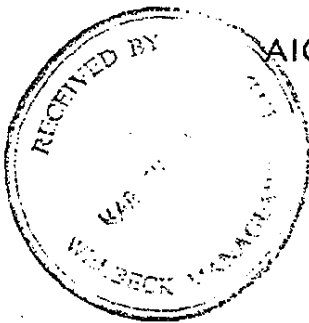




AIG RISK MANAGEMENT, INC.

New York Regional Office
99 John Street
New York, N.Y. 10038
212/770-7000

Cable: Amintersur

March 6, 1990

Mr. Jon Richmond
Welbeck Management Limited
P.O. Box HM 2446
Hamilton HM JX
Bermuda

RE: Sinclair Insurance Company Limited

Dear Jon:

I have pleasure in enclosing for your records, one original signed, fully executed copy, of each of the following documents:

- 1) Facultative Reinsurance Agreement between NUFI/Birmingham/American Home and Sinclair for period October 1st 1988 to October 1st 1989.
- 2) Addendum #1 to Facultative Reinsurance Agreement between NUFI/Birmingham/American Home, and Sinclair for period October 1st 1988 to October 1st 1989.

Please note that we still need to know the name and street address of the U.S. Process Agent to appear in Article XIX of the Facultative Reinsurance Agreement. Your advices in this regard would be appreciated as soon as possible.

Yours sincerely,

Robert S. Davis
NY Regional Manager

RSD:ml
Enclosure

cc: Anthony Miele
Joe Zavagnin
Rosemary Haley

N17693

FACULTATIVE REINSURANCE AGREEMENT

between

NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA./

BIRMINGHAM FIRE INSURANCE COMPANY OF PENNSYLVANIA/

AMERICAN HOME ASSURANCE COMPANY

(hereinafter called the "Company")

and

SINCLAIR INSURANCE COMPANY LIMITED

(hereinafter called "the Reinsurer")

W I T N E S S E T H :

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

WHEREAS, the Reinsurer is willing to reinsure such insurance on said terms and conditions:

NOW, THEREFORE, in consideration of the premiums and of the mutual covenants and agreements herein set forth, the parties hereto hereby covenant and agree as follows:

ARTICLE I

POLICIES REINSURED:

A. Name of Insured:

U.S. INDUSTRIES, INC.
(as per Policies listed in Item B).

B. Policy Numbers:

(1) RMWC 112-6481 (AOS)	(2) RMWC 112-6480 (CA)
(3) RMGLA 459-5932	(4) RMBA 145-9068
(5) RMBATX 145-9069	(6) RMGLA 249-5753
(7) RMBA 204-5914	(8) RMWC 112-6482 (AZ, ID, MD, OR)

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

- C. Policy Period: 12:01 A.M. Eastern Standard Time, October 1, 1988 to 12:01 A.M. Eastern Standard Time, October 1, 1989.
- D. Coverage: As per Policies listed in Item B.
- E. Policy Limits:
- (1) Policy Number WC 112-6481, RMWC 112-6482 and RMWC 112-6480.
 - (a) Worker's Compensation (Indemnity): Statutory.
 - (b) Worker's Compensation (Occupational Disease): Statutory.
 - (c) Employers' Liability:
 - \$1,000,000 each person
 - \$1,000,000 each accident
 - \$1,000,000 each policy limit.
 - (2) Policy Numbers RMBA 145-9068, RMBATX 145-9069 and RMBA 204-5914
 - Automobile Liability:
 - (\$2,000,000) Two Million Dollars Per Occurrence.
 - (3) Policy Numbers RMGLA 459-5932 and RMGLA 249-5753
 - General Liability: (Excludes Products) (\$2,000,000) Two Million Dollars per occurrence.
 - (4) Policy Numbers RMGLA 459-5932 and RMGLA 249-5753
 - Products Liability:
 - Two Million Dollars (\$2,000,000) per occurrence and (\$2,000,000) Two Million Dollars in the aggregate, where applicable.

ARTICLE II

TERMS:

This Agreement is effective at 12:01 A.M. Eastern Standard Time, the 1st day of October, 1988.

This Agreement shall continue in effect until terminated.

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 any and all binders, certificates, policies and contracts of insurance, accepted or held covered provisionally or otherwise and issued to the Insured named in Article I hereof.
- B. The term "Ultimate Net Loss" as used in this Agreement shall mean the actual Loss sustained by the Company, such loss to include in addition to any limit of liability herein stated Loss Expenses Paid, however, Allocated Loss Expenses shall be paid in proportion to the ratio that the actual loss paid by Reinsurer bears to the total amount of the loss except in those instances where no loss is paid but there are Allocated Loss Expenses in that instance Reinsurer will assume all Allocated Loss Expenses up to the Reinsurer's limit of liability stated herein (except office expense and salaries of officials and employees not classified as loss adjusters), but salvages and all other recoveries including recoveries under all reinsurance

except catastrophe excess reinsurance of the company, shall be deducted from such loss to arrive at the amount of liability, if any, attached hereunder. All salvages, recoveries, or payments recovered or received subsequent to loss settlement hereunder, shall be applied as if recovered or received prior to the aforesaid settlement, and all necessary adjustments shall be made by the parties hereto. Nothing in this clause shall be construed to mean that losses are not recoverable hereunder, until the Company's Ultimate Net Loss has been ascertained.

- C. The term "Gross Premiums Written" as used in this Agreement shall mean Direct Written Premiums for Policies covered hereunder, adding all other Additional Premiums and subtracting all other Return Premiums and cancellations; however, Direct Premiums written on installment premium payment policies shall be deemed to be the installment due in the period for which the account is rendered, in accordance with the Reports and Remittances article contained in this Agreement.
- D. The term "Unearned Premiums Reserve" as used in this Agreement shall mean the premium represented by the unexpired portion of the policy in force as of any specified date.
- E. The term "Losses Paid" as used in this Agreement shall mean Losses Paid less Recoveries for Salvage and Subrogation.
- F. The term "Loss Expenses Paid" as used in this Agreement shall mean Allocated and Unallocated Loss Expenses.

(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 reasonably 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 issued hereunder.

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

G. The term "Outstanding Loss Reserves" as used in this Agreement shall mean losses reported to the Company which have been reserved but 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 "Loss Escrow Fund" as used in this Agreement shall mean a non-interest bearing escrow fund established in the

amount of two and one half (2 1/2) months estimated paid Ultimate Loss.

- J. The term "IBNR" (Incurred But Not Reported) as used in this Agreement shall mean a reserve for liability for future payment on Losses which have already occurred but have not yet been reported to the Company and shall also include expected future development on Outstanding Loss Reserves.
- K. The term "Obligations" as used in this Agreement shall mean:
- (a) Losses and Allocated Loss Expenses paid by the Company but not recovered from the Reinsurer;
 - (b) Outstanding Loss Reserves;
 - (c) Reserves for Losses Incurred But Not Reported;
 - (d) Reserves for Allocated Loss Expenses; and
 - (e) Reserves for Unearned Premium.

ARTICLE V

INSURING CLAUSE:

A. As respects Worker's Compensation coverage under the Company's Policy Numbers RMWC 112-6481, RMWC 112-6480, RMWC 112-6482, the Reinsurer agrees to reinsure the Company and be liable for One Hundred Percent (100%) of the first Five Hundred Thousand Dollars (\$500,000) of the Company's Ultimate Net Loss for benefits paid or payable per accident and/or occurrence 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 RMWC 112-6481, RMWC 112-6480, and RMWC 112-6482, the Reinsurer agrees to reinsure the Company and be liable for One Hundred Percent (100%) of the first Five Hundred Thousand Dollars (\$500,000) of the Company's Ultimate Net Loss 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 RMWC 112-6481, RMWC 112-6480, RMWC 112-6482, the Reinsurer agrees to reinsure the Company and be liable for One Hundred Percent (100%) of the first Five Hundred Thousand Dollars (\$500,000) per occurrence of the Company's Ultimate Net Loss 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 (excluding Products) under the Company's Policy Numbers RMGLA 459-5932, RMGLA 249-5753, 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.

E. As respects Automobile Liability (including Automobile Physical Damage if agreed) under the Company's Policy Numbers RMBA 145-9068, RMBATX 145-9069, RMBA 204-5914, 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.

F. As respects Products Liability Insurance under the Company's Policy Numbers RMGLA 459-5932, RMGLA 249-5753, 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.

ARTICLE VI

PREMIUM AND COMMISSION:

The 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 for the beginning of the Agreement period.

1.	Gross Premiums Written	100.00%	\$12,372,604
	LESS		
2.	Excess Reinsurance	\$	624,000 Minimum and Deposit
	EQUALS		
3.	Subject Premium	\$11,748,604	
	LESS		
4.	Taxes, Board, Bureaus and Residual Market Charges; and	(5.62% of line 3) ... \$	660,439

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5. Claims Service Fees
Adjustable in Accordance
With Article VIII; and \$ 990,377
6. Profit and Adminis-
tration; and (2.33% of line 1).... \$ 288,231
7. Broker's Commission \$ 147,300
8. Sub-total (4,5,6, 7)..... \$ 2,086,347

EQUALS

9. Gross Ceded Premium
(line 3 less line 8)..... \$ 9,662,257
10. Federal Excise Tax (1% of line 3)..... \$ 117,486
11. Claims Escrow Fund..... \$ 65,000
12. Engineering Fee \$ 82,508
13. Net Ceded Premium
(line 8 less line 10,11,12) \$ 9,397,263

ARTICLE VII

CLAIMS:

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 Reinsurer will fund a Loss Escrow Fund of Sixty Five Thousand Dollars (\$65,000) which will be replenished by the

Reinsurer at the same time as the account current shown in Article IX.

The Company may deduct paid loss and loss expenses paid as provided for in the REPORTS AND REMITTANCES ARTICLE, and the Company shall record and advise the Reinsurer of these deductions as provided in the REPORTS AND REMITTANCES ARTICLE. The Company may, at its option, demand prompt payment of any loss where the Reinsurer's share exceeds Five Thousand U.S. Dollars where the Reinsurer will promptly pay such amounts.

ARTICLE VIII

CLAIMS SERVICE FEES:

The Company has engaged, through AIG Risk Management, Inc., Constitution State Service Company to handle Claims Administration for claims arising hereunder for a flat fee of Nine Hundred Thousand Dollars (\$900,000). The fee is based on loss provision at inception of program with a loss conversion factor of 1.10.

The Reinsurer shall pay \$90,377 to the Company as a Claims Supervision Fee.

ARTICLE IX

REPORTS AND REMITTANCES:

- A. Within thirty (30) days of the end of each month while this Agreement remains in effect, the Company shall render to the Reinsurer an account current showing the following:

- | | | |
|-----|---|-------|
| 1. | Gross Premiums Written | _____ |
| | LESS | |
| 2. | Excess Reinsurance | _____ |
| | EQUALS | |
| 3. | Subject Premium | _____ |
| | LESS | |
| 4. | Taxes, Board, Bureaus and
Residual Market Charges; and | _____ |
| 5. | Claims Service Fees; and | _____ |
| 6. | Profit and Administration; and | _____ |
| 7. | Direct Commission; and | _____ |
| 8. | Sub-total (4,5,6,7) | _____ |
| | EQUALS | |
| 9. | Gross Ceded Premium
(line 3 less line 9) | _____ |
| 10. | Federal Excise Tax
(line 3 X 1%) | _____ |
| 11. | Net Ceded Premium
(line 9 less line 10) | _____ |
| | LESS | |
| 12. | Escrow Fund Reimbursement; and | _____ |
| 13. | Paid Losses | _____ |
| | EQUALS | |
| 14. | Balance Due To (From) Reinsurer | _____ |
- B. The balance due shall be paid by the debtor party to the other within forty-five (45) days after the close of the month or as soon as reasonably practicable thereafter.

ARTICLE X

RESERVE DEPOSIT (NON-ADMITTED REINSURER):

With respect to the premium derived from any jurisdiction in which an insured risk is located and in which the Reinsurer is not admitted, the Company shall be entitled to require from the Reinsurer a Letter of Credit complying with 11 NYCRR 79 (Regulation 133) as security for the payment of the latter's obligations hereunder.

The amount required shall initially equal the Reinsurer's share of Unearned Premiums and Outstanding Loss Reserves, but in no event shall it be less than One Million Dollars (\$1,000,000).

The amount shall be adjusted quarterly to equal the Unearned Premium Reserve, calculated on a monthly pro rata basis, and Outstanding Loss Reserves, corresponding to the Reinsurer's proportionate share. Upon default by the Reinsurer of sums due and owing to the Company, the Company may appropriate as much of the Letter of Credit 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 Letter of Credit.

The Company and the Reinsurer hereby agree that the Letter of Credit provided pursuant to this Agreement may be drawn upon at any time, notwithstanding any other provisions herein contained. The Letter of Credit may be utilized by 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.

ARTICLE XI

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 amount 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 judgement 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 XII

TAXES:

The Company will be liable for taxes (except Federal Excise Tax) on premiums reported to the Reinsurer hereunder.

Federal Excise Tax applies only to those reinsurers which are not exempt from Federal Excise Tax.

The Reinsurer has agreed to allow for the purpose of paying the Federal Excise Tax one percent (1%) 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 XIII

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 XIV

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 in connection with any loss for which the Company may be legally liable to pay in excess of the limit having been incurred because of failure by it 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 their Insured or in the preparation or prosecution of an appeal consequent upon such action.

The true intent of the 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 XVI of this Agreement that the Company has been tortious, willful, wanton, or reckless in handling a claim which is the subject matter of this Agreement.

ARTICLE XV

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 contract or contracts reinsured without diminution because of the insolvency of the Company) to the Company or to its liquidator, receiver, or statutory successor, except as provided by Section 4118 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 contract or contracts 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 their own expense in the proceeding where such claim is to be adjudicated, any defense or defenses which they 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 XVI

ARBITRATION CLAUSE:

All disputes or differences arising out of the interpretation of this Agreement shall be submitted to the decision of two (2) Arbitrators, one to be chosen by each party, and in the event the Arbitrators fail to agree, to the decision of an Umpire to be chosen by the Arbitrators. The Arbitrators and Umpire shall be executive officials of Fire and Casualty Insurance or Reinsurance Companies. If either of the parties fails to appoint an Arbitrator within one (1) month after being required by the other party in writing to do so, or if the Arbitrators fail to appoint

an Umpire, within one (1) month of a request in writing by either of them to do so, such Arbitrator or Umpire, as the case may be, shall at the request of either party be appointed by a Justice of the Supreme Court of the State of New York.

The Arbitration proceedings shall take place in New York, New York. The applicant shall submit its case within one (1) month after the appointment of the Court of Arbitration, and the respondent shall submit his reply within one (1) month after receipt of a claim. The Arbitrators and Umpire are relieved from all Judicial formality and may abstain from following the strict rules of law. They shall settle any dispute under this Agreement according to an equitable rather than a strictly legal interpretation of its terms and their decision shall be final and not subject to appeal.

Each party shall bear the expenses of its Arbitrator and shall jointly and equally share with the other the expenses of the Umpire and of the Arbitration.

This Article shall survive the termination of this Agreement.

ARTICLE XVII

RESERVES:

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

ARTICLE XVIII

TERMINATION:

- A. Neither the Company nor the Reinsurer may terminate this Agreement while the Policy (ies) listed in Article I, Item B are in force; however, if the policy (ies) listed in Article I, item B are in fact terminated then in that event and that event only this Agreement may be terminated simultaneously therewith.
- B. However, the Company shall have the right to terminate this Agreement immediately by giving the Reinsurer 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 any or 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 insurance company or organization.

- (3) In the event of the severance or obstruction of free and unfettered communication and/or normal commercial and/or financial intercourse between the United States of America and the country in which the Reinsurer is incorporated or has its principal office as a result of war, currency regulations, or any circumstances arising out of political, financial or economic emergency.

All notices of termination in accordance with any of the provisions of this paragraph may be by Telex or Telegram and shall be deemed to be served upon dispatch, or where communications between the parties are interrupted, upon attempt dispatch.

- C. All notices of termination served in accordance with any of the provisions of this Article shall be addressed to the party concerned at its head office or at any other address previously designated by that party herein.
- D. In the event of this Agreement being terminated the rights and obligations of both parties to this Agreement shall remain in full force until the effective date of termination.
- E. As respects coverage hereunder, it is understood and agreed that upon termination of this Agreement, coverage will continue hereunder beyond such termination date until the natural expiration date, the cancellation date, or the date

which the Company, as a matter of law, may terminate coverage under the Policy (ies) listed in Article I hereof.

F. Should this Agreement terminate while a loss occurrence is in progress, the Reinsurer shall be liable to the extent of their interest, subject to the other conditions of this contract, for all losses resulting from such loss occurrence whether such losses arise before or after such termination.

ARTICLE XIX

SERVICE OF SUIT:

It is agreed that in the event of the failure of the Reinsurer hereon to pay any amount claimed to be due hereunder, the Reinsurer hereon, at the request of the Company, will submit to the jurisdiction of any court of competent jurisdiction within the United States and will comply with all requirements necessary to give such court jurisdiction and all matter arising hereunder shall be determined in accordance with the law and practice of such court.

It is further agreed that service of process in such suit may be made upon _____ and that in any suit instituted against any of them upon this contract, the Reinsurer will abide by the final decision of such court or of any appellate court in the event of an appeal.

The above mentioned are authorized and directed to accept service of process on behalf of the Reinsurer in any such suit and/or upon the request of the Company to give a written

undertaking to the Company that they will enter a general appearance upon the Reinsurer's behalf in the event such a suit shall be instituted.

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

ARTICLE XX

FOREIGN EXCHANGE:

All premium and loss payments hereunder shall be in United States Currency.

Premiums due hereunder in other than United States Currency shall be paid by the Company in United States Dollars at the rates of exchange at which the original accounts were settled. Failing this the rate of exchange applied shall be that used by the Company in their own books of account or in accordance with any subsequent adjustments thereto.

The amounts recoverable for losses in other than United States Currency shall be converted into United States Dollars at the same rates of exchange as were applied in the settlement of

the original losses. Failing this the rate of exchange applied shall be that used by the Company in their own books either at the time of the settlement or in accordance with any subsequent adjustment thereto.

ARTICLE XXI

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 15th day of February, 1990.

NATIONAL UNION FIRE INSURANCE COMPANY
OF PITTSBURGH, PA./
BIRMINGHAM FIRE INSURANCE COMPANY OF
PENNSYLVANIA/
AMERICAN HOME ASSURANCE COMPANY

By: *Frank J. Hane*

Title: *Vice President*

Address: 70 Pine Street
New York, NY 10270

and in Hamilton, Bermuda, this 8th day of February 1990.

SINCLAIR INSURANCE COMPANY LIMITED

By: *J. C. Richmond*

Title: *Director*

Address: 504 International Centre
Bermudiana Road
Hamilton HM 11, Bermuda

ADDENDUM #1
TO
FACULTATIVE REINSURANCE AGREEMENT

between

NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA./

BIRMINGHAM FIRE INSURANCE COMPANY OF PENNSYLVANIA/

AMERICAN HOME ASSURANCE COMPANY

(hereinafter called the "Company")

and

SINCLAIR INSURANCE COMPANY LIMITED

(hereinafter called the "Reinsurer")

The Facultative Reinsurance Agreement made October 1, 1988 between the Company and Reinsurer is hereby amended in the following respects:

Effective October 1, 1988 Article I (B) is amended to include policy number RM249-6516.

Article I (E) (Policy Limits) is amended to include the following: Policy Number RM 249-6516: Umbrella Liability: Thirty-three and One-third percent (33.33%) quota share of:

- a) General Liability (excluding Products): Two Million Dollars excess of Two Million Dollars (\$2,000,000 XS \$2,000,000);
- b) Products Liability: Three Million Dollars excess of Two Million Dollars (\$3,000,000 XS \$2,000,000) in the Aggregate, where applicable.

Article (V) is amended to include the following sentence:

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 15th day of February 1990.

NATIONAL UNION FIRE INSURANCE COMPANY
OF PITTSBURGH, PA./
BIRMINGHAM FIRE INSURANCE COMPANY OF
PENNSYLVANIA/
AMERICAN HOME ASSURANCE COMPANY

By: Frank J. [Signature]

Title: Vice President

Address: 70 Pine Street
New York, NY 10270

and in Hamilton, Bermuda, this 8th day of February, 1990.

SINCLAIR INSURANCE COMPANY LIMITED

By: J. C. [Signature]

Title: Director

Address: 504 INTERNATIONAL CENTRE
BERMUDIANA ROAD
HAMILTON HM 11, BERMUDA.