of $2,000,000) per occurrence of the Company's Ultimate Net Loss, plus Outstanding Loss Reserves.

E. As respects all coverages under the Company's Automobile Liability Policy Numbers SCA HO 635052-5; CAC 394400, FAP-03724, the Reinsurer agrees to reinsure the Company and be liable for One Hundred Percent (100%) of the first Two Million Dollars ($2,000,000) per accident of the Company's Ultimate Net Loss, plus Outstanding Loss Reserves.

F. As respects Products Liability Insurance under the Company's Policy Number CGO G1 658779-5; CGL 033420; 705-00139, the Reinsurer agrees to reinsure the Company and be liable for One Hundred Percent (100%) of the first Two Million Dollars ($2,000,000) per occurrence, plus Sixty Six percent (66%) quota share of the next Three Million Dollars ($3,000,000 excess of $2,000,000) per occurrence, of the Company's Ultimate Net Loss, plus Outstanding Loss Reserves.

G. As respects Excess Employer's Liability Insurance under the Company's Policy Number XLP G1 658890-8, the Reinsurer agrees to reinsure the Company and be liable for Sixty Six Percent (66%) quota share of $4,000,000 excess of the first $1,000,000 per occurrence of the Company's Ultimate Net Loss, plus Outstanding Loss Reserves.

## ARTICLE VI

PREMIUM:

A. Annual Estimated Premium.

The total Net Ceded Premiums due the Reinsurer for the Reinsurance hereunder shall be calculated in accordance with the following schedule *. Gross Premiums Written shown are estimates as of the beginning of the Agreement term.

| | | |
|---|---|---|
| 1. | Gross Premiums Written | $ 39,872,339 |
| | LESS | |
| 2. | Insurance Charge | $ 240,131<br>(Minimum and adjustable at a rate of .032 per $100 of Reinsurer's share of audited WC payroll.) |
| | EQUALS | |
| 3. | Subject Premium | $ 39,632,208 |
| | LESS | |

* This schedule includes amounts payable for Reinsurer's Sixty Six (66%) quota share of Comprehensive General Liability ($1,000,000 excess of $2,000,000); Products Liability ($4,000,000 excess of $2,000,000) and Excess Employers' Liability ($3,000,000 excess of $1,000,000). Amounts payable in respect of these coverages are stated separately in Addendum #1.

| | | |
|---|---|---|
| 4. | Company Expenses<br>(Profit and Administration) | $ 1,367,249<br>(Flat Charge) |
| | and | |
| 5. | Board, Bureaus and Fixed % Residual Market Assessments (RML's) | $ 686,900<br>(Minimum and adjustable, based upon (i)2.898% of audited Policy Number: (7), (8), (9), (10), (11) & (12) premium; (ii) 1.014% of audited Policy Number: (1), (2), (3), (4), (5) & (6) premium; (iii) .341% of audited Policy Number: (14), (15), (16) & (17) premium; (iv) 5.14% of audited Policy Number: (18), (19) & (20) premium |
| | and | |
| 6. | Initial Adjustable RML's | $ 52,378<br>(Adjustable per Article VII) |
| | and | |
| 7. | Premium Taxes | $ 1,420,917<br>(Adjustable, based upon the following estimated percentages: (i) 3.333% of audited Policy Number: (7), (8), (9), (10), (11) & (12) premium: (ii) 6.03% of audited Policy Number: (1), (2), (3), (4), (5) & (6) premium; (iii) 3.38% of audited Policy Number: (14), (15) & (17) premium; (iv) 3.47% of audited Policy Number: (18) & (20) premium; (v) 9% of audited Policy Number (16) premium; (vi) 11% of audited Policy Number (19) premium. The taxes and tax rates are also subject to adjustability Per Article VI B and Article VII). |
| | EQUALS | |
| 8. | Sub-total<br>(lines 4-7) | $ 3,527,444 |
| 9. | Gross Premium Ceded<br>(line 3 minus line 8) | $ 36,104,764 |
| | LESS | |
| 10. | Federal Excise Tax<br>(line 3 X .01) | $ 396,322 |
| | EQUALS | |
| 11. | Net Premium Ceded<br>(line 9 minus line 10) | $ 35,708,442 |

B. Monthly Reconciliation of Premium and Losses.

Within five (5) days after each monthly installment payment of premium is received by the Company under the Policies, the Company will issue to the Reinsurer a premium reconciliation statement reconciling such premium payment with (i) Items 2-10 above and, at the Company's discretion, (ii) any outstanding amounts owed by the Reinsurer to the Company for Losses Paid, Loss Expenses Paid, and Paid Loss Deposit Fund adjustments, if any. 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 five (5) days after the date 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 Reinsurer the amount so owed at the time the premium reconciliation statement is issued.

Upon termination of the Policies, the earned premium will be computed in accordance with the applicable rules, rates, rating plans, premiums and minimum premiums, based on the actual amounts payable under Items 2, 5, 6 and 7 above. The amount of Premium Taxes shown in Item 7 above is adjustable due to audit and due to changes in any applicable state laws or regulations (including, but not limited to, retroactive assessments). Amounts payable by the Company under Items 6 and 7 will be adjusted further in accordance with Article VII. If the earned premium as so determined is different from the estimated Gross Premiums Written (Item 1 above), all prior monthly reconciliations of premium will be recalculated utilizing the actual earned premium. If the recalculation of the reconciliations indicates that the Reinsurer owes money to the Company, the Reinsurer will pay that money within five (5) days after receipt of the Company's statement therefor. If the recalculation indicates that the Company owes money to the Reinsurer, the Company will pay the Reinsurer the amount so owed at the time such statement is issued.

## ARTICLE VII

RESIDUAL MARKET ASSESSMENTS

The Company will recalculate the adjustable Residual Market Assessment (Item 6, Article VI, A) annually. It will be adjusted promptly following the Company's receipt of the documents referred to below. If the first adjustment of the Residual Market Assessment is performed prior to the expiration of the Policy period and such adjustment produces additional Residual Market Assessments, the Company shall charge the amount of such additional assessments to the Reinsurer as an additional installment of Company Expenses.

The initial determination and redetermination of the adjustable Residual Market Assessment shall be as follows:

A. Initial Adjustable Residual Market Assessments: (i) 8.41 % of written premium for Policy Numbers: WLR C4 115812-8; WLR C4 115827-A; RSC C4 115813-A and (ii) 6.31% of written premium for policy numbers: WLR C4 115817-7; WLR C2 419699-9; WLR C4 115832-3 and (iii) 7.56% of written premium for Policy Numbers: WLR C4 115839-6.

B. The initial adjustable Residual Market Assessments stated in A. above shall be determined by applying the most recently published annual Residual Market Assessments as set forth below to the amount of the Written Premiums under Policy Numbers: WLR C4 115812-8; WLR C4 115827-A; RSC C4 115813-A; WLR C4 115817-7; WLR C2 419699-9; WLR C4 115832-3; WLR C4 115839-6 for each respective state listed in Exhibit A (less the amount of the Residual Market Assessment which is included in the applicable state Premium Taxes). The Reinsurer will be liable for **84.042%** of the total Initial and all Redetermined Assessments as determined in Exhibits **A & B**.

Residual Market Assessments constitute premiums on the Company's financial reports under applicable state insurance laws and regulations. The initial determination of the adjustable Residual Market Assessment (Item 6) and any redetermination thereof will be adjusted in order to include additional state Premium Taxes that shall apply to such premiums.

C. With respect to Policy Numbers: WLR C4 115812-8; WLR C4 115827-A; RSC C4 115813-A; WLR C4 115817-7; WLR C2 419699-9; WLR C4 115832-3; WLR C4 115839-6; the amount of the written premium to be used to redetermine the Residual Market Assessment shall be that (i) estimated premium or (ii) audited premium most recently determined by the Company as of the time the Company redetermines the applicable Residual Market Assessment.

D. The Company will redetermine annually the adjustable Residual Market Assessment for the affected Policies. In subsequent years the Company will redetermine the Residual Market Assessment by applying the amount of the most recent annual Residual Market Assessment for the applicable states (less the amount included in the applicable state Premium Taxes for each state respectively) to the amount of the applicable premiums as set forth in C above and Exhibit B. The resulting premium shall be subject to any additional state Premium Taxes that may apply. If the result of the above calculations is an additional premium based on what was initially charged in the applicable states, the Company will charge the Reinsurer for such additional amount; if the result is a return premium, the Company will subsequently refund the applicable amount to the Reinsurer.

E. The fourth redetermination of the Residual Market Assessment (after the fifty-fourth calendar month of this Agreement) shall be the final such determination.

F. If, after the effective date of this Agreement, (i) any state changes its basis for determining the amount of Residual Market Assessments, and (ii) the Company, as a result of such change, will be liable to pay additional amounts for Residual Market Assessments for the Policies, then the Company will bill the Reinsurer for, and the Reinsurer will pay to the Company, such additional amounts.

The Residual Market Assessment to be applied under this Article of this Agreement will be determined for all states by taking the individual state's Policy Year Assigned Risk Plan Net Operating Loss from the most recently published annual Management Summary by the National Council on Compensation Insurance (hereinafter the "Management Summary and "NCCI" respectively) and dividing such amount by the Calendar Year Voluntary Market Written Premium as published by the NCCI using the most recently published data as listed for the applicable policy year.

If the NCCI shall discontinue publication of its Management Summary or the Calendar Year Voluntary Market Written Premium, the Company will use whatever information the Company deems to be appropriate to implement or continue the procedures for calculating Residual Market Assessments as provided above in this Article.

ARTICLE VIII

WORKERS' COMPENSATION LOSS-BASED ASSESSMENTS:

With respect to the Workers' Compensation Policies reinsured hereunder, the Reinsurer shall be liable to the Company for the following loss-based assessments:

(i) New York Statutory Workers' Compensation Assessment will be collected on a separate 1.1767 multiplier applied to all New York Losses Paid. Such assessment will be billed annually.

(ii) Kansas Statutory Workers' Compensation Assessment will be collected on a separate 1.20 multiplier applied to all Kansas Losses Paid. Such assessment will be billed annually.

(iii) The U.S. Longshoremen and Harbor Workers' (USL&H) Compensation Act Assessment will be collected on a separate 1.35 multiplier applied to all USL&H Act Losses Paid. Such assessment will be billed annually.

(iv) Any additional loss-based assessments, which will be billed to the Reinsurer promptly after receipt by the Company.

## ARTICLE IX

LOSSES:

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 Reinsurer may cooperate in every respect in the defense or control of such claim, suit or proceeding.

The Company will, with funds to be provided by the Reinsurer, establish and maintain a Paid Loss Deposit Fund in an amount determined by the Company, (subject to a minimum of $245,000), the purpose of which is to provide a source of funds for payment of Reinsurer's Obligations under this Agreement. The Company will have the right to increase the required level of the Paid Loss Deposit Fund each time the Reinsurer fails to make any payment to the Company within the time required by this Agreement.

Six months after the effective date of this Agreement and after each calendar quarter thereafter, the Company shall recalculate the required amount of the Paid Loss Deposit Fund, which will be an amount equal to the total of two months of Paid

Losses plus Allocated Loss Expense, both increased by the Company's Claims Administration charges under the Policies during the preceding quarter; provided, however, that the minimum required amount of the Paid Loss Deposit Fund shall be $25,000.

Beginning October 1, 1994, the Reinsurer will make a budgeted weekly cash payment, in an amount determined by the Company, by wire transfer to a bank account designated by the Company. Such payments shall be due and payable on Wednesday of each week, and shall be used by the Company to pay Losses and Allocated Loss Expenses reinsured hereunder. The Company may, at its discretion, re-determine the required amount of such payments, such that the budgeted weekly payment amount in each calendar month shall be no less than the average of the actual weekly Paid Losses plus Allocated Loss Expenses Paid during the previous quarter.

The budgeted weekly amounts paid by the Reinsurer to the Company will be reconciled each quarter with total actual Losses Paid and Allocated Loss Expenses during such quarter. If actual Paid Losses and Allocated Loss Expenses exceed the total amount of budgeted weekly premium payments to the Company in any month, the Reinsurer will pay to the Company the amount of such excess no later than ten (10) business days after receipt of the Company's Losses Paid reconciliation statement for such quarter; alternatively, the Company may, at its discretion, reconcile such amount against premium owed to the Reinsurer, as stated in Article VI B.

If the total amount of the Reinsurer's budgeted weekly payments to the Company exceeds the total actual Losses Paid plus Allocated Loss Expenses in any quarter, the Company will pay to the Reinsurer the amount of such excess no later than ten (10) days after the date of the Company's Losses Paid reconciliation statement for such quarter.

With respect to any Loss Paid in the amount of $50,000 or more, the Reinsurer shall pay to the Company the full amount of such Loss Paid, plus Allocated Loss Expenses by wire transfer no later than three (3) days after receipt of the Company's written demand for payment. If the Reinsurer fails to pay such amount, or any other amount payable under this Agreement, when due, the Company may draw upon any Letter of Credit provided by the Reinsurer to secure its liabilities to the Company under this Agreement.

## ARTICLE X

CLAIMS SERVICE FEES:

The Company has engaged Constitution State Service Company to handle claims administration for claims under the Policies reinsured hereunder for fees equal to 10.5% of Losses paid plus Allocated Loss Expenses for all claims limited to a Loss Limitation of $250,000. The fees and conditions are further outlined in the separate Constitution State Service Company - CIGNA Companies Claims Services Agreement.

The Company has engaged ESIS, Inc. to handle claims administration for claims under Policy Numbers: CGO G1 658779-5 and SCA H0 635052-5 as respect to the Quantum Chemical Corporation and Suburban Propane Company entities reinsured hereunder for fees and conditions as outlined in the separate ESIS Service Agreements for Contract numbers 3527 and 3528.

The Company has engaged PMA Management Corp. to handle claims administration for claims under Policy Number: WLR C2 419738-4 as respects to the Grove North America entity reinsured hereunder for fees and conditions as outlined in the separate PMA Management Corp. - CIGNA Companies Claims Services Agreement.

Such fees are payable by the Reinsurer, but may be billed to and paid by another entity on the Reinsurer's behalf.

Pacific Employers Insurance Company will handle claims under Policy Numbers: (i) WLR C4 115827-A; RSC C4 115828-1; WLR C4 115832-3 & RSC C4 115829-3 for a charge, payable by the Reinsurer, of 10.5% of all Losses Paid plus Allocated Loss Expenses limited to a Loss Limitation of $250,000 and (ii) WLR C4 115839-6 & RSC C4 115841-4 for a charge, payable by the Reinsurer, of 8.5% of all Losses Paid plus Allocated Loss Expenses limited to a Loss Limitation of $250,000.

## ARTICLE XI

COLLATERAL:

The Reinsurer shall provide to the Company a Letter of Credit (LOC) complying with applicable insurance laws and regulations, in an amount and form, and issued by a bank, acceptable to the Company as security for the payment of the Reinsurer's Obligations hereunder.

Upon default by the Reinsurer of any sums due and owing to the Company, the Company may appropriate as much of the LOC as necessary to eliminate the default. The Company may, however, at its discretion, require payment of any sum in default, and it shall be no defense to any such claim that the Company might have had recourse to the LOC.

The Company and the Reinsurer hereby agree that the LOC provided pursuant to this Agreement may be drawn upon at any time, notwithstanding any other provisions herein contained. The LOC may be utilized by the Company or any successor by operation of law, including, without limitation, any liquidator, rehabilitator, receiver or conservator of the Company for any of the following reasons:

(i) To reimburse the Company for the Reinsurer's share of premiums returned to the owners of the Policy(ies) reinsured hereunder due to cancellations of said Policy(ies);

(ii) To reimburse the Company for the Reinsurer's share of surrenders and benefits or losses paid by the Company under the terms and provisions of the Policy(ies) reinsured hereunder;

(iii) To fund an account with the Company in an amount at least equal to the deduction, for reinsurance ceded, from the Company's liabilities for Policy(ies) ceded hereunder. Such amount shall include, but not be limited to, amounts for policy reserves, reserves for claims and losses incurred (including IBNR, Allocated Loss Expenses and Unearned Premiums); and

(iv) To pay any other amounts due to the Company under this Agreement.

All of the foregoing apply without diminution because of the insolvency of the Company or the Reinsurer.

Annually, as of each anniversary date of this Agreement, the Company shall review and redetermine the amount of the Reinsurer's Obligations. The required amount of the LOC shall be adjusted as of each such anniversary date. The Reinsurer will provide any needed increases in the amount of the LOC within thirty (30) days of the Company's request therefor.

The Reinsurer's duty to provide collateral security as aforesaid will extend until the Company is satisfied that the Reinsurer's Obligations under this Agreement have been or will be met. The Reinsurer recognizes and agrees that this duty may continue after this Agreement terminates or is cancelled.

The Reinsurer will, thirty (30) days prior to any termination or expiration of such LOC, provide to the Company a substitute LOC in an amount and form acceptable to the Company which will become effective immediately upon the termination or expiration of the prior LOC. The Reinsurer will likewise continue to provide such substitute LOC in an amount and form acceptable to the Company until the Company is satisfied that the Reinsurer's Obligations under this Agreement have been or will be met. If the Reinsurer fails to provide the Company with any such substitute LOC, or to provide the Company with any additional required amount of the LOC, the Company will have the right to draw upon the full amount of the existing LOC and to apply such funds to secure the Obligations of the Reinsurer hereunder.

The Company will have the right to require that any substitute LOC be in either an amount greater, equal to, or less than that of the LOC it is replacing based on the Company's determination. The Reinsurer shall deliver all collateral or replacement collateral to Company at 1601 Chestnut Street, Two Liberty Place, Philadelphia, PA 19192-0000; Attn: Collateral Manager.

ARTICLE XII

INDEMNIFICATION AND ERRORS AND OMISSIONS:

Any recitals in this Agreement of the terms and provisions of the original Policy or Policies are merely descriptive and the Reinsurer is reinsuring, to the amounts herein provided, the obligations of the Company under the original Policy or Policies. The Company shall be the sole judge as to what shall constitute a claim or Loss covered under the Company's original Policy or Policies and as to the Company's liability thereunder, and as to amount or amounts which it shall be proper for the Company to pay thereunder, and the Reinsurer shall be bound by the judgment of the Company as to the liability and obligation of the Company under its Policy or Policies.

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, provided such delay, omission or error is rectified as soon as possible.

ARTICLE XIII

TAXES:

The Company will be liable for all taxes (except Federal Excise Tax) on premiums collected under the Policies. Such taxes shall be deducted from Gross Premiums Written as shown in Article VI.

The Reinsurer will be liable for all taxes on reinsurance premiums paid hereunder.

The Reinsurer agrees to allow the Company to retain, for the purpose of paying the Federal Excise Tax on the Reinsurer's behalf, one percent (.01) of the subject premium shown in Article VI, or such other rate that may be in effect from time to time, to the extent such premium is subject to Federal Excise Tax.

## ARTICLE XIV

INSPECTION:

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

## ARTICLE XV

FOLLOW THE FORTUNES CLAUSE:

The Reinsurer's liability shall attach simultaneously with that of the Company and all reinsurance for which the Reinsurer shall be liable by virtue of this Agreement shall be subject in all respects to the same risks, terms, rates, conditions, interpretations, assessments, waivers, and to the same modifications, alterations and cancellations, as the respective insurances (or reinsurances) of the Company to which such reinsurances relate. This Agreement shall further protect the Company for any Loss for which the Company may be legally liable to pay amounts in excess of the Policy limit incurred because of 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 the Insured, or in the preparation or prosecution of an appeal consequent upon such action.

The true intent of this Agreement being that the Reinsurer shall, in every case to which this Agreement applies, and in the proportions specified herein, follow the *fortunes of the Company.*

This Article shall not apply insofar as it can be shown during a duly held Arbitration in accordance with Article XVII of this Agreement that the Company has been tortious, willful, wanton, or reckless in handling a claim reinsured under this Agreement.

ARTICLE XVI

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 the Policy or Policies reinsured, without diminution or limitation because of the insolvency of the Company, directly to the Company or to its liquidator, receiver, or statutory successor, immediately on demand with reasonable provision for verification, except as provided by Section 4118 (a) of the New York Insurance Law or except:

(1) where the Agreement specifically provides another payee of such reinsurance in the event of the insolvency of the Company, and

(2) 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 payees 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.

ARTICLE XVII

ARBITRATION CLAUSE:

As a condition precedent to any right of action hereunder (except any right of action by the Company against the Reinsurer for failure to pay any amount due hereunder), all disputes arising out of or related to this Agreement or its interpretation 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.

The members of the board of arbitration shall be active or retired disinterested executives of property and casualty 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) and the decision shall be made by drawing lots.

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 the filing of the respondent's brief.

The board shall make an award with regard to the custom and usage of the insurance and reinsurance 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. Either party may apply to the United States District Court for the Eastern District of Pennsylvania for an order confirming the award; and a judgment of that Court shall thereupon be entered upon the award. If such an order is issued, the attorneys' fees of the party so applying and court costs will be paid by the party against whom confirmation is sought.

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.

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 XVIII

RESERVES:

The Reinsurer will maintain legal reserves with respect to Outstanding Losses and Loss Expenses and Unearned Premium Reserves.

## ARTICLE XIX

TERMINATION:

A. This Agreement may be cancelled in whole or in part by the Company by giving sixty (60) days' prior written notice to the Reinsurer. If any of the Policies reinsured hereunder are cancelled, then this Agreement shall be terminated, with respect to such Policies only, as of the effective date of cancellation of such Policies.

B. However, the Company shall have the right to terminate this Agreement immediately by giving the Reinsurer written notice:

(1) If the performance of the whole or any part of this Agreement be prohibited or rendered impossible, de jure or de facto, in particular and without prejudice to the generality of the preceding words in consequence of any law or regulation which is or shall be in force in any state or territory; or if any law or regulation shall prevent, directly or indirectly, the remittance of all or any part of the balance or payments due to or from the Reinsurer.

(2) If the Reinsurer at any time shall:
(a) Become insolvent, or
(b) Suffer any impairment of capital, or
(c) File a Petition in bankruptcy, or
(d) Go into liquidation or rehabilitation, or
(e) Have a receiver appointed, or
(f) Be acquired or controlled by any other entity through purchase of stock or assets.

C. All notices of termination shall be served upon the Reinsurer, by certified mail, courier, or telecopy at:

SINCLAIR INSURANCE COMPANY LTD.
c/o Welbeck Management Limited
504 International Centre, Bermudiana Road
Hamilton, Bermuda HM 11
Attention: Mr. Jon Richmond
Telephone: (809) 295-2240
Facsimile: (809) 295 2269

D. In the event this Agreement is terminated, the rights and obligations of both parties to this Agreement shall remain in full force until the effective date of termination.

E. Reinsurer's Obligations hereunder with respect to claims or Losses incurred under the Policies prior to the termination of this Agreement will survive the termination of this Agreement.

ARTICLE XX

JURISDICTION/GOVERNING LAW:

The Reinsurer hereby irrevocably and unconditionally submits to the jurisdiction and venue of the United States District Court, Eastern District of Pennsylvania for any and all actions related to or arising from the subject matter of this Agreement. The Reinsurer and the Company agree that for purposes of any such action, this Agreement shall be governed by and interpreted in accordance with the laws of Pennsylvania.

Further, pursuant to any statute of any state, territory, or district of the United States which makes provisions therefor, Reinsurer hereby designates the Superintendent, Commissioner or Director of Insurance or other officer specified for that purpose in the statute, as its true and lawful attorney for service of any lawful process in any action, suit or proceeding instituted by or on behalf of the Company and related to or arising out of this Agreement.

ARTICLE XXI

U.S. CURRENCY:

Any payments or funds required to be paid hereunder shall be payable in the currency of the United States.

ARTICLE XXII

OFFSET CLAUSE:

The Company and the Reinsurer shall have the right to offset any balance(s) due from one to the other under this Agreement. The party asserting the right of offset may exercise such right at any time whether the balance(s) due are on account of premiums or losses or otherwise. In the event of the insolvency of a party hereto, offsets shall only be allowed in accordance with the provisions of Section 7427 of the Insurance Law of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives in New York, New York this tenth day of January, 1995.

INSURANCE COMPANY OF NORTH AMERICA,
on behalf of itself and each of the other corporations comprising the Company.

BY: Robert E. Lorer EGM.
Name: Robert E. Lorer

TITLE: Branch Casualty Manager

ADDRESS: 195 Broadway
New York, NY 10007

and in Hamilton, Bermuda this 17th day of March, 1995.

SINCLAIR INSURANCE COMPANY LTD.

BY: J.C. Richmond
Name: J.C. RICHMOND

TITLE: Director.

ADDRESS: 504 International Centre
Bermudiana Road
Hamilton HM11, Bermuda

**EXHIBIT A**

**TO**

# REINSURANCE AGREEMENT

**for SINCLAIR INSURANCE COMPANY LTD.**

**Effective October 1, 1994 to 1995**

## Residual Market States - Initial Determination

| BEAZER EAST POLICIES | | | | | |
|---|---|---|---|---|---|
| **Policy Number** | **Applicable State(s)** | **Initial Premium** | **X Initial Assessment Factor** | **/Tax Factor** | **Initial Assessment** |
| WLR C4 115817-7 | Alabama | 1,725 | .1300 | .9417 | 238 |
| & | Georgia | 32,296 | .1800 | .8987 | 6,469 |
| WLR C2 419699-9 | Kentucky | 17,382 | .2800 | .9688 | 5,024 |
| | New Jersey | 229 | .1050 | .9652 | 25 |
| | New Mexico | 33,456 | .0520 | .9221 | 1,887 |
| | North Carolina | 291,860 | .0230 | .9649 | 6,957 |
| | South Carolina | 17,392 | .0900 | .8511 | 1,839 |
| | Tennessee | 298 | .3000 | .9497 | 94 |
| WLR C4 115832-3 | Virginia | 39,099 | .1200 | .9742 | 4,816 |

**$433,737** **Initial Subtotal - $27,349**

EXHIBIT A

TO

# REINSURANCE AGREEMENT

for SINCLAIR INSURANCE COMPANY LTD.

Effective October 1, 1994 to 1995

## Residual Market States - Initial Determination

| QUANTUM CHEMICAL POLICIES | | | | | |
|---|---|---|---|---|---|
| Policy Number | Applicable State(s) | Initial Premium | X Initial Assessment Factor | ÷ Tax Factor | Initial Assessment |
| WLR C4 115839-6 | Alabama | 1,390 | .1300 | .9417 | 192 |
| | Arkansas | 63 | .0400 | .9425 | 3 |
| | Delaware | 5,405 | .1000 | .9217 | 586 |
| | Georgia | 2,657 | .1800 | .8987 | 532 |
| | Kansas | 500 | .0510 | .9003 | 28 |
| | Kentucky | 3,382 | .2800 | .9688 | 977 |
| | Massachusetts | 60,423 | .0000 | .9720 | 0 |
| | Missouri | 816 | .1500 | .9716 | 126 |
| | New Hampshire | 2,241 | .1290 | .9599 | 301 |
| | New Jersey | 60,322 | .1050 | .9652 | 6,562 |
| | South Carolina | 2,355 | .0900 | .8511 | 249 |
| | Tennessee | 2,067 | .3000 | .9497 | 653 |
| | Vermont | 1,842 | .0730 | .9612 | 140 |
| | Virginia | 10,297 | .1200 | .9742 | 1,268 |

$153,760 Initial Subtotal - $11,617

EXHIBIT A

TO

# REINSURANCE AGREEMENT

for SINCLAIR INSURANCE COMPANY LTD.

Effective October 1, 1994 to 1995

## Residual Market States - Initial Determination

| OTHER SINCLAIR POLICIES | | | | | |
|---|---|---|---|---|---|
| **Policy Number** | **Applicable State(s)** | **Initial Premium** | **X Initial Assessment Factor** | **÷ Tax Factor** | **Initial Assessment** |
| WLR C4 115812-8 | Alabama | 25,447 | .1300 | .9417 | 3,513 |
| & | Arkansas | 12,836 | .0400 | .9425 | 545 |
| WLR C2 419699-9 | Delaware | 34 | .1000 | .9217 | 4 |
| | Georgia | 9,614 | .1800 | .8987 | 1,926 |
| | Kansas | 541 | .0510 | .9003 | 31 |
| | Kentucky | 3,283 | .2800 | .9688 | 949 |
| | Massachusetts | 9,773 | .0000 | .9720 | 0 |
| | Missouri | 12,349 | .1500 | .9716 | 1,906 |
| | New Hampshire | 477 | .1290 | .9599 | 64 |
| | New Jersey | 12,162 | .1050 | .9652 | 1,323 |
| | New Mexico | 9,707 | .0520 | .9221 | 547 |
| | North Carolina | 181,686 | .0230 | .9649 | 4,331 |
| | South Carolina | 13,587 | .0900 | .8511 | 1,437 |
| | South Dakota | 2 | .0800 | .9671 | 0 |
| | Tennessee | 7,917 | .3000 | .9497 | 2,501 |
| | Vermont | 16 | .0730 | .9612 | 1 |
| WLR C4 115827-A | Virginia | 155,525 | .1200 | .9742 | 19,157 |
| RSC C4 115813-A | Hawaii | 445 | .1200 | N/A | 53 |

**$455,401** **Initial Subtotal - $38,288**

**Total - $1,042,898** **Initial Total - $77,254**

EXHIBIT B

TO

# REINSURANCE AGREEMENT

for SINCLAIR INSURANCE COMPANY LTD.

Effective October 1, 1994 to 1995

## Residual Market States - Redetermination

| BEAZER EAST POLICIES | | | | | |
|---|---|---|---|---|---|
| Policy Number | Applicable State(s) | Premium | X Actual Assessment Factor | /Tax Factor | Redetermined Assessment |
| WLR C4 115817-7<br>&<br>WIR C2 419699-9<br><br><br><br><br><br>WLR C4 115832-3 | Alabama<br>Georgia<br>Kentucky<br>New Jersey<br>New Mexico<br>North Carolina<br>South Carolina<br>Tennessee<br>Virginia | | | | |

Initial Subtotal - $27,349

Adjusted Subtotal -

EXHIBIT B

TO

# REINSURANCE AGREEMENT

for SINCLAIR INSURANCE COMPANY LTD.

Effective October 1, 1994 to 1995

## Residual Market States - Redetermination

| QUANTUM CHEMICAL POLICIES | | | | | |
|---|---|---|---|---|---|
| **Policy Number** | **Applicable State(s)** | **Premium** | **X Actual Assessment Factor** | **÷ Tax Factor** | **Redetermined Assessment** |
| WLR C4 115839-6 | Alabama<br>Arkansas<br>Delaware<br>Georgia<br>Kansas<br>Kentucky<br>Massachusetts<br>Missouri<br>New Hampshire<br>New Jersey<br>South Carolina<br>Tennessee<br>Vermont<br>Virginia | | | | |

***Initial Subtotal* - $11,617**

**Adjusted Subtotal -**

EXHIBIT B

TO

# REINSURANCE AGREEMENT

for SINCLAIR INSURANCE COMPANY LTD.

Effective October 1, 1994 to 1995

## Residual Market States - Redetermination

| OTHER SINCLAIR POLICIES | | | | | |
|---|---|---|---|---|---|
| Policy Number | Applicable State(s) | Premium | X Actual Assessment Factor | ÷ Tax Factor | Redetermined Assessment |
| WLR C4 115812-8<br>&<br>WLR C2 419699-9 | Alabama<br>Arkansas<br>Delaware<br>Georgia<br>Kansas<br>Kentucky<br>Massachusetts<br>Missouri<br>New Hampshire<br>New Jersey<br>New Mexico<br>North Carolina<br>South Carolina<br>South Dakota<br>Tennessee<br>Vermont | | | | |
| WLR C4 115827-A | Virginia | | | | |
| RSC C4 115813-A | Hawaii | | | | |

Initial Subtotal - $38,288

Adjusted Subtotal -

Initial Total - $ 77,254
Adjusted Total -
Additional or Return Assessment -

ADDENDUM #1

to

REINSURANCE AGREEMENT

between
INSURANCE COMPANY OF NORTH AMERICA,
a Pennsylvania corporation;

PACIFIC EMPLOYERS INSURANCE COMPANY,
a California corporation;

ALASKA PACIFIC ASSURANCE COMPANY,
an Alaska corporation; and

CIGNA INSURANCE COMPANY OF CANADA,
a Canadian corporation;

(hereinafter collectively referred to as the "Company");

and

SINCLAIR INSURANCE COMPANY LTD.,
a Bermuda company

(hereinafter referred to as "the Reinsurer")

Amounts included in the schedule in Article VI A which are attributable to Reinsurer's Sixty Six Percent (66%) quota share of Comprehensive General Liability ($1,000,000 excess of $2,000,000), Products Liability ($3,000,000 excess of $2,000,000) and Excess Employers' Liability ($4,000,000 excess of $1,000,000):

| | | |
|---|---|---|
| 1. | Gross Premiums Written | **$ 1,881,000** |
| | EQUALS | |
| 2. | Subject Premium | **1,881,000** |
| | LESS | |
| 3. | Company Expenses (Profit & Administration) | **0** |

and in Hamilton, Bermuda this 17th day of March, 1995.

SINCLAIR INSURANCE COMPANY LTD.

BY: JeRichmond

Name: J.e. RICHMOND

TITLE: Director.

ADDRESS: 504 International Centre
Bermudiana Road
Hamilton, HM11, Bermuda

Hanson Industries

99 Wood Avenue South, Iselin, NJ 08830
Main Telephone (908) 603-6600
Main Fax (908) 603-6878

April 27, 1995

Mr. Jonathon Richmond
Welbeck Management
504 International Center
Bermudiana Road
Hamilton, Bermuda HM12

**RE: REINSURANCE AGREEMENTS**

Dear Jon:

The enclosed documents (three duplicate originals) are for your signature. Also, enclosed is Richard Bennett's correspondence describing the purpose of these documents. Following your perusal, and approval, please sign and return two of the three copies to Richard Bennett.

Very truly yours,

Anthony R. Ferrara
Risk Manager

Returned to Emil Metropoulos @ client via courier 5/10/95.
Jon

ARF:lpb
Enclosure

{L0427951}

Sedgwick

**Sedgwick James of New Jersey, Inc.**
3 Becker Farm Road, Roseland, New Jersey 07068-3786
Telephone 201 533-9393. Direct Telephone 201 4761 . Facsimile 201 535-0593/5330591

April 4, 1995

Mr. Anthony Ferrara
Risk Manager
Hanson Industries
99 Wood Avenue South
Iselin, New Jersey 08830

Re: Reinsurance Agreements
Hanson Industries
October 1, 1993 though October 1, 1994

Dear Anthony :

Enclosed please find, three copies of Addendum #3 to the captioned Reinsurance Agreement. As we have discussed during the October 1, 1993 - 1994 policy period the New York Department of Transportation required that contractors (General Crushed Stone and Eastern Rock Products, Inc.) not only present a General Liability policy and an Owners Contractors Protective, but also as a Special Protective and Highway Liability policy. In order to satisfy this requirement a Guaranteed Cost, Owners Protective policy was issued along with a fronted Special Protective policy. Essentially what this Addendum does is add the seven Special Protective and Highway policies to the October 1, 1993 through October 1, 1994 Reinsurance Agreement.

I have also enclosed copies of the Certificates of Insurance which were issued, using the Special Protective policy numbers. Please forward all three copies of the Addendum to Jon Richmond to be executed and returned to CIGNA's attention.

We trust you will find the enclosed to be in order but should you have any questions, please feel free to contact me.

Sincerely,

Richard Bennett

Richard Bennett
Senior Account Executive

ADDENDUM #3
to
REINSURANCE AGREEMENT

between
INSURANCE COMPANY OF NORTH AMERICA,
a Pennsylvania corporation;

PACIFIC EMPLOYERS INSURANCE COMPANY,
a California corporation;

ALASKA PACIFIC ASSURANCE COMPANY,
an Alaska corporation;

CIGNA INSURANCE COMPANY OF CANADA,
a Canadian corporation;

INDEMNITY INSURANCE COMPANY OF NORTH AMERICA,
a Pennsylvania corporation;

(hereinafter collectively referred to as the "Company");

and

SINCLAIR INSURANCE COMPANY LTD.,
a Bermuda company

(hereinafter referred to as "the Reinsurer")

The Reinsurance Agreement effective October 1, 1993 ~~dated May 27, 1994~~ between the Company and the Reinsurer is hereby amended as follows:

1) Effective January 1, 1994; the following Named Insured is hereby added to ARTICLE I A. under the Reinsurance Agreement as respect to contracting work performed by Eastern Rock Products, Inc.:

New York State Department of Transportation.

The following policy number is hereby added to ARTICLE I B.

(21) CGO G1 658581-6

With respect to this policy number CGO G1 658581-6 only:

ARTICLE I C. is hereby amended to read:

12:01 A.M. Eastern Standard Time, January 1, 1994 to
12:01 A.M. Eastern Standard Time, June 30, 1996.

The following is hereby added to ARTICLE I E.:

(6) Policy Number:
CGO G1 658581-6

Special Protective and Highway Liability:
One Million Dollars ($1,000,000) per occurrence

The following is hereby added to ARTICLE V.:

H. With respect to Special Protective and Highway Liability Insurance under the Company's Policy Number CGO G1 658581-6, the Reinsurer agrees to reinsure the Company and be liable for One Hundred Percent (100%) of the first One Million Dollars ($1,000,000) per occurrence, of the Company's Ultimate Net Loss, plus Outstanding Loss Reserves. Furthermore, the Reinsurer agrees to reinsure the Company and be Liable for One Hundred Percent (100%) of all Loss Expenses Paid under Policy Number CGO G1 658581-6.

Estimated Premium for policy number CGO G1 658581-6 is included in ARTICLE VI.

2) Effective January 1, 1994; the following Named Insured is hereby added to ARTICLE I A. under the Reinsurance Agreement as respect to contracting work performed by Eastern Rock Products, Inc.:

New York State Department of Transportation.

The following policy number is hereby added to ARTICLE I B.

(22) CGO G1 658582-8

With respect to this policy number CGO G1 658582-8 only:

ARTICLE I C. is hereby amended to read:

12:01 A.M. Eastern Standard Time, January 1, 1994 to
12:01 A.M. Eastern Standard Time, June 30, 1996.

The following is hereby added to ARTICLE I E.:

(7) Policy Number:
CGO G1 658582-8

Special Protective and Highway Liability:
One Million Dollars ($1,000,000) per occurrence

The following is hereby added to ARTICLE V.:

I. With respect to Special Protective and Highway Liability Insurance under the Company's Policy Number CGO G1 658582-8, the Reinsurer agrees to reinsure the Company and be liable for One Hundred Percent (100%) of the first One Million Dollars ($1,000,000) per occurrence, of the Company's Ultimate Net Loss, plus Outstanding Loss Reserves. Furthermore, the Reinsurer agrees to reinsure the Company and be Liable for One Hundred Percent (100%) of all Loss Expenses Paid under Policy Number CGO G1 658582-8.

Estimated policy premium for policy number CGO G1 658582-8 is included in ARTICLE VI.

3) Effective March 1, 1994; the following Named Insured is hereby added to ARTICLE I A. under the Reinsurance Agreement as respect to contracting work performed by The General Crushed Stone Company:

New York State Department of Transportation.

The following policy number is hereby added to ARTICLE I B.

(23) OCP G1 658556-7

With respect to this policy number OCP G1 658556-7 only:

ARTICLE I C. is hereby amended to read:

12:01 A.M. Eastern Standard Time, March 1, 1994 to
12:01 A.M. Eastern Standard Time, October 1, 1995.

The following is hereby added to ARTICLE I E.:

(8) Policy Number:
OCP G1 658556-7

Special Protective and Highway Liability:
One Million Dollars ($1,000,000) per occurrence

The following is hereby added to ARTICLE V.:

J. With respect to Special Protective and Highway Liability Insurance under the Company's Policy Number OCP G1 658556-7, the Reinsurer agrees to reinsure the Company and be liable for One Hundred Percent (100%) of the first One Million Dollars ($1,000,000) per occurrence, of the Company's Ultimate Net Loss, plus Outstanding Loss Reserves. Furthermore, the Reinsurer agrees to reinsure the Company and be Liable for One Hundred Percent (100%) of all Loss Expenses Paid under Policy Number OCP G1 658556-7.

Estimated policy premium for policy number OCP G1 658556-7 is included in ARTICLE VI.

4) Effective April 1, 1994; the following Named Insured is hereby added to ARTICLE I A. under the Reinsurance Agreement as respect to contracting work performed by Eastern Rock Products, Inc.:

New York State Department of Transportation.

The following policy number is hereby added to ARTICLE I B.

(24) OCP G1 658687-0

With respect to this policy number OCP G1 658687-0 only:

ARTICLE I C. is hereby amended to read:

12:01 A.M. Eastern Standard Time, April 1, 1994 to
12:01 A.M. Eastern Standard Time, June 30, 1996.

The following is hereby added to ARTICLE I E.:

(9) Policy Number:
OCP G1 658687-0

Special Protective and Highway Liability:
One Million Dollars ($1,000,000) per occurrence

The following is hereby added to ARTICLE V.:

K. With respect to Special Protective and Highway Liability Insurance under the Company's Policy Number OCP G1 658687-0, the Reinsurer agrees to reinsure the Company and be liable for One Hundred Percent (100%) of the first One Million Dollars ($1,000,000) per occurrence, of the Company's Ultimate Net Loss, plus Outstanding Loss Reserves. Furthermore, the Reinsurer agrees to reinsure the Company and be Liable for One Hundred Percent (100%) of all Loss Expenses Paid under Policy Number OCP G1 658687-0.

Estimated policy premium for policy number OCP G1 658687-0 is included in ARTICLE VI.

5) Effective June 1, 1994; the following Named Insured is hereby added to ARTICLE I A. under the Reinsurance Agreement as respect to contracting work performed by Eastern Rock Products, Inc.:

New York State Department of Transportation.

The following policy number is hereby added to ARTICLE I B.

(25) CGO G1 658694-8

With respect to this policy number CGO G1 658694-8 only:

ARTICLE I C. is hereby amended to read:

12:01 A.M. Eastern Standard Time, June 1, 1994 to
12:01 A.M. Eastern Standard Time, December 31, 1994.

The following is hereby added to ARTICLE I E.:

(10) Policy Number:
CGO G1 658694-8

Special Protective and Highway Liability:
One Million Dollars ($1,000,000) per occurrence

The following is hereby added to ARTICLE V.:

L. With respect to Special Protective and Highway Liability Insurance under the Company's Policy Number CGO G1 658694-8, the Reinsurer agrees to reinsure the Company and be liable for One Hundred Percent (100%) of the first One Million Dollars ($1,000,000) per occurrence, of the Company's Ultimate Net Loss, plus Outstanding Loss Reserves. Furthermore, the Reinsurer agrees to reinsure the Company and be Liable for One Hundred Percent (100%) of all Loss Expenses Paid under Policy Number CGO G1 658694-8.

Estimated policy premium for policy number CGO G1 658694-8 is included in ARTICLE VI.

6) Effective June 30, 1994; the following Named Insured is hereby added to ARTICLE I A. under the Reinsurance Agreement as respect to contracting work performed by The General Crushed Stone Company:

New York State Department of Transportation.

The following policy number is hereby added to ARTICLE I B.

(26) OCP G1 658702-3

With respect to this policy number OCP G1 658702-3 only:

ARTICLE I C. is hereby amended to read:

12:01 A.M. Eastern Standard Time, June 30, 1994 to
12:01 A.M. Eastern Standard Time, June 30, 1996.

The following is hereby added to ARTICLE I E.:

(11) Policy Number:
OCP G1 658702-3

Special Protective and Highway Liability:
One Million Dollars ($1,000,000) per occurrence

The following is hereby added to ARTICLE V.:

M. With respect to Special Protective and Highway Liability Insurance under the Company's Policy Number OCP G1 658702-3, the Reinsurer agrees to reinsure the Company and be liable for One Hundred Percent (100%) of the first One Million Dollars ($1,000,000) per occurrence, of the Company's Ultimate Net Loss, plus Outstanding Loss Reserves. Furthermore, the Reinsurer agrees to reinsure the Company and be Liable for One Hundred Percent (100%) of all Loss Expenses Paid under Policy Number OCP G1 658702-3.

Estimated policy premium for policy number OCP G1 658702-3 is included in ARTICLE VI.

7) Effective June 30, 1994; the following Named Insured is hereby added to ARTICLE I A. under the Reinsurance Agreement as respect to contracting work performed by The General Crushed Stone Company:

New York State Department of Transportation.

The following policy number is hereby added to ARTICLE I B.

(27) OCP G1 658701-1

With respect to this policy number OCP G1 658701-1 only:

ARTICLE I C. is hereby amended to read:

12:01 A.M. Eastern Standard Time, June 30, 1994 to
12:01 A.M. Eastern Standard Time, June 30, 1995.

The following is hereby added to ARTICLE I E.:

(12) Policy Number:
OCP G1 658701-1

Special Protective and Highway Liability:
One Million Dollars ($1,000,000) per occurrence

The following is hereby added to ARTICLE V.:

N. With respect to Special Protective and Highway Liability Insurance under the Company's Policy Number OCP G1 658701-1, the Reinsurer agrees to reinsure the Company and be liable for One Hundred Percent (100%) of the first One Million Dollars ($1,000,000) per occurrence, of the Company's Ultimate Net Loss, plus Outstanding Loss Reserves. Furthermore, the Reinsurer agrees to reinsure the Company and be Liable for One Hundred Percent (100%) of all Loss Expenses Paid under Policy Number OCP G1 658701-1.

Estimated policy premium for policy number OCP G1 658701-1 is included in ARTICLE VI.

All other terms and conditions remain unchanged

IN WITNESS WHEREOF, the parties hereto have caused this Addendum #3 to be executed by their duly authorized representatives in New York, New York, this eight day of March, 1995.

INSURANCE COMPANY OF NORTH AMERICA, on behalf of itself and each of the other corporations comprising the Company.

BY: ________________ E.M.
Name: Joseph L. Harris III

TITLE: Vice President

ADDRESS: 195 Broadway
New York, NY 10007

and in Hamilton, Bermuda this 10th day of May, 1995.

SINCLAIR INSURANCE COMPANY LTD.

BY: J.C. Richmond
Name: J.C. RICHMOND.

TITLE: Director.

ADDRESS: 504 International Centre
Bermudiana Road
Hamilton, HM11, Bermuda

C 213m (8/92)

# CERTIFICATE OF INSURANCE

New York State Department of Transportation
1220 Washington Avenue, State Campus
Albany, New York 12232

**SEND BOTH CERTIFICATES TO CONTRACT MANAGEMENT BUREAU IN ALBANY**

NAME AND ADDRESS OF INSURED CONTRACTOR:

Eastern Rock Products, Inc.
404 Court Street
Utica, NY 13502

ADDITIONAL INSURED:

LOCATION AND DESCRIPTION OF WORK:

Asphalt Resurfacing on Routes 5, 5S, and 169 - Towns of Manheim, Danube, and City of Little Falls.
10.6 miles

CONTRACT # D254868

The subscribing insurance company, authorized to do business in the State of New York, certifies that insurance of the kinds and types and for limits of liability herein stated, covering the work herein designated, has been procured by and furnished on behalf of the insured contractor and is in full force and effect for the period listed below.

| KIND OF INSURANCE | POLICY NUMBER | EFFECTIVE DATE | EXPIRATION DATE | LIMITS OF LIABILITY (in thousands) Each Occurrence | Aggregate |
|---|---|---|---|---|---|
| (a) Contractor's Liability | CGO G1 658513-0 | 10/01/93 | 10/01/94 | $1,000 CSL | $2,000 CSL |
| (b) Contractor's Protective Liability | CGO G1 658513-0 | 10/01/93 | 10/01/94 | $1,000 CSL | $2,000 CSL |
| (c) Completed Operations Liability | CGO G1 658513-0 | 10/01/93 | 10/01/94 | $1,000 CSL | $2,000 CSL |
| (d) Protective liability furnished by general contractor in the name of the People and the State of New York, Commissioner of Transportation and their employees, and any construction inspection engineer or inspector and such others as specified in Section 107-06 of the Standard Specifications. | OCP G1 6585798 | 1/1/94 | 6/30/96 | $1,000 CSL | $2,000 CSL |
| (e) Commercial general liability (Premises, Existence, Hazard) in the name of the People and the State of New York, Commissioner of Transportation and their employees, and any construction inspection engineer or inspector and such others as specified in Section 107-06 of the Standard Specifications. | CGO G1 6585816 | 1/1/94 | 6/30/96 | $1,000 CSL | $2,000 CSL |
| (f) Railroad Protective Liability | | | | | |
| (g) Professional Liability | | | | | |
| (h) Worker's Compensation | WLR C2 044656-0 | 10/01/93 | 10/01/94 | Limits as required by law. | |
| (i) Disability Benefits | | | | Limits as required by law. | |
| (j) Excess Umbrella | | | | | |
| (k) Automobile Liability | SCA HO 502377-4 | 10/01/93 | 10/01/94 | Limits as required by law. | |
| (l) Other | | | | | |

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0049-GLD-000056820

C 218m (8/92)

2)

# CERTIFICATE OF INSURANCE

New York State Department of Transportation
1220 Washington Avenue, State Campus
Albany, New York 12232

**SEND BOTH CERTIFICATES TO CONTRACT MANAGEMENT BUREAU IN ALBANY**

NAME AND ADDRESS OF INSURED CONTRACTOR:

Eastern Rock Products, Inc.
404 Court Street
Utica, NY 13502

ADDITIONAL INSURED:

LOCATION AND DESCRIPTION OF WORK:

Asphalt Resurfacing Route 20, in the towns of Eaton, Madison, and Sangerfield - 11 Miles.

CONTRACT # D254869

**The subscribing insurance company, authorized to do business in the State of New York, certifies that insurance of the kinds and types and for limits of liability herein stated, covering the work herein designated, has been procured by and furnished on behalf of the insured contractor and is in full force and effect for the period listed below.**

| KIND OF INSURANCE | POLICY NUMBER | EFFECTIVE DATE | EXPIRATION DATE | LIMITS OF LIABILITY (in thousands) Each Occurrence | Aggregate |
|---|---|---|---|---|---|
| (a) Contractor's Liability | CGO G1 658513-0 | 10/01/93 | 10/01/94 | $1,000 CSL | $2,000 CSL |
| (b) Contractor's Protective Liability | CGO G1 658513-0 | 10/01/93 | 10/01/94 | $1,000 CSL | $2,000 CSL |
| (c) Completed Operations Liability | CGO G1 658513-0 | 10/01/93 | 10/01/94 | $1,000 CSL | $2,000 CSL |
| (d) Protective liability furnished by general contractor in the name of the People and the State of New York, Commissioner of Transportation and their employees, and any construction inspection engineer or inspector and such others as specified in Section 107-06 of the Standard Specifications. | OCP G1 6585804 | 1/1/94 | 6/30/96 | $1,000 CSL | $2,000 CSL |
| (e) Commercial general liability (Premises, Existence, Hazard) in the name of the People and the State of New York, Commissioner of Transportation and their employees, and any construction inspection engineer or inspector and such others as specified in Section 107-06 of the Standard Specifications. | CGO G1 6585828 | 1/1/94 | 6/30/96 | $1,000 CSL | $2,000 CSL |
| (f) Railroad Protective Liability | | | | | |
| (g) Professional Liability | | | | | |
| (h) Worker's Compensation | WLR C2 044656-0 | 10/01/93 | 10/01/94 | Limits as required by law. | |
| (i) Disability Benefits | | | | Limits as required by law. | |
| (j) Excess Umbrella | | | | | |
| (k) Automobile Liability | SCA H0 502377-4 | 10/01/93 | 10/01/94 | Limits as required by law. | |
| (l) Other | | | | | |

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0049-GLD-000056821

C 218m (8/92)

C 4)

**CERTIFICATE OF INSURANCE**
New York State Department of Transportation
1220 Washington Avenue, State Campus
Albany, New York 12232

**SEND BOTH CERTIFICATES TO CONTRACT MANAGEMENT BUREAU IN ALBANY**

NAME AND ADDRESS OF INSURED CONTRACTOR:

Eastern Rock Products, Inc.
404 Court Street
Utica, NY 13502

ADDITIONAL INSURED:

LOCATION AND DESCRIPTION OF WORK:

Asphalt Concrete resurfacing and guide rail replacement
Route 55 8.5 miles
Town of Frankfort, Herkimer Co.

CONTRACT # D256023

**The subscribing insurance company, authorized to do business in the State of New York, certifies that insurance of the kinds and types and for limits of liability herein stated, covering the work herein designated, has been procured by and furnished on behalf of the insured contractor and is in full force and effect for the period listed below.**

| KIND OF INSURANCE | POLICY NUMBER | EFFECTIVE DATE | EXPIRATION DATE | LIMITS OF LIABILITY (in thousands) | |
|---|---|---|---|---|---|
| | | | | Each Occurrence | Aggregate |
| (a) Contractor's Liability | CG0G1658513-0 | 10/1/93 | 10/1/94 | $1,000 | $2,000 |
| (b) Contractor's Protective Liability | CG0G1658513-0 | 10/1/93 | 10/1/94 | $1,000 | $2,000 |
| (c) Completed Operations Liability | CG0G1658513-0 | 10/1/93 | 10/1/94 | $1,000 | $2,000 |
| (d) Protective liability furnished by general contractor in the name of the People and the State of New York, Commissioner of Transportation and their employees, and any construction inspection engineer or inspector and such others as specified in Section 107-06 of the Standard Specifications. | OCPG1658686-9 | 4/1/94 | 6/30/96 | $1,000 | $2,000 |
| (e) Commercial general liability (Premises, Existence, Hazard) in the name of the People and the State of New York, Commissioner of Transportation and their employees, and any construction inspection engineer or inspector and such others as specified in Section 107-06 of the Standard Specifications. | OCPG1658687-0 | 4/1/94 | 6/30/96 | $1,000 | $2,000 |
| (f) Railroad Protective Liability | | | | | |
| (g) Professional Liability | | | | | |
| (h) Worker's Compensation | WLRC2044656-0 | 10/1/93 | 10/1/94 | Limits as required by law. | |
| (i) Disability Benefits | | | | Limits as required by law. | |
| (j) Excess Umbrella | | | | | |
| (k) Automobile Liability | SCAH0502377-4 | 10/1/93 | 10/1/94 | Limits as required by law. | |
| (l) Other | | | | | |

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C 218m (8/92)

57

# CERTIFICATE OF INSURANCE

New York State Department of Transportation
1220 Washington Avenue, State Campus
Albany, New York 12232

**SEND BOTH CERTIFICATES TO CONTRACT MANAGEMENT BUREAU IN ALBANY**

NAME AND ADDRESS OF INSURED CONTRACTOR:

Eastern Rock Products, Inc.
404 Court Street
Utica, NY 13502

ADDITIONAL INSURED:

New York State Office of General Services
Corning Tower Building
Empire State Plaza
Albany, NY 12242
cc: Region #9

LOCATION AND DESCRIPTION OF WORK:

Otsego County Milford to Roseboom - Delivery & Installation of Bituminous Concrete
Route 166

CONTRACT #

The subscribing insurance company, authorized to do business in the State of New York, certifies that insurance of the kinds and types and ~~for limits of liability herein stated, covering the work herein designated, has been procured by and furnished on~~ behalf of the insured contractor and is in full force and effect for the period listed below.

| KIND OF INSURANCE | POLICY NUMBER | EFFECTIVE DATE | EXPIRATION DATE | LIMITS OF LIABILITY (in thousands) | |
|---|---|---|---|---|---|
| | | | | Each Occurrence | Aggregate |
| (a) Contractor's Liability | CGO G1 658513-0 | 10/1/93 | 10/1/94 | $2,000 CSL | N/A |
| (b) Contractor's Protective Liability | CGO G1 658513-0 | 10/1/93 | 10/1/94 | $2,000 CSL | N/A |
| (c) Completed Operations Liability | CGO G1 658513-0 | 10/1/93 | 10/1/94 | $1,000 CSL | $2,000 CSL |
| (d) Protective liability furnished by general contractor in the name of the People and the State of New York, Commissioner of Transportation and their employees, and any construction inspection engineer or inspector and such others as specified in Section 107-06 of the Standard Specifications. | OCP G1 6586936 | 6/1/94 | 12/31/94 | $1,000 CSL | $2,000 CSL |
| (e) Commercial general liability (Premises, Existence, Hazard) in the name of the People and the State of New York, Commissioner of Transportation and their employees, and any construction inspection engineer or inspector and such others as specified in Section 107-06 of the Standard Specifications. | CGO G1 6586948 | 6/1/94 | 12/31/94 | $1,000 CSL | $2,000 CSL |
| (f) Railroad Protective Liability | | | | | |
| (g) Professional Liability | | | | | |
| (h) Worker's Compensation | WLR C2 044656-0 | 10/1/93 | 10/1/94 | Limits as required by law. | |
| (i) Disability Benefits | | | | Limits as required by law. | |
| (j) Excess Umbrella | | | | | |
| (k) Automobile Liability | SCA H0 502377-4 | 10/1/93 | 10/1/94 | Limits as required by law. | |
| (l) Other | | | | | |

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C 218m (8/92)

# CERTIFICATE OF INSURANCE

New York State Department of Transportation
1220 Washington Avenue, State Campus
Albany, New York 12232

**SEND BOTH CERTIFICATES TO CONTRACT MANAGEMENT BUREAU IN ALBANY**

**NAME AND ADDRESS OF INSURED CONTRACTOR:**

General Crushed Stone Construction
a Div. of General Crushed STone Co.
4800 Jamesville Rd.
Jamesville, N Y 13078

**ADDITIONAL INSURED:**

**LOCATION AND DESCRIPTION OF WORK:**

Asphalt Concrete Resurfacing on Route 264

Oswego Co.

CONTRACT # D255112

The subscribing insurance company, authorized to do business in the State of New York, certifies that insurance of the kinds and types and for limits of liability herein stated, covering the work herein designated, has been procured by and furnished on behalf of the insured contractor and is in full force and effect for the period listed below.

| KIND OF INSURANCE | POLICY NUMBER | EFFECTIVE DATE | EXPIRATION DATE | LIMITS OF LIABILITY (In thousands) Each Occurrence | Aggregate |
|---|---|---|---|---|---|
| (a) Contractor's Liability | CGO G1 658513-0 | 10/1/93 | 10/1/94 | $2,000 CSL | $2,000 CSL |
| (b) Contractor's Protective Liability | CGO G1 658513-0 | 10/1/93 | 10/1/94 | $2,000 CSL | $2,000 CSL |
| (c) Completed Operations Liability | CGO G1 658513-0 | 10/1/93 | 10/1/94 | $1,000 CSL | $2,000 CSL |
| (d) Protective liability furnished by general contractor in the name of the People and the State of New York, Commissioner of Transportation and their employees, and any construction inspection engineer or inspector and such others as specified in Section 107-06 of the Standard Specifications. | OCP G1 658700A | 06/30/94 | 06/30/95 | $1,000 CSL | $2,000 CSL |
| (e) Commercial general liability (Premises, Existence, Hazard) in the name of the People and the State of New York, Commissioner of Transportation and their employees, and any construction inspection engineer or inspector and such others as specified in Section 107-06 of the Standard Specifications. | OCP G1 6587023 | 06/30/94 | 06/30/95 | $1,000 CSL | $2,000 CSL |
| (f) Railroad Protective Liability | | | | | |
| (g) Professional Liability | | | | | |
| (h) Worker's Compensation | WLR C2 044656-0 | 10/1/93 | 10/1/94 | Limits as required by law. | |
| (i) Disability Benefits | | | | Limits as required by law. | |
| (j) Excess Umbrella | | | | | |
| (k) Automobile Liability | SCA H0 502377-4 | 10/1/93 | 10/1/94 | Limits as required by law. | |
| (l) Other | | | | | |

C 218m (8/82)

7)

**CERTIFICATE OF INSURANCE**
New York State Department of Transportation
1220 Washington Avenue, State Campus
Albany, New York 12232

SEND BOTH CERTIFICATES TO CONTRACT MANAGEMENT BUREAU IN ALBANY

| NAME AND ADDRESS OF INSURED CONTRACTOR: | ADDITIONAL INSURED: |
|---|---|
| General Crushed Stone Construction, a Div. of The General Crushed Stone Company<br>4800 Jamesville Rd.<br>Jamesville, NY 13078 | |

LOCATION AND DESCRIPTION OF WORK:

9.0 miles of Asphalt Concrete Resurfacing on Routes 38, 38A and 437

Cayuga County

CONTRACT # D253110

The subscribing insurance company, authorized to do business in the State of New York, certifies that insurance of the kinds and types and for limits of liability herein stated, covering the work herein designated, has been procured by and furnished on behalf of the insured contractor and is in full force and effect for the period listed below.

| KIND OF INSURANCE | POLICY NUMBER | EFFECTIVE DATE | EXPIRATION DATE | LIMITS OF LIABILITY (in thousands) Each Occurrence | Aggregate |
|---|---|---|---|---|---|
| (a) Contractor's Liability | CGO G1 658513-0 | 10/1/93 | 10/1/94 | $2,000 CSL | $2,000 CSL |
| (b) Contractor's Protective Liability | CGO G1 658513-0 | 10/1/93 | 10/1/94 | $2,000 CSL | $2,000 CSL |
| (c) Completed Operations Liability | CGO G1 658513-0 | 10/1/93 | 10/1/94 | $1,000 CSL | $2,000 CSL |
| (d) Protective liability furnished by general contractor in the name of the People and the State of New York, Commissioner of Transportation and their employees, and any construction inspection engineer or inspector and such others as specified in Section 107-06 of the Standard Specifications. | OCP G1 6586997 | 06/30/94 | 06/30/95 | $1,000 CSL | $2,000 CSL |
| (e) Commercial general liability (Premises, Existence, Hazard) in the name of the People and the State of New York, Commissioner of Transportation and their employees, and any construction inspection engineer or inspector and such others as specified in Section 107-06 of the Standard Specifications. | OCP G1 6587011 | 06/30/94 | 06/30/95 | $1,000 CSL | $2,000 CSL |
| (f) Railroad Protective Liability | | | | | |
| (g) Professional Liability | | | | | |
| (h) Worker's Compensation | WLR C2 044656-0 | 10/1/93 | 10/1/94 | Limits as required by law. | |
| (i) Disability Benefits | | | | Limits as required by law. | |
| (j) Excess Umbrella | | | | | |
| (k) Automobile Liability | SCA H0 502377-4 | 10/1/93 | 10/1/94 | Limits as required by law. | |
| (l) Other | | | | | |

CIGNA Property
& Casualty
Special Risk Facilities

175 Water Street
New York, NY 10038-4980
Telephone 212.709.8200
Facsimile 212.709.8450

June 1, 1994

RECEIVED
JUN 3 1994
WELBECK MANAGEMENT
LIMITED

Mr. Jonathan C. Richmond
Director/Financial Controller
Welbeck Management Limited
P.O. Box HM 2446
Hamilton HM JX, Bermuda

Returned by Courier 7/5/94 JCR

**RE: Revised Hanson Industries Reinsurance Agreements and Addendums**

Dear Jon,

Attached are <u>three</u> copies of <u>each</u> of the following May 27, 1994 revised Hanson Industries' Reinsurance Agreements:

Sinclair Insurance Company LTD.
Major Insurance Company Limited
Bulldog Insurance Company Limited

These agreements revise those dated May 3, 1994 in accordance to Lisa Gallager's responses to Sedgwick's May 15th "Hanson Reinsurance Agreement comment list" as well as my subsequent conversations with Sedgwick James and yourself. The agreements have been replaced in their entirety since the changes were made throughout the entire agreements. The only changes made to these agreements are as follows:

1) "LIMITED" has replaced "LTD." throughout the Major and Bulldog Reinsurance Agreements

2) The Underground Storage Tank Liability Policy and any reference to it has been eliminated from both the Sinclair and Major Reinsurance Agreements. It has been maintained in only the Bulldog Reinsurance Agreement.

3) The Gross Premium, Company Expenses and Net Premium Ceded categories in ARTICLE VI of the Bulldog Reinsurance Agreement have been increased to reflect the Underground Storage Tank Liability Policy premium of $36,000.

4) Addendum #2 of the Sinclair Reinsurance Agreement has been changed to exclude the Beazer Homes USA, Inc. estimated divestiture funding effective March 2, 1994. These figures have been verified by Laurel Stone and Kathleen McKinley.

These changes contemplate all outstanding changes known to CIGNA as of June 1, 1994. Any further changes going further should be made by use of addendums. Please review them and have **two** of each returned to me as soon as possible. The third is your fully executed copy. I have inserted yellow tabs where your signature is required. Please call me at (212) 709-8221 if you have any questions on these agreements.

Sincerely,

Emil Metropoulos

Emil Metropoulos
Account Executive

cc: Laurel Stone - SJNJ with attachments
Donald Schoenewolf - HI without attachments

REINSURANCE AGREEMENT

between

INSURANCE COMPANY OF NORTH AMERICA,
a Pennsylvania corporation;

PACIFIC EMPLOYERS INSURANCE COMPANY,
a California corporation;

ALASKA PACIFIC ASSURANCE COMPANY,
an Alaska corporation;

CIGNA INSURANCE COMPANY OF CANADA,
a Canadian corporation;

INDEMNITY INSURANCE COMPANY OF NORTH AMERICA,
a Pennsylvanian corporation;

(hereinafter collectively referred to as the "Company");

and

SINCLAIR INSURANCE COMPANY LTD.,
a Bermuda company

(hereinafter referred to as "the Reinsurer")

WITNESSETH:

WHEREAS, the Company wishes to cede to the Reinsurer, and the Reinsurer wishes to reinsure, certain insurance under the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the payment of premiums and losses, and of the mutual covenants and agreements herein set forth, the Company and the Reinsurer hereby covenant and agree as follows:

ARTICLE I

POLICIES REINSURED:

A. Name of Insured:

HANSON INDUSTRIES
U.S. Industries, Inc.
Anderson Hickey Inc.
Axelson, Inc.
Baylis Brothers Inc.
Duke City Lumber Company, Inc.
Georgia/Durango Boot Company
Grove North America
National Crane Corporation
Huron, Inc.
USI Lighting, Inc.
Columbia Lighting Inc.
Keystone Lighting, Inc.
Leon Plastics Inc.
MW Manufactures, Inc.
Prescolite
Teters Floral Products, Inc.
United Chair Inc.
Procter & Schwartz. Inc.
SCM Chemicals, Inc.
SCM Metal Products. Inc.
Beazer USA. Inc.: (Benchmark Materials Division and Spectrum Construction Group only)

(as stated in the Policy(ies) listed in Item B.)

B. Policy Numbers:

(1) WLR C2 044647-A (DAS)
(2) WLR C2 044796-A (DCI)
(3) WLR C2 044654-7 (DAL)
(4) WLR C2 044656-0 (DBE)
(5) WLR C2 044810-6 (CBE)
(6) RSC C2 044648-1 (CAS)
(7) RSC C2 044797-7 (CCI)
(8) RSC C2 044653-5 (CAL)
(9) RSC C2 044655-9 (CALBE)
(10) RSC C2 044807-6 (CCIBE)
(11) RSC C2 044809-A (CBW)
(12) RSC C2 044808-8 (CALBW)
(13) WC-00267 (GUWC)
(14) XLP G1 658524-5 (XEL)
(15) CGO G1 658513-0 (GLUS)
(16) CGL 033420 (GLCAN)
(17) 706-00208 (GLGU)
(18) SCA H0 502377-4 (ALUS)
(19) CAC 394400 (ALCAN)
(20) FAP-03716 (ALGU)

which are incorporated herein by reference and made a part hereof.

C. Policy Period: 12:01 A.M. Eastern Standard Time, October 1, 1993 to
12:01 A.M. Eastern Standard Time, October 1, 1994.

D. Insurance Coverage: As stated in the Policies listed in Item B.

E. Policy Limits:

(1) Policy Numbers:

WLR C2 044647-A; WLR C2 044796-A; WLR C2 044654-7; WLR C2 044656-0; WLR C2 044810-6; RSC C2 044648-1; RSC C2 044797-7; RSC C2 044653-5; RSC C2 044655-9; RSC C2 044807-6; RSC C2 044809-A; RSC C2 044808-8; WC-00267

(a) Worker's Compensation (Indemnity): Statutory Limits.
(b) Worker's Compensation (Occupational Disease): Statutory Limits.
(c) Employers Liability: One Million Dollars ($1,000,000) per person, One Million Dollars ($1,000,000) per accident, One Million Dollars ($1,000,000) per policy limit.

(2) Policy Numbers:
SCA H0 502377-4; CAC 394400; FAP-03716

Automobile Liability:
Two Million Dollars ($2,000,000) per accident

(3) Policy Numbers:
CGO G1 658513-0; CGL 033420; 706-00208

General Liability (Excluding Products):
Three Million Dollars ($3,000,000) per occurrence

(4) Policy Numbers:
CGO G1 658513-0; CGL 033420; 706-00208

Products Liability:
Five Million Dollars ($5,000,000) per occurrence

(5) Policy Number:
XLP G1 658524-5

Excess Employer's Liability:
$4,000,000 excess of $1,000,000 per person,

$4,000,000 excess of $1,000,000 per accident,
$4,000,000 excess of $1,000,000 per policy limit.

ARTICLE II

TERM:

This Agreement is effective at 12:01 A.M. Eastern Standard Time, the 1st day of October, 1993. This Agreement shall continue in effect until terminated.

The Reinsurer's Obligations to the Company under this Agreement will survive the termination of the Policies and of this Agreement.

ARTICLE III

TERRITORY:

This Agreement shall cover Losses occurring within the territorial limits provided by the Policies reinsured hereunder and listed in Article I hereof.

ARTICLE IV

DEFINITIONS:

A. The term "Policies" as used in this Agreement shall mean the Policies described in Article I of this Agreement and any endorsements thereto, extensions or renewals thereof, and related binders or certificates issued to or on behalf of the Insured named in Article I hereof.

B. The term "Ultimate Net Loss" as used in this Agreement shall mean the actual Loss paid by the Company, such Loss to include, in addition to any limit of liability herein stated, Loss Expenses Paid. In those instances where no Loss is paid but there are Allocated Loss Expenses, the Reinsurer will assume all Allocated Loss

Expenses. 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. 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 "Gross Premiums Written" as used in this Agreement shall mean Premiums received by the Company for Policies reinsured hereunder, adding all other Additional Premiums and subtracting all other Return Premiums and cancellations.

D. The term "Unearned Premiums Reserve" as used in this Agreement shall mean the premium for the unexpired portion of the Policy(ies) in force as of any specified date.

E. The term "Losses Paid" as used in this Agreement shall mean Losses Paid by the Company under the Policies less recoveries for salvage and subrogation.

F. The term "Loss Expenses Paid" as used in this Agreement shall mean Allocated and Unallocated Loss Expenses related to claims and Losses under the Policies.

(1) "Allocated Loss Expenses" as used in this Agreement shall mean all court costs, fees and expenses; interest; fees for service of process; fees to attorneys; costs of undercover operative and detective services; fees of independent adjusters or attorneys for investigation or adjustment of claims beyond initial investigation; cost of employing experts for preparation of maps, photographs, diagrams, chemical or physical analysis or for advice, opinion or testimony concerning claims under investigation, in litigation, or for which a Declaratory Judgment is sought; costs for legal transcripts of testimony taken at coroner's inquests, criminal or civil proceedings; costs for copies of any public records; costs of depositions and court reported or

recorded statements; and any other similar fees, cost or expense reasonable chargeable to the investigation, negotiation, settlement or defense of a claim or Loss, or to the protection and perfection of the subrogation rights of any insured covered by a Policy(ies) reinsured hereunder.

(2) "Unallocated Loss Expense" as used in this Agreement shall mean the Claims Service Fees charged hereunder as per Article X hereof.

G. The term "Outstanding Loss Reserves" as used in this Agreement shall mean Losses or claims reported to the Company under the Policies which have been reserved but are unpaid at any specified date.

H. The term "Losses" as used in this Agreement shall mean payments to claimants under Policies reinsured hereunder.

I. The term "Paid Loss Deposit Fund" as used in this Agreement shall mean a non-interest bearing cash fund established in accordance with Article IX to fund payment of Losses and Allocated Loss Expenses.

J. The term "IBNR" (Incurred But Not Reported) as used in this Agreement shall mean a reserve for liability for future payment of Losses which have already occurred but have not yet been reported to the Company (plus related Loss Expenses, if any) and shall also include expected future development, as estimated by the Company, on Outstanding Loss Reserves and Loss Expenses (Allocated and Unallocated).

K. The term "Obligations" as used in this Agreement shall mean:

(a) Losses, Allocated Loss Expenses and Unallocated Loss Expenses paid by the Company (or on its behalf) but not recovered from the Reinsurer;
(b) Outstanding Loss Reserves;
(c) Reserves for Losses Incurred But Not Reported;
(d) Reserves for Allocated Loss Expenses;
(e) Reserves for Unearned Premium; and
(f) Reserves for Unallocated Loss Expenses.

## ARTICLE V

INSURING CLAUSE:

A. As respects Workers' Compensation coverage under the Company's Policy Numbers: WLR C2 044647-A; WLR C2 044796-A; WLR C2 044654-7; WLR C2 044656-0; WLR C2 044810-6; RSC C2 044648-1; RSC C2 044797-7; RSC C2 044653-5; RSC C2 044655-9; RSC C2 044807-6; RSC C2 044809-A; RSC C2 044808-8; WC-00267. the Reinsurer agrees to reinsure the Company and be liable for One Hundred Percent (100%) of the first Two Million Dollars ($2,000,000) of the Company's Ultimate Net Loss, plus Outstanding Loss Reserves, for all states except Minnesota, where the Reinsurer shall reinsure the Company and be liable for the first $430,000, of the Company's Ultimate Net Loss, plus Outstanding Loss Reserves, for benefits paid or payable per accident on behalf of the insured, such benefits being required by the Workmen's Compensation Law, Worker's Compensation Law or any Occupational Disease Law of the United States Government, state or states designated in Item 3 of the Declarations of the Company's Policy(ies) listed herein.

B. As respects Occupational Disease coverage under the Company's Policy Numbers: WLR C2 044647-A; WLR C2 044796-A; WLR C2 044654-7; WLR C2 044656-0; WLR C2 044810-6; RSC C2 044648-1; RSC C2 044797-7; RSC C2 044653-5; RSC C2 044655-9; RSC C2 044807-6; RSC C2 044809-A; RSC C2 044808-8; WC-00267, the Reinsurer agrees to reinsure the Company and be liable for One Hundred Percent (100%) of the first Two Million Dollars ($2,000,000) per accident of the Company's Ultimate Net Loss, plus Outstanding Loss Reserves, for all states except Minnesota, where the Reinsurer shall be liable for the first $430,000 of the Company's Ultimate Net Loss, plus Outstanding Loss Reserves, per benefit paid or payable on behalf of the insured, such benefits being required by the Workmen's Compensation Law, Worker's Compensation Law or any Occupational Disease Law of the United States Government, state or states designated in Item 3 of the Declarations of the Company's Policy(ies) listed herein.

C. As respects Employers' Liability Insurance under the Company's Policy Numbers: WLR C2 044796-A; WLR C2 044654-7; WLR C2 044656-0; WLR C2 044810-6; RSC C2 044648-1; RSC C2 044797-7; RSC C2 044653-5; RSC C2 044655-9; RSC C2 044807-6; RSC C2 044809-A; RSC C2 044808-8; WC-00267. the Reinsurer agrees to reinsure the Company and be liable for One Hundred Percent (100%) of the first One Million Dollars ($1,000,000) per occurrence of the Company's Ultimate Net Loss, plus Outstanding Loss Reserves, for all states except Minnesota, where the Reinsurer shall be liable for the first $430,000 per occurrence of the Company's Ultimate Net Loss, plus Outstanding Loss Reserves, for such sums as the insured thereunder is legally obligated to pay as damages because of bodily injury by accident or disease.

D. As respects Comprehensive General Liability Insurance under the Company's Policy Numbers CGO G1 658513-0; CGL 033420; 706-00208, the Reinsurer agrees to reinsure the Company and be liable for One Hundred Percent (100%) of the first Two Million Dollars ($2,000,000) per occurrence, plus Thirty-Three and One-Third percent (33.33%) quota share of the next One Million Dollars ($1,000,000 excess of $2.000,000) per occurrence of the Company's Ultimate Net Loss, plus Outstanding Loss Reserves.

E. As respects all coverages under the Company's Automobile Liability Policy Numbers SCA HO 502377-4; CAC 394400, FAP-03716, the Reinsurer agrees to reinsure the Company and be liable for One Hundred Percent (100%) of the first Two Million Dollars ($2,000,000) per accident of the Company's Ultimate Net Loss, plus Outstanding Loss Reserves.

F. As respects Products Liability Insurance under the Company's Policy Number CGO G1 658513-0; CGL 033420; 706-00208, the Reinsurer agrees to reinsure the Company and be liable for One Hundred Percent (100%) of the first Two Million Dollars ($2.000,000) per occurrence. plus Thirty-Three and One-Third percent

(33.33%) quota share of the next Three Million Dollars ($3,000,000 excess of $2,000,000) per occurrence, of the Company's Ultimate Net Loss, plus Outstanding Loss Reserves.

G. As respects Excess Employer's Liability Insurance under the Company's Policy Number XLP G1 658524-5, the Reinsurer agrees to reinsure the Company and be liable for Thirty-Three and One-Third Percent (33.33%) quota share of $4,000,000 excess of the first $1,000,000 per occurrence of the Company's Ultimate Net Loss, plus Outstanding Loss Reserves.

ARTICLE VI

PREMIUM:

A. Annual Estimated Premium.

The total Net Ceded Premiums due the Reinsurer for the Reinsurance hereunder shall be calculated in accordance with the following schedule *. Gross Premiums Written shown are estimates as of the beginning of the Agreement term.

1. Gross Premiums Written $ 26,631,561

LESS

2. Insurance Charge $ 123,750
(Minimum and adjustable at a rate of .012218 per $100 of Reinsurer's share of audited WC payroll.)

EQUALS

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* This schedule includes amounts payable for Reinsurer's Thirty-Three and One-Third (33.33%) quota share of Comprehensive General Liability ($1,000,000 excess of $2,000,000); Products Liability ($4,000,000 excess of $2,000,000) and Excess Employers' Liability ($3,000,000 excess of $1,000,000). Amounts payable in respect of these coverages are stated separately in Addendum #1.

| | | |
|---|---|---|
| 3. | Subject Premium | **$ 26,507,811** |
| | LESS | |
| 4. | Company Expenses<br>(Profit and Administration) | **$ 978,890**<br>(Flat Charge) |
| | and | |
| 5. | Board, Bureaus and Fixed % Residual Market Assessments (RML's) | **$ 276,910**<br>(Minimum and adjustable, based upon (i) 1.69% of audited Policy Number: (6), (7), (8), (9), (10), (11) & (12) premium; (ii) 2.662% of audited Policy Number: (1), (2), (3), (4) & (5) premium; (iii) .25% of audited Policy Number: (14), (15), (16) & (17) premium; (iv) 4.70% of audited Policy Number: (18), (19) & (20) premium |
| | and | |
| 6. | Initial Adjustable RML's | **$ 102,211**<br>(Adjustable per Article VII) |
| | and | |
| 7. | Premium Taxes | **$ 985,738**<br>(Adjustable, based upon the following estimated percentages: (i) 3.97% of audited Policy Number: (6), (7), (8), (9), (10), (11) & (12) premium; (ii) 5.22% of audited Policy Number: (1), (2), (3), (4) & (5) premium; (iii) 3.01% of audited Policy Number: (14), (15), (16) & (17) premium; (iv) 3.10% of audited Policy Number: (18), (19) & (20) premium. The taxes and tax rates are also subject to adjustability Per Article VI B and Article VII). |
| | EQUALS | |
| 8. | Sub-total<br>(lines 4-7) | **$ 2,343,749** |
| 9. | Gross Premium Ceded<br>(line 3 minus line 8) | **$ 24,164,062** |
| | LESS | |
| 10. | Federal Excise Tax<br>(line 3 X .01) | **$ 265,078** |
| | EQUALS | |
| 11. | Net Premium Ceded<br>(line 9 minus line 10) | **$ 23,898,984** |

B. Monthly Reconciliation of Premium and Losses.

Within five (5) days after each monthly installment payment of premium is received by the Company under the Policies, the Company will issue to the Reinsurer a premium reconciliation statement reconciling such premium payment with (i) Items 2-10 above and, at the Company's discretion, (ii) any outstanding amounts owed by the Reinsurer to the Company for Losses Paid, Loss Expenses Paid, and Paid Loss Deposit Fund adjustments, if any. 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 five (5) days after the date 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 Reinsurer the amount so owed at the time the premium reconciliation statement is issued.

Upon termination of the Policies, the earned premium will be computed in accordance with the applicable rules, rates, rating plans, premiums and minimum premiums, based on the actual amounts payable under Items 2, 5, 6 and 7 above. The amount of Premium Taxes shown in Item 7 above is adjustable due to audit and due to changes in any applicable state laws or regulations (including, but not limited to, retroactive assessments). Amounts payable by the Company under Items 6 and 7 will be adjusted further in accordance with Article VII. If the earned premium as so determined is different from the estimated Gross Premiums Written (Item 1 above), all prior monthly reconciliations of premium will be recalculated utilizing the actual earned premium. If the recalculation of the reconciliations indicates that the Reinsurer owes money to the Company, the Reinsurer will pay that money within five (5) days after receipt of the Company's statement therefor. If the recalculation indicates that the Company owes money to the Reinsurer, the Company will pay the Reinsurer the amount so owed at the time such statement is issued.

ARTICLE VII

RESIDUAL MARKET ASSESSMENTS

The Company will recalculate the adjustable Residual Market Assessment (Item 6, Article VI, A) annually. It will be adjusted promptly following the Company's receipt of the documents referred to below. If the first adjustment of the Residual Market Assessment is performed prior to the expiration of the Policy period and such adjustment produces additional Residual Market Assessments, the Company shall charge the amount of such additional assessments to the Reinsurer as an additional installment of Company Expenses.

The initial determination and redetermination of the adjustable Residual Market Assessment shall be as follows:

A. Initial Adjustable Residual Market Assessments: (i) 10.17 % of written premium for Policy Numbers: WLR C2 044796-A; WLR C2 044654-7; WLR C2 044656-0 & WLR C2 044810-6 and (ii) 2.81% of written premium for policy numbers: RSC C2 044648-1; RSC C2 044797-7; RSC C2 044653-5; RSC C2 044655-9; RSC C2 044807-6; RSC C2 044809-A; RSC C2 044808-8.

B. The initial adjustable Residual Market Assessments stated in A. above shall be determined by applying the most recently published annual Residual Market Assessments as set forth below to the amount of the Written Premiums under Policy Numbers: WLR C2 044796-A; WLR C2 044654-7; WLR C2 044656-0; WLR C2 044810-6; RSC C2 044648-1; RSC C2 044797-7; RSC C2 044653-5; RSC C2 044655-9; RSC C2 044807-6; RSC C2 044809-A; RSC C2 044808-8 for each respective state listed in Exhibit A (less the amount of the Residual Market Assessment which is included in the applicable state Premium Taxes). The Reinsurer will be liable for 56.194% of the total Initial and all Redetermined Assessments as determined in Exhibits A & B.

Residual Market Assessments constitute premiums on the Company's financial reports under applicable state insurance laws and regulations. The initial determination of the adjustable Residual Market Assessment (Item 6) and any redetermination thereof will be adjusted in order to include additional state Premium Taxes that shall apply to such premiums.

C. With respect to Policy Numbers: WLR C2 044796-A; WLR C2 044654-7; WLR C2 044656-0; WLR C2 044810-6; RSC C2 044648-1; RSC C2 044797-7; RSC C2 044653-5; RSC C2 044655-9; RSC C2 044807-6; RSC C2 044809-A; RSC C2 044808-8; the amount of the written premium to be used to redetermine the Residual Market Assessment shall be that (i) estimated premium or (ii) audited premium most recently determined by the Company as of the time the Company redetermines the applicable Residual Market Assessment.

D. The Company will redetermine annually the adjustable Residual Market Assessment for the affected Policies. In subsequent years the Company will redetermine the Residual Market Assessment by applying the amount of the most recent annual Residual Market Assessment for the applicable states (less the amount included in the applicable state Premium Taxes for each state respectively) to the amount of the applicable premiums as set forth in C above and Exhibit B. The resulting premium shall be subject to any additional state Premium Taxes that may apply. If the result of the above calculations is an additional premium based on what was initially charged in the applicable states, the Company will charge the Reinsurer for such additional amount; if the result is a return premium, the Company will subsequently refund the applicable amount to the Reinsurer.

E. The fourth redetermination of the Residual Market Assessment (after the fifty-fourth calendar month of this Agreement) shall be the final such determination.

F. If, after the effective date of this Agreement, (i) any state changes its basis for determining the amount of Residual Market Assessments, and (ii) the Company, as a result of such change, will be liable to pay additional amounts for Residual Market Assessments for the Policies, then the Company will bill the Reinsurer for, and the Reinsurer will pay to the Company, such additional amounts.

The Residual Market Assessment to be applied under this Article will be obtained for all states except Texas from the annual Management Summary prepared by the National Council on Compensation Insurance (hereinafter the "Management Summary and "NCCI" respectively) using the most recent data as listed for the applicable policy year. The Residual Market Assessments will be updated as they are published in each subsequent annual Management Summary. The most recent annual Management Summary will be used to determine the Residual Market Assessments for each applicable state.

For the State of Texas, the Residual Market Assessment shall be obtained from the annual Texas Workers' Compensation Insurance Facility Summary for the applicable policy year. The Company will incorporate annual updates of the Texas Residual Market Assessment as published in the Texas Workers' Compensation Insurance Facility Summary in subsequent determinations of the Texas Residual Market Assessment under this Agreement.

If the NCCI or the state of Texas shall discontinue publication of its Management Summary or Workers' Compensation Insurance Facility Summary respectively, the Company will use whatever information the Company deems to be appropriate to implement or continue the procedures for calculating Residual Market Assessments as provided above in this Article.

ARTICLE VIII

WORKERS' COMPENSATION LOSS-BASED ASSESSMENTS:

With respect to the Workers' Compensation Policies reinsured hereunder, the Reinsurer shall be liable to the Company for the following loss-based assessments:

(i) New York Statutory Workers' Compensation Assessment will be collected on a separate 1.22 multiplier applied to all New York Losses Paid. Such assessment will be billed annually.

(ii) Kansas Statutory Workers' Compensation Assessment will be collected on a separate 1.16 multiplier applied to all Kansas Losses Paid. Such assessment will be billed annually.

(iii) The U.S. Longshoremen and Harbor Workers' (USL&H) Compensation Act Assessment will be collected on a separate 1.35 multiplier applied to all USL&H Act Losses Paid. Such assessment will be billed annually.

(iv) Any additional loss-based assessments, which will be billed to the Reinsurer promptly after receipt by the Company.

ARTICLE IX

LOSSES:

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 Reinsurer may cooperate in every respect in the defense or control of such claim, suit or proceeding.

The Company will, with funds to be provided by the Reinsurer, establish and maintain a Paid Loss Deposit Fund in an amount determined by the Company, (subject to a minimum of $50,000), the purpose of which is to provide a source of funds for payment of Reinsurer's Obligations under this Agreement. The Company will have the right to increase the required level of the Paid Loss Deposit Fund each time the Reinsurer fails to make any payment to the Company within the time required by this Agreement.

Beginning October 1, 1993, the Reinsurer will make a budgeted weekly cash payment, in an amount determined by the Company, by wire transfer to a bank account designated by the Company. Such payments shall be due and payable on Wednesday of each week, and shall be used by the Company to pay Losses and Allocated Loss Expenses reinsured hereunder. The Company may, at its discretion, re-determine the required amount of such payments, such that the budgeted weekly payment amount in each calendar month shall be no less than the average of the actual weekly Paid Losses plus Allocated Loss Expenses Paid during the previous month.

The budgeted weekly amounts paid by the Reinsurer to the Company will be reconciled each month with total actual Losses Paid and Allocated Loss Expenses during such month. If actual Paid Losses and Allocated Loss Expenses exceed the total amount of budgeted weekly premium payments to the Company in any month, the Reinsurer will pay to the Company the amount of such excess no later than ten (10) business days after receipt of the Company's Losses Paid reconciliation statement for such month; alternatively, the Company may, at its discretion, reconcile such amount against premium owed to the Reinsurer, as stated in Article VI B.

If the total amount of the Reinsurer's budgeted weekly payments to the Company exceeds the total actual Losses Paid plus Allocated Loss Expenses in any month, the Company will pay to the Reinsurer the amount of such excess no later than ten (10) days after the date of the Company's Losses Paid reconciliation statement for such month.

With respect to any Loss Paid in the amount of $50,000 or more, the Reinsurer shall pay to the Company the full amount of such Loss Paid, plus Allocated Loss Expenses by wire transfer no later than three (3) days after receipt of the Company's written demand for payment. If the Reinsurer fails to pay such amount, or any other amount payable under this Agreement, when due, the Company may draw upon any Letter of Credit provided by the Reinsurer to secure its liabilities to the Company under this Agreement.

## ARTICLE X

CLAIMS SERVICE FEES:

The Company has engaged Constitution State Service Company to handle claims administration for claims under certain of the Policies reinsured hereunder for a fee of $__________.

Such fee is payable by the Reinsurer, but may be billed to and paid by another entity on the Reinsurer's behalf.

Pacific Employers Insurance Company will handle claims under Policy Numbers: WLR C2 044796-5; RSC C2 044797-7; WLR C2 044810-6 & WLR C2 044807-6 for a charge, payable by the Reinsurer, of 10.2% of all Losses Paid plus Allocated Loss Expense.

## ARTICLE XI

COLLATERAL:

The Reinsurer shall provide to the Company a Letter of Credit (LOC) complying with applicable insurance laws and regulations, in an amount and form, and issued by a bank, acceptable to the Company as security for the payment of the Reinsurer's Obligations hereunder.

Upon default by the Reinsurer of any sums due and owing to the Company, the Company may appropriate as much of the LOC as necessary to eliminate the default. The Company may, however, at its discretion, require payment of any sum in default, and it shall be no defense to any such claim that the Company might have had recourse to the LOC.

The Company and the Reinsurer hereby agree that the LOC provided pursuant to this Agreement may be drawn upon at any time, notwithstanding any other provisions herein contained. The LOC may be utilized by the Company or any successor by operation of law. including, without limitation, any liquidator, rehabilitator, receiver or conservator of the Company for any of the following reasons:

(i) To reimburse the Company for the Reinsurer's share of premiums returned to the owners of the Policy(ies) reinsured hereunder due to cancellations of said Policy(ies);

(ii) To reimburse the Company for the Reinsurer's share of surrenders and benefits or losses paid by the Company under the terms and provisions of the Policy(ies) reinsured hereunder;

(iii) To fund an account with the Company in an amount at least equal to the deduction, for reinsurance ceded, from the Company's liabilities for Policy(ies) ceded hereunder. Such amount shall include, but not be limited to, amounts for policy reserves, reserves for claims and losses incurred (including IBNR, Allocated Loss Expenses and Unearned Premiums); and

(iv) To pay any other amounts due to the Company under this Agreement.

All of the foregoing apply without diminution because of the insolvency of the Company or the Reinsurer.

Annually, as of each anniversary date of this Agreement, the Company shall review and redetermine the amount of the Reinsurer's Obligations. The required amount of the LOC shall be adjusted as of each such anniversary date. The Reinsurer will provide any needed increases in the amount of the LOC within thirty (30) days of the Company's request therefor.

The Reinsurer's duty to provide collateral security as aforesaid will extend until the Company is satisfied that the Reinsurer's Obligations under this Agreement have been or will be met. The Reinsurer recognizes and agrees that this duty may continue after this Agreement terminates or is cancelled.

The Reinsurer will, thirty (30) days prior to any termination or expiration of such LOC, provide to the Company a substitute LOC in an amount and form acceptable to the Company which will become effective immediately upon the termination or expiration of the prior LOC. The Reinsurer will likewise continue to provide such substitute LOC in an amount and form acceptable to the Company until the Company is satisfied that the Reinsurer's Obligations under this Agreement have been or will be met. If the Reinsurer fails to provide the Company with any such substitute LOC, or to provide the Company with any additional required amount of the LOC, the Company will have the right to draw upon the full amount of the existing LOC and to apply such funds to secure the Obligations of the Reinsurer hereunder.

The Company will have the right to require that any substitute LOC be in either an amount greater, equal to, or less than that of the LOC it is replacing based on the Company's determination. The Reinsurer shall deliver all collateral or replacement collateral to Company at 1601 Chestnut Street, Two Liberty Place - 32th fl. Philadelphia, PA 19192-0000; Attn: Collateral Manager.

ARTICLE XII

INDEMNIFICATION AND ERRORS AND OMISSIONS:

Any recitals in this Agreement of the terms and provisions of the original Policy or Policies are merely descriptive and the Reinsurer is reinsuring, to the amounts herein provided, the obligations of the Company under the original Policy or Policies. The Company shall be the sole judge as to what shall constitute a claim or Loss covered under the Company's original Policy or Policies and as to the Company's liability thereunder, and as to amount or amounts which it shall be proper for the

Company to pay thereunder, and the Reinsurer shall be bound by the judgment of the Company as to the liability and obligation of the Company under its Policy or Policies.

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, provided such delay, omission or error is rectified as soon as possible.

## ARTICLE XIII

TAXES:

The Company will be liable for all taxes (except Federal Excise Tax) on premiums collected under the Policies. Such taxes shall be deducted from Gross Premiums Written as shown in Article VI.

The Reinsurer will be liable for all taxes on reinsurance premiums paid hereunder.

The Reinsurer agrees to allow the Company to retain, for the purpose of paying the Federal Excise Tax on the Reinsurer's behalf, one percent (.01) of the subject premium shown in Article VI, or such other rate that may be in effect from time to time, to the extent such premium is subject to Federal Excise Tax.

## ARTICLE XIV

INSPECTION:

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

## ARTICLE XV

FOLLOW THE FORTUNES CLAUSE:

The Reinsurer's liability shall attach simultaneously with that of the Company and all reinsurance for which the Reinsurer shall be liable by virtue of this Agreement shall be subject in all respects to the same risks, terms, rates, conditions, interpretations, assessments, waivers, and to the same modifications, alterations and cancellations, as the respective insurances (or reinsurances) of the Company to which such reinsurances relate. This Agreement shall further protect the Company for any Loss for which the Company may be legally liable to pay amounts in excess of the Policy limit incurred because of 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 the Insured, or in the preparation or prosecution of an appeal consequent upon such action.

The true intent of this Agreement being that the Reinsurer shall, in every case to which this Agreement applies, and in the proportions specified herein, follow the fortunes of the Company.

This Article shall not apply insofar as it can be shown during a duly held Arbitration in accordance with Article XVII of this Agreement that the Company has been tortious, willful, wanton, or reckless in handling a claim reinsured under this Agreement.

## ARTICLE XVI

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 the Policy or Policies reinsured, without diminution or limitation because of the insolvency of the Company, directly to the Company or to its liquidator, receiver, or statutory successor, immediately on demand with reasonable provision for verification, except as provided by Section 4118 (a) of the New York Insurance Law or except:

(1) where the Agreement specifically provides another payee of such reinsurance in the event of the insolvency of the Company, and

(2) 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 payees 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.

## ARTICLE XVII

ARBITRATION CLAUSE:

As a condition precedent to any right of action hereunder (except any right of action by the Company against the Reinsurer for failure to pay any amount due hereunder), all disputes arising out of or related to this Agreement or its interpretation 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.

The members of the board of arbitration shall be active or retired disinterested executives of property and casualty 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) and the decision shall be made by drawing lots.

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 the filing of the respondent's brief.

The board shall make an award with regard to the custom and usage of the insurance and reinsurance 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. Either party may apply to the United States District Court for the Eastern District of Pennsylvania for an order confirming the award; and a judgment of that Court shall thereupon be entered upon the award. If such an order is issued, the attorneys' fees of the party so applying and court costs will be paid by the party against whom confirmation is sought.

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.

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 XVIII

RESERVES:

The Reinsurer will maintain legal reserves with respect to Outstanding Losses and Loss Expenses and Unearned Premium Reserves.

ARTICLE XIX

TERMINATION:

A. This Agreement may be cancelled in whole or in part by the Company by giving sixty (60) days' prior written notice to the Reinsurer. If any of the Policies reinsured hereunder are cancelled, then this Agreement shall be terminated, with respect to such Policies only, as of the effective date of cancellation of such Policies.

B. However, the Company shall have the right to terminate this Agreement immediately by giving the Reinsurer written notice:

(1) If the performance of the whole or any part of this Agreement be prohibited or rendered impossible, de jure or de facto, in particular and without prejudice to the generality of the preceding words in consequence of any law or regulation which is or shall be in force in any state or territory; or if any law or regulation shall prevent, directly or indirectly, the remittance of all or any part of the balance or payments due to or from the Reinsurer.

(2) If the Reinsurer at any time shall:
(a) Become insolvent, or
(b) Suffer any impairment of capital, or
(c) File a Petition in bankruptcy, or
(d) Go into liquidation or rehabilitation, or

(e) Have a receiver appointed, or
(f) Be acquired or controlled by any other entity through purchase of stock or assets.

C. All notices of termination shall be served upon the Reinsurer, by certified mail, courier, or telecopy at:

SINCLAIR INSURANCE COMPANY LTD.
c/o Welbeck Management Limited
504 International Centre, Bermudiana Road
Hamilton, Bermuda HM 11
Attention: Mr. Jon Richmond
Telephone: (809) 295-2240
Facsimile: (809) 295 2269

D. In the event this Agreement is terminated, the rights and obligations of both parties to this Agreement shall remain in full force until the effective date of termination.

E. Reinsurer's Obligations hereunder with respect to claims or Losses incurred under the Policies prior to the termination of this Agreement will survive the termination of this Agreement.

ARTICLE XX

JURISDICTION/GOVERNING LAW:

The Reinsurer hereby irrevocably and unconditionally submits to the jurisdiction and venue of the United States District Court, Eastern District of Pennsylvania for any and all actions related to or arising from the subject matter of this Agreement. The Reinsurer and the Company agree that for purposes of any such action, this Agreement shall be governed by and interpreted in accordance with the laws of Pennsylvania.

Further, pursuant to any statute of any state, territory, or district of the United States which makes provisions therefor. Reinsurer hereby designates the Superintendent. Commissioner or Director of Insurance or other officer specified for that purpose in the statute, as its true and lawful attorney for service of any lawful process in any action, suit or proceeding instituted by or on behalf of the Company and related to or arising out of this Agreement.

## ARTICLE XXI

U.S. CURRENCY:

Any payments or funds required to be paid hereunder shall be payable in the currency of the United States.

## ARTICLE XXII

OFFSET CLAUSE:

The Company and the Reinsurer shall have the right to offset any balance(s) due from one to the other under this Agreement. The party asserting the right of offset may exercise such right at any time whether the balance(s) due are on account of premiums or losses or otherwise. In the event of the insolvency of a party hereto, offsets shall only be allowed in accordance with the provisions of Section 7427 of the Insurance Law of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives in New York, New York this twenty-seventh day of May, 1994.

INSURANCE COMPANY OF NORTH AMERICA,
on behalf of itself and each of the other corporations comprising the Company.

BY: [signature]
Name: Robert E. Lorer

TITLE: Branch Casualty Manager

ADDRESS: 175 Water Street
New York, NY 10038

and in Hamilton, Bermuda this 5th day of July, 1994.

SINCLAIR INSURANCE COMPANY LTD.

BY: J.C. Richmond

Name: J.C. RICHMOND

TITLE: Director.

ADDRESS: 504 International Centre
Bermudiana Road
Hamilton HM11, Bermuda

EXHIBIT A

TO

# REINSURANCE AGREEMENT

for SINCLAIR INSURANCE COMPANY LTD.

Effective October 1, 1993 to 1994

## Residual Market States - Initial Determination

| BEAZER EAST POLICIES | | | | | |
|---|---|---|---|---|---|
| Policy Number | Applicable State(s) | Initial Premium | X Initial Assessment Factor | ÷ Tax Factor | Initial Assessment |
| WLR C2 044656-0 | Alabama | $1,960 | .1582 | .9417 | $329 |
| | Georgia | $109,149 | .0508 | .8987 | $6,170 |
| | Illinois | $255 | .0000 | .9679 | $0 |
| | Indiana | $9,830 | .0040 | .9720 | $40 |
| | Kansas | $1,503 | .1356 | .9003 | $226 |
| | Kentucky | $27,128 | .1696 | .9688 | $4,749 |
| | Michigan | $2,707 | .0000 | .9572 | $0 |
| | New Mexico | $38,346 | .1192 | .9221 | $4,957 |
| | North Carolina | $264,158 | .0710 | .9591 | $19,555 |
| | South Carolina | $24,436 | .1650 | .8511 | $4,737 |
| | Tennessee | $94,075 | .1668 | .9497 | $16,523 |
| WLR C2 044810-6 | Virginia | $17,911 | .0686 | .9648 | $1,273 |
| RSC C2 044807-6 | Arizona | $275,493 | .0080 | N/A | $2,149 |
| | Idaho | $12,817 | .0100 | N/A | $128 |

Initial Subtotal - $58,559

GLD056855

0049-GLD-000056855

EXHIBIT A

TO

# REINSURANCE AGREEMENT

for SINCLAIR INSURANCE COMPANY LTD.

Effective October 1, 1993 to 1994

## Residual Market States - Initial Determination

| OTHER SINCLAIR POLICIES | | | | | |
|---|---|---|---|---|---|
| **Policy Number** | **Applicable State(s)** | **Initial Premium** | **X Initial Assessment Factor** | **÷ Tax Factor** | **Initial Assessment** |
| WLR C2 044647-A | Alabama | $45,879 | .1582 | .9417 | $7,707 |
| | Arkansas | $39,900 | .2952 | .9425 | $12,497 |
| | Connecticut | $10,927 | .0196 | .9670 | $221 |
| | Delaware | $833 | .0468 | .9217 | $42 |
| | Florida | $119,033 | .2052 | .9372 | $26,062 |
| | Georgia | $39,237 | .0508 | .8987 | $2,218 |
| | Illinois | $21,058 | .0000 | .9679 | $0 |
| | Indiana | $1,074 | .0040 | .9720 | $4 |
| | Iowa | $7,923 | .0178 | .9679 | $146 |
| | Kansas | $2,213 | .1356 | .9003 | $333 |
| | Kentucky | $6,351 | .1696 | .9688 | $1,112 |
| | Michigan | $119,118 | .0000 | .9572 | $0 |
| | Mississippi | $7,840 | .1486 | .9535 | $1,222 |
| | Missouri | $12,288 | .0000 | .9716 | $0 |
| | Nebraska | $38,599 | .0540 | .9643 | $2,162 |
| | N. Hampshire | $902 | .0394 | .9591 | $37 |
| | New Mexico | $25,922 | .1192 | .9221 | $3,351 |
| | N. Carolina | $197,826 | .0710 | .9591 | $14,645 |
| | S. Carolina | $32,357 | .1650 | .8511 | $6,273 |
| | South Dakota | $8 | .1470 | .9671 | $1 |
| | Tennessee | $125,206 | .1668 | .9497 | $21,990 |
| | Texas | $98,973 | .0300 | .9506 | $3,124 |
| | Vermont | $27 | .0683 | .9612 | $2 |
| WLR C2 044654-7 | Virginia | $147,885 | .0686 | .9648 | $10,515 |
| RSC C2 044648-1 | Massachusetts | $15,760 | .2920 | 1.000 | $4,596 |
| | New Jersey | $55,613 | .0750 | 1.000 | $4,182 |
| | Hawaii | $3,748 | .0700 | 1.000 | $262 |
| RSC C2 044808-8 | Arizona | $6,810 | .0080 | 1.000 | $53 |
| | Idaho | $53,003 | .0100 | 1.000 | $530 |
| | Oregon | $1,481 | .0270 | 1.000 | $41 |

Initial Subtotal - $123,328

Initial Total - $181,888

EXHIBIT B

TO

# REINSURANCE AGREEMENT

**for SINCLAIR INSURANCE COMPANY LTD.**

**Effective October 1, 1993 to 1994**

## Residual Market States - Retermination

| BEAZER EAST POLICIES | | | | | |
|---|---|---|---|---|---|
| **Policy Number** | **Applicable State(s)** | **Initial Premium** | **X Actual Assessment Factor** | **+ Tax Factor** | **Initial Assessment** |
| WLR C2 044656-0 | Alabama<br>Georgia<br>Illinois<br>Indiana<br>Kansas<br>Kentucky<br>Michigan<br>New Mexico<br>North Carolina<br>South Carolina<br>Tennessee | | | | |
| WLR C2 044810-6 | Virginia | | | | |
| RSC C2 044807-6 | Arizona<br>Idaho | | | | |

Total Redetermined Assessment -
Initial Assessment -
Additional or Return Assessment -

EXHIBIT B

TO

# REINSURANCE AGREEMENT

for SINCLAIR INSURANCE COMPANY LTD.

Effective October 1, 1993 to 1994

## Residual Market States - Retermination

| OTHER SINCLAIR POLICIES | | | | | |
|---|---|---|---|---|---|
| Policy Number | Applicable State(s) | Initial Premium | X Actual Assessment Factor | ÷ Tax Factor | Initial Assessment |
| WLR C2 044647-A | Alabama | | | | |
| | Arkansas | | | | |
| | Connecticut | | | | |
| | Delaware | | | | |
| | Florida | | | | |
| | Georgia | | | | |
| | Illinois | | | | |
| | Indiana | | | | |
| | Iowa | | | | |
| | Kansas | | | | |
| | Kentucky | | | | |
| | Michigan | | | | |
| | Mississippi | | | | |
| | Missouri | | | | |
| | Nebraska | | | | |
| | New Hampshire | | | | |
| | New Mexico | | | | |
| | North Carolina | | | | |
| | South Carolina | | | | |
| | South Dakota | | | | |
| | Tennessee | | | | |
| | Texas | | | | |
| | Vermont | | | | |
| WLR C2 044654-7 | Virginia | | | | |
| RSC C2 044648-1 | Massachusetts | | | | |
| | New Jersey | | | | |
| | Hawaii | | | | |
| RSC C2 044808-8 | Arizona | | | | |
| | Idaho | | | | |
| | Oregon | | | | |

Initial Subtotal - $123,328
Adjusted Subtotal -

TOTAL ADJUSTED ASSESSMENT -
TOTAL INITIAL ASSESSMENT - $181,887
ADDITIONAL OR RETURN ASSESSMENT -

ADDENDUM #1

to

REINSURANCE AGREEMENT

between
INSURANCE COMPANY OF NORTH AMERICA,
a Pennsylvania corporation;

PACIFIC EMPLOYERS INSURANCE COMPANY,
a California corporation;

ALASKA PACIFIC ASSURANCE COMPANY,
an Alaska corporation;

CIGNA INSURANCE COMPANY OF CANADA,
a Canadian corporation;

INDEMNITY INSURANCE COMPANY OF NORTH AMERICA,
a Pennsylvania corporation;

(hereinafter collectively referred to as the "Company");

and

SINCLAIR INSURANCE COMPANY LTD.,
a Bermuda company

(hereinafter referred to as "the Reinsurer")

Amounts included in the schedule in Article VI A which are attributable to Reinsurer's Thirty-Three and One-Third Percent (33.33%) quota share of Comprehensive General Liability ($1,000,000 excess of $2,000,000), Products Liability ($3,000,000 excess of $2,000,000) and Excess Employers' Liability ($4,000,000 excess of $1,000,000):

| | | |
|---|---|---|
| 1. | Gross Premiums Written | $ 690,000 |
| | EQUALS | |
| 2. | Subject Premium | 690,000 |
| | LESS | |

| | | |
|---|---|---|
| 3. | Company Expenses<br>(Profit & Administration) | 0 |
| | and | |
| 4. | Boards, Bureaus and Fixed %<br>Residual Market Charges; | 1,725 |
| | and | |
| 5. | Premium Taxes | 20,769 |
| | EQUALS | |
| 6. | Gross Ceded Premium<br>(line 2 less lines 3, 4 & 5) | 712,494 |
| | LESS | |
| 7. | Federal Excise Tax | 6,900 |
| | EQUALS | |
| 8. | Net Ceded Premium<br>(line 5 less line 6) | $660,606 |

All other Terms and Conditions remain unchanged.

IN WITNESS WHEREOF, the parties hereto have caused this Addendum #1 to be executed by their duly authorized representatives in New York, New York, this twenty-seventh day of May, 1994.

INSURANCE COMPANY OF NORTH AMERICA,
on behalf of itself and each of the other corporations comprising the Company.

BY: ______________________
Name: Robert E. Lorer

TITLE: Branch Casualty Manager

ADDRESS: 175 Water Street
New York, NY 10038

and in Hamilton, Bermuda this 5th day of July, 1994.

SINCLAIR INSURANCE COMPANY LTD.

BY: J.C. Richmond

Name: J.C. RICHMOND

TITLE: Director.

ADDRESS: 504 International Centre
Bermudiana Road
Hamilton, HM11, Bermuda

ADDENDUM #2
to
REINSURANCE AGREEMENT

between
INSURANCE COMPANY OF NORTH AMERICA,
a Pennsylvania corporation;

PACIFIC EMPLOYERS INSURANCE COMPANY,
a California corporation;

ALASKA PACIFIC ASSURANCE COMPANY,
an Alaska corporation;

CIGNA INSURANCE COMPANY OF CANADA,
a Canadian corporation;

INDEMNITY INSURANCE COMPANY OF NORTH AMERICA,
a Pennsylvania corporation;

(hereinafter collectively referred to as the "Company");

and

SINCLAIR INSURANCE COMPANY LTD.,
a Bermuda company

(hereinafter referred to as "the Reinsurer")

The Reinsurance Agreement dated May 3, 1994 between the Company and the Reinsurer is hereby amended as follows:

1) Effective December 31, 1993; the following Named Insureds listed in ARTICLE I A. are hereby deleted and excluded from this program under the Reinsurance Agreement:

Axelson, Inc.

2) Effective March 2, 1994; the following Named Insureds listed in ARTICLE I A. are hereby deleted and excluded from this program under the Reinsurance Agreement:

Beazer Homes USA, Inc.
subsidiary of Beazer USA, Inc.
(Spectrum Construction Group only)

Furthermore, ARTICLE VI is amended to exclude the following estimated amounts subject to any applicable adjustments as referenced within the Reinsurance Agreement:

| | | |
|---|---|---|
| 1. | Gross Premiums Written | $ 917,838 |
| | LESS | |
| 2. | Insurance Charge | $ 0<br>(Minimum and adjustable at a rate of .012218 per $100 of Reinsurer's share of audited WC payroll.) |
| | EQUALS | |
| 3. | Subject Premium | $ 917,838 |
| | LESS | |
| 4. | Company Expenses<br>(Profit and Administration) | $ 0<br>(Flat Charge) |
| | and | |
| 5. | Board, Bureaus and Fixed % Residual Market Assessments (RML's) | $ 0<br>(Minimum and adjustable, based upon (i) 1.69% of audited Policy Number: (6), (7), (8), (9), (10), (11) & (12) premium; (ii) 2.662% of audited Policy Number: (1), (2), (3), (4) & (5) premium; (iii) .25% of audited Policy Number: (14), (15), (16) & (17) premium; (iv) 4.70% of audited Policy Number: (18), (19) & (20) premium |
| | and | |
| 6. | Initial Adjustable RML's | $ 0<br>(Adjustable per Article VII) |
| | and | |
| 7. | Premium Taxes | $ 0<br>(Adjustable, based upon the following estimated percentages: (i) 3.97% of audited Policy Number: (6), (7), (8), (9), (10), (11) & (12) premium; (ii) 3.22% of audited Policy Number: (1), (2), (3), (4) & (5) premium; (iii) 3.01% of audited Policy Number: (14), (15), (16) & (17) premium; (iv) 3.10% of audited Policy Number: (18), (19) & (20) premium. The taxes and tax rates are also subject to adjustability Per Article VI B and Article VII). |
| | EQUALS | |
| 8. | Sub-total<br>(lines 4-7) | $ 0 |