

ALLEGHANY CORP /DE

FORM 10-K (Annual Report)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the fiscal year ended December 31, 2003

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 1-9371

ALLEGHANY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

51-0283071

(I.R.S. Employer
Identification Number)

375 Park Avenue, New York, New York

(Address of principal executive offices)

10152

(Zip Code)

Registrant's telephone number, including area code: 212/752-1356

Securities registered pursuant to Section 12(b) of the Act:

Title of each class Name of each exchange on which registered

Common Stock, \$1.00 par value New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: Not applicable

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ☒ No ☐

As of June 30, 2003, 7,458,192 shares of Common Stock were outstanding, and the aggregate market value (based upon the closing price of these shares on the New York Stock Exchange) of the shares of Common Stock of Alleghany Corporation held by non-affiliates was \$1,132,141,804.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents are incorporated by reference into the indicated part(s) of this Report:

	Part

Annual Report to Stockholders of Alleghany Corporation for the year 2003	I and II
Proxy Statement relating to Annual Meeting of Stockholders of Alleghany Corporation to be held on April 23, 2004	III

ALLEGHANY CORPORATION
Annual Report on Form 10-K
for the year ended December 31, 2003

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FINANCIAL STATEMENT SCHEDULES

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENT SCHEDULES

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EXHIBITS

Item 1. Business.

Alleghany Corporation ("Alleghany") was incorporated in 1984 under the laws of the State of Delaware. In December 1986, Alleghany succeeded to the business of its parent company, Alleghany Corporation, a Maryland corporation incorporated in 1929, upon the parent company's liquidation.

Alleghany's principal executive offices are located at 375 Park Avenue, New York, New York 10152 and its telephone number is (212) 752-1356. Alleghany is engaged, through its subsidiary Alleghany Insurance Holdings LLC ("AIHL") and its subsidiaries, RSUI Group, Inc. ("RSUI"), Capitol Transamerica Corporation ("Capitol Transamerica"), Darwin Professional Underwriters, Inc. ("Darwin") and Platte River Insurance Company ("Platte River"), in the property and casualty and fidelity and surety insurance businesses. Through its subsidiaries World Minerals Inc. ("World Minerals"), Celite Corporation ("Celite") and Harborlite Corporation ("Harborlite") and their subsidiaries, Alleghany is engaged in the industrial minerals business. Alleghany also conducts a steel fastener importing and distribution business through its subsidiary Heads & Threads International LLC ("Heads & Threads"). Through its subsidiary Alleghany Properties, Inc. ("Alleghany Properties"), Alleghany owns and manages properties in California.

On July 1, 2003, AIHL completed the acquisition of Resurgens Specialty Underwriting, Inc. ("Resurgens Specialty"), a specialty wholesale underwriting agency, from Royal Group, Inc., a subsidiary of Royal & SunAlliance Insurance Group plc ("R&SA"), for cash consideration, including capitalized expenditures, of approximately \$116.0 million. Resurgens Specialty became a subsidiary of RSUI. In connection with the acquisition of Resurgens Specialty, on June 30, 2003, RSUI acquired RSUI Indemnity Company ("RIC"), to write admitted business underwritten by Resurgens Specialty, from Swiss Re America Holding Corporation for consideration of approximately \$19.7 million, \$13.2 million of which represented consideration for RIC's investment portfolio. On September 2, 2003, RIC purchased Landmark American Insurance Company ("Landmark") to write non-admitted business underwritten by Resurgens Specialty, from R&SA for cash consideration of \$33.9 million, \$30.4 million of which represented consideration for Landmark's investment portfolio. R&SA contractually retained all of the loss and loss adjustment expenses liabilities of Landmark that existed at the time of the sale. RIC and Landmark were further capitalized by Alleghany in an aggregate amount of approximately \$520.0 million.

On January 4, 2002, Alleghany completed the acquisition of Capitol Transamerica. The total purchase price paid by Alleghany was approximately \$182.0 million. Contemporaneous with the acquisition of Capitol Transamerica, Alleghany purchased Platte River for approximately \$40.0 million. The seller contractually retained all of the loss and loss adjustment expenses liabilities of Platte River that existed at the time of the sale.

Until November 5, 2001, Alleghany was also engaged, through its subsidiary Alleghany Underwriting Holdings Ltd. ("Alleghany Underwriting") and its subsidiaries, in the global property and casualty insurance and reinsurance business at Lloyd's of London. On that date, AIHL completed the disposition of Alleghany Underwriting to Talbot Holdings Ltd., a new Bermuda holding company formed by certain principals of the Black Diamond Group and the senior management of Alleghany Underwriting. AIHL recorded an after-tax loss of \$50.5 million on the disposition of this Lloyd's of London insurance operation. Consideration for the sale included a warrant which entitled AIHL to recover a portion of any residual capital of Alleghany Underwriting as determined upon the closure of the 2001 Lloyd's year of account. A nominal value was ascribed to the warrant in computing the loss on the sale of Alleghany Underwriting. In connection with the sale, AIHL provided a \$25.0 million letter of credit to support business written by a new Talbot syndicate for the 2002 Lloyd's year of account while Talbot sought new capital. AIHL subsequently agreed that the capital provided by its letter of credit would also support business written by the syndicate for the 2003 and 2004 Lloyd's years of account, in exchange for reductions in the amount of the letter of credit to \$15.0 million in January 2003 and \$10.0 million in December 2003 as a result of the infusion of new capital into the syndicate. Pursuant to AIHL's agreement with the syndicate, the syndicate will use its best efforts to extinguish AIHL's commitment under the reduced letter of credit no later than June 30, 2006. In light of its disposition, Alleghany Underwriting has been classified as a discontinued operation.

Until February 1, 2001, Alleghany was also engaged, through its subsidiary Alleghany Asset Management, Inc. ("Alleghany Asset Management") and its subsidiaries, in the financial services business. On that date, Alleghany Asset Management merged into a wholly owned subsidiary of ABN AMRO North America Holding Company. Alleghany received cash proceeds of \$825.0 million and recorded an after-tax gain of approximately \$474.8 million, or approximately \$63.14 per share, excluding certain expenses relating to the closing of the sale. In light of the transaction, Alleghany Asset Management has been classified as a discontinued operation.

Until May 10, 2000, Alleghany was also engaged, through its subsidiary Underwriters Re Group, Inc. and its subsidiaries ("Underwriters Re Group"), in the global property and casualty reinsurance and insurance businesses. On that date,

Underwriters Re Group was sold to Swiss Re America Holding Corporation. Alleghany recorded pre-tax proceeds of approximately \$649.0 million in cash. In connection with the sale, Alleghany paid approximately \$187.9 million in cash (or \$25.3125 per share) for the purchase from Underwriters Re Group of 7.425 million shares of Burlington Northern Santa Fe Corporation. Alleghany's pre-tax gain on the sale was approximately \$136.7 million, reflecting additional adjustments from previously reported figures for the settlement of certain outstanding obligations of Underwriters Re Group that were assumed by Alleghany and the final resolution of post-closing purchase price adjustments. The tax on the gain was approximately \$7.1 million, resulting in an after-tax gain on the sale of \$129.6 million. The tax rate on the gain differs from the expected statutory rate principally due to a difference between the tax and book bases of Underwriters Re Group. Alleghany retained Underwriters Re Group's London-based Lloyd's operations conducted through Alleghany Underwriting, which was subsequently sold on November 5, 2001, as described above.

During 1994 and early 1995, Alleghany and its subsidiaries acquired a substantial number of shares of common stock of Santa Fe Pacific Corporation ("Santa Fe"). On September 22, 1995, Santa Fe and Burlington Northern, Inc. merged under a new holding company named Burlington Northern Santa Fe Corporation ("BNSF"). As a result of the merger, the shares of Santa Fe beneficially owned by Alleghany were converted into shares of BNSF. As of February 25, 2004, Alleghany owned 8.0 million shares of BNSF, or approximately 2.1 percent of BNSF's currently outstanding common stock. BNSF owns one of the largest railroad networks in North America, with 33,000 route miles covering 28 states and two Canadian provinces.

In 2003, Alleghany studied a number of potential acquisitions. Alleghany intends to continue to expand its operations through internal growth at its subsidiaries as well as through possible operating company acquisitions and investments.

Reference is made to Items 7 and 8 of this Report for further information about the business of Alleghany in 2003. The consolidated financial statements of Alleghany, incorporated by reference in Item 8 of this Report, include the accounts of Alleghany and its subsidiaries for all periods presented.

Alleghany does not maintain a web site and therefore does not post its annual reports on Form 10-K, its quarterly reports on Form 10-Q, current reports on Form 8-K, its Financial Personnel Code of Ethics, Code of Business Conduct and Ethics or the charters for its Audit, Compensation and Nominating committees on-line. However, stockholders may obtain, free of charge, copies of any such reports or documents upon request to the Secretary of Alleghany. Alleghany's current and periodic reports, which

are filed with the U.S. Securities and Exchange Commission (the "SEC"), may also be obtained through the SEC's website at www.sec.gov.

PROPERTY AND CASUALTY/FIDELITY AND SURETY INSURANCE BUSINESSES

General Description of Business

AIHL is a holding company for Alleghany's property and casualty and fidelity and surety insurance operations which are conducted through RSUI, headquartered in Atlanta, Georgia, Capitol Transamerica and Platte River, headquartered in Madison, Wisconsin and Darwin, headquartered in Farmington, Connecticut. Unless noted, references to AIHL include the operations of RSUI, Capitol Transamerica, Platte River and Darwin.

RSUI, which includes the operations of Resurgens Specialty, RIC and Landmark, underwrites specialty insurance coverages in the property, umbrella/excess liability, general liability, directors and officers liability and professional liability lines of business. RSUI writes business on an admitted basis primarily through RIC in states where RIC is licensed and subject to the applicable state's form and rate regulations. RSUI writes business on an approved, non-admitted basis primarily through Landmark, which, as a non-admitted company, is not subject to state form and rate regulations and thus has more flexibility in its rates and coverages for specialized or hard-to-place risks. As of December 31, 2003, Landmark was approved to write business on a non-admitted basis in 48 states.

Landmark and RIC entered into a quota share arrangement, effective as of September 1, 2003, whereby Landmark cedes 90 percent of all premiums and losses to RIC. As of December 31, 2003, the statutory surplus of RIC and Landmark was approximately \$566.0 million and \$61.9 million, respectively. RSUI's subsidiaries, RIC and Landmark, are rated A (Excellent) by A.M. Best Company, Inc. ("A.M. Best"), an independent organization that analyzes the insurance industry.

Capitol Transamerica, primarily through its wholly-owned subsidiaries Capitol Indemnity Corporation ("Capitol Indemnity") and Capitol Specialty Insurance Company ("CSIC"), operates in 45 states with a geographic concentration in the Midwestern and Plains states. Capitol Indemnity conducts its business on an admitted basis, and CSIC conducts its business on an approved, non-admitted basis, through independent and general insurance agents that write primarily specialty lines of property and casualty insurance for certain types of businesses or activities, including barber and beauty shops, bowling alleys, contractors, restaurants and taverns. Capitol Indemnity also writes fidelity and surety bonds, including contractors' performance and payment bonds, license/permit bonds, fiduciary bonds, judicial bonds and commercial fidelity bonds.

Platte River is licensed in 50 states and operates in conjunction with Capitol Indemnity by providing commercial surety products. Platte River also offers pricing flexibility in those jurisdictions where both Capitol Indemnity and Platte River are licensed. The property and casualty business of Capitol Transamerica accounted for approximately 65 percent of gross written premium in 2003, while the fidelity and surety business accounted for the remainder. Capitol Indemnity and Platte River entered into a pooling agreement, effective as of January 1, 2002, whereby Capitol Indemnity and Platte River agreed to share their aggregate insurance risks. Under this agreement, Capitol Indemnity is liable for 90 percent of the shared risks and Platte River is liable for 10 percent. As of December 31, 2003, the statutory surplus of Capitol Indemnity and Platte River was \$140.3 million and \$28.7 million, respectively. Capitol Indemnity, CSIC and Platte River are rated A+ (Superior) by A.M. Best.

Darwin, which commenced operations in May 2003, is 80 percent owned by AIHL and 20 percent owned by certain members of Darwin's management through participation in a restricted stock plan. Darwin underwrites specialty liability insurance coverages in the directors and officers liability, errors and omissions liability and medical malpractice liability lines of business as an underwriting manager for Platte River and certain subsidiaries of Capitol Transamerica, pending the establishment of a separate insurance carrier for Darwin business.

In general, property insurance protects an insured against financial loss arising out of loss of property or its use caused by an insured peril. Casualty insurance protects the insured against financial loss arising out of the insured's obligation to others for loss or damage to persons or property. Although both property and casualty insurance may involve a high degree of loss volatility, property losses are generally reported within a relatively short time period after the event; in contrast, there tends to be a significant time lag in the reporting and payment of casualty claims. In 2003, approximately 55 percent of AIHL's property and casualty gross premium written was property and 45 percent was casualty.

Surety bonds are three-party agreements in which the issuer of the bond (the surety) joins with a second party (the principal) in guaranteeing to a third party (the owner/obligee) the fulfillment of some obligation on the part of the principal to the owner/obligee. A surety is generally entitled to recover from the principal any losses and expenses paid to an owner/obligee. Surety bond premiums primarily reflect the type and class of risk and related costs associated with both processing the bond application, evaluating the risks involved and investigating the principal, including, if necessary, an analysis of the principal's creditworthiness and ability to perform.

There are three broad types of fidelity and surety products--contract surety bonds, commercial surety bonds and fidelity bonds. Contract surety bonds secure a contractor's performance and/or payment obligation with respect to a construction project and are generally required by federal, state and local governments for public works projects. Commercial surety bonds include all surety bonds other than contract surety bonds and cover obligations typically required by law or regulation, such as license and permit coverage. Fidelity bonds cover losses arising from employee dishonesty. In 2003, approximately 65 percent of AIHL's surety and fidelity gross premium written was commercial surety, 33 percent was contract surety and 2 percent was fidelity.

Marketing

At December 31, 2003, RSUI conducted its insurance business through approximately 170 independent wholesale insurance brokers located throughout the United States and two managing general agents. RSUI's wholesale brokers are appointed on an individual basis based on management's appraisal of expertise and experience, and only specific locations of a wholesale broker's operations may be appointed to distribute RSUI's products. Producer agreements which stipulate premium collection, payment terms and commission arrangements are in place with each wholesale broker. No wholesale broker holds underwriting, claims or reinsurance authority, with the exception of binding authority arrangements with two wholesale brokers for small, specialized coverages. RSUI's top five producing wholesale brokers accounted for approximately 47 percent of gross premiums written by RSUI in 2003. RSUI's top producing wholesale broker, Swett & Crawford Group, accounted for approximately 17.0 percent of AIHL's gross premiums written in 2003.

Capitol Transamerica conducts its insurance business through independent and general insurance agents located throughout the United States, with a concentration in the Midwestern and Plains states. At December 31, 2003, Capitol Transamerica had approximately 850 local agents and 30 general agents licensed to write property and casualty and fidelity and surety coverages, as well as approximately 250 local agents licensed only to write surety coverages. The general agents write very little fidelity and surety business and have full quoting and binding authority within the parameters of their agency contracts with respect to property and casualty business they write. Local agents have binding authority for certain business owner policy products, including workers' compensation, and non-contract surety products. No agent had writings in excess of 10 percent of AIHL's gross premiums written in 2003.

At December 31, 2003, Darwin conducted its insurance business primarily through 40 independent wholesale insurance brokers located throughout the United States as well as approximately 19 specialty retail insurance brokers.

Underwriting Operations

RSUI's underwriting philosophy is based on handling only product lines in which its underwriters have strong underwriting expertise. RSUI generally focuses on higher severity, lower frequency specialty risks that can be effectively "desk underwritten" without the need for up-front inspection/engineering reviews. RSUI tracks underwriting results for each of its underwriters and believes that the underwriting systems and applications it has in place facilitate efficient underwriting and high productivity levels. Underwriting authority is delegated on a "top-down" basis ultimately to individual underwriters based on experience and expertise. Such authority is in writing and addresses maximum limits, excluded classes and coverages and premium size referral. Referral to a product line manager is required for risks exceeding an underwriter's authority. RSUI applies extensive risk control techniques to ensure that catastrophe exposures remain within specified parameters. On a monthly basis, RSUI models estimated losses from a 250-year event and sets its maximum risk level exposures based on this estimate. Underwriting guidelines are implemented and adjusted to maintain the estimated maximum exposure within the pre-established limits. The modeled exposure estimates are also used to structure various quota share reinsurance and catastrophe excess of loss reinsurance covers to protect RSUI's surplus from unexpected catastrophic events.

Capitol Transamerica's underwriting strategy emphasizes underwriting profitability. Key elements of this strategy are prudent risk selection, appropriate pricing and coverage customization. All accounts are reviewed on an individual basis to determine underwriting acceptability. Capitol Transamerica and Platte River are subscribers to the Insurance Service Organization ("ISO"), an insurance reference resource recognized by the insurance industry. All underwriting procedures, rates and contractual coverage obligations are based on procedures and data developed by the ISO. Capitol Transamerica determines underwriting acceptability by type of business, claims experience, length of time in business and business experience, age and condition of premises occupied and financial stability. Information is obtained from, among other sources, agent applications, financial reports and on-site loss control surveys. If an account does not meet predetermined acceptability parameters, coverage is declined. If an in-force policy becomes unprofitable due to extraordinary claims activity or inadequate premium levels, a non-renewal notice is issued in accordance with individual state statutes and rules.

Darwin's underwriting strategy focuses on long-term consistent underwriting profitability. The key elements of this strategy are an underwriting approach focused on disciplined analysis, appropriate pricing based on the actual risk and attachment level and the granting of appropriate coverage, accompanied by multi-level underwriting and actuarial reviews of accounts. Formal rating strategies and plans have been adopted for

each line of business based upon filed rating plans and industry results. Darwin determines underwriting acceptability by type of business, company experience, claims experience, experience of the insured's management team, financial stability and other relevant factors. Information is obtained from, among other sources, application forms, underlying insurance coverage, company policies and procedures, loss experience, financial condition, public disclosures and interviews with the insured's management team. If an account does not meet acceptability parameters, coverage is declined. Prior to renewal, claims activity is reviewed to ensure that profitability assumptions were correct and the information obtained during the initial underwriting of the insured is updated.

Terrorism Risk Insurance Act of 2002

The Terrorism Risk Insurance Act of 2002 (the "Terrorism Act") established a program under which the federal government will reimburse insurers for losses arising from certain acts of international terrorism. The Terrorism Act requires that all licensed insurers must offer terrorism coverage on most commercial lines of business. The coverage requirements terminate at the end of 2004, unless the U.S. Secretary of the Treasury extends them to 2005.

Under the program, an act must be certified by the U.S. Secretary of the Treasury for it to constitute an act of terrorism. The definition of terrorism excludes domestic acts of terrorism or acts of terrorism committed in the course of a war declared by Congress. Losses arising out of the act of terrorism must exceed \$5.0 million. If an event is certified as an act of terrorism, the federal government will reimburse losses up to an aggregate limit of \$100.0 billion in any year.

Each insurer is responsible for a deductible based on a percentage of direct earned premiums in the previous calendar year. For losses in excess of the deductible, the federal government will reimburse 90 percent of the insurer's loss, up to the insurer's proportionate share of the \$100.0 billion. For 2003, an insurer's deductible was 7 percent of the insurer's direct earned premiums earned in 2002. For 2004, the deductible is 10 percent of the insurer's direct earned premiums earned in 2003 and in 2005 the deductible will increase to 15 percent of the insurer's direct earned premium in 2004.

The Terrorism Act contemplates that affiliated insurers are treated collectively as one entity by the U.S. Treasury Department for purposes of calculating direct earned premiums and, therefore, an insurer's deductible. Because an insurer's deductible is calculated on a group-wide basis, business produced by Resurgens Specialty in 2002 affected computation of the amount of the deductible that would have been payable by R&SA if a certified act of terrorism had occurred in 2003. At the time that AIHL acquired Resurgens Specialty in July 2003, R&SA had in effect an aggregate excess of loss reinsurance contract to cover its deductible payable under the terrorism program. In

connection with the acquisition, AIHL and R&SA entered into an arrangement whereby, after the acquisition, RSUI continues to participate in R&SA's aggregate excess of loss reinsurance contract through the date of its expiration, February 27, 2004, and RSUI reimburses R&SA for its allocable share of the premium for such coverage. Following expiration of the current R&SA reinsurance contract, RSUI intends to rely on the coverage provided by The Terrorism Act for the remainder of 2004 and will review its needs for additional reinsurance coverage thereafter.

Outstanding Losses and Loss Adjustment Expenses ("LAE")

Alleghany's insurance operations establish liabilities or "reserves" on their balance sheets for unpaid losses and LAE under their property and casualty insurance and fidelity and surety contracts. As of any balance sheet date, there are claims that have not yet been reported, and some claims may not be reported for many years after the date a loss occurs. As a result, the liability for unpaid losses and LAE includes significant estimates for claims incurred but not yet reported. Additionally, reported claims are in various stages of the settlement process. Each claim is settled individually based upon its merits, and certain claims may take years to settle, especially if legal action is involved. As a result, the liabilities for unpaid losses and LAE include significant judgments, assumptions and estimates made by management relating to the ultimate losses that will arise from the claims. Due to the inherent uncertainties in the process of establishing these liabilities, the actual ultimate loss from a claim is likely to differ, perhaps significantly, from the liability recorded therefor.

Alleghany's insurance operations use a variety of techniques that employ significant judgments and assumptions to establish the liabilities for unpaid losses and LAE recorded at the balance sheet date. These techniques include detailed statistical analysis of past claim reporting, settlement activity, claim frequency, internal loss experience, changes in pricing or coverages and severity data when sufficient information exists to lend statistical credibility to the analysis. More subjective techniques are used when statistical data is insufficient or unavailable. These liabilities also reflect implicit or explicit assumptions regarding the potential effects of future inflation, judicial decisions, changes in laws and recent trends in such factors.

Alleghany's insurance operations establish liabilities for unpaid losses and LAE by considering a range of estimates and recording their best estimate within that range. Alleghany's insurance operations continually evaluate the potential for changes, both positive and negative, in their estimates of such liabilities and use the results of these evaluations to adjust both recorded liabilities and underwriting criteria. With respect to liabilities for unpaid losses and LAE established in prior years, such liabilities are periodically analyzed and their expected ultimate cost adjusted, where necessary, to reflect development in loss experience and new information, including, for certain

catastrophic events, revised industry estimates of the magnitude of a catastrophe. Adjustments to previously recorded liabilities for unpaid losses and LAE, both positive and negative, are reflected in Alleghany's financial results in the periods in which such adjustments are made and are referred to as prior year development. Because of the high level of uncertainty regarding the setting of liabilities for unpaid losses and LAE, it is the practice of each of Alleghany's insurance operations to engage an outside actuary to evaluate on a periodic basis the adequacy of these liabilities.

Asbestos, Environmental Impairment and Mold Claims Reserves

AIHL's reserve for losses and LAE includes amounts for various liability coverages related to asbestos and environmental impairment claims that arose from reinsurance of certain general liability and commercial multiple-peril coverages assumed by Capitol Indemnity between 1969 and 1976. Capitol Indemnity exited this business in 1976. Reserves for asbestos and environmental impairment claims cannot be estimated with traditional loss reserving techniques because of uncertainties that are greater than those associated with other types of claims. Factors contributing to those uncertainties include a lack of historical data, the significant period of time that has elapsed between the occurrence of the loss and the reporting of that loss to the primary insurer and the reinsurer, uncertainty as to the number and identity of insureds with potential exposure to such risks, unresolved legal issues regarding policy coverage, and the extent and timing of any such contractual liability. Such uncertainties are not likely to be resolved in the near future.

Promptly after its acquisition by Alleghany in January 2002, Capitol Transamerica's management commenced a program to settle, or position for commutation, Capitol Indemnity's assumed reinsurance treaties and make appropriate payments on a timely basis when deemed necessary. Since January 2002, Capitol Indemnity has experienced an increase in paid losses on its assumed reinsurance runoff related to such treaties, which was initially attributed to a change in Capitol Transamerica's settlement philosophy. Upon completion in 2003 of an actuarial study undertaken by management, it was determined that the increase in paid losses related to the treaties reflected developments in the underlying claims environment, particularly with respect to asbestos related claims, and, accordingly, Capitol Transamerica strengthened its reserves related to such assumed reinsurance coverages in the amount of \$21.9 million.

The reconciliation of the beginning and ending aggregate reserves for unpaid losses and LAE related to asbestos and environmental impairment claims of AIHL, excluding any such reserves which are a part of Platte River reserves guaranteed by the seller of Platte River to Alleghany, for the years 2002 and 2003 is shown below (in thousands):

Reconciliation of Asbestos-Related Claims Reserves for Losses and LAE

	2003	2002
	-----	-----
Reserves as of January 1.....	\$ 2,944	\$ 0
Reserves incurred	24,985	3,244
Paid losses.....	(3,148)	(300)
	-----	-----
Reserves as of December 31.....	\$ 24,781	\$ 2,944
Type of reserves		
Case.....	\$ 4,046	\$ 1,243
IBNR.....	20,735	1,701
	-----	-----
Total.....	\$ 24,781	\$ 2,944
	=====	=====

Reconciliation of Environmental Impairment Claims Reserves for Losses and LAE

	2003	2002
	-----	-----
Reserves as of January 1	\$ 4,416	\$ 0
Reserves incurred	(659)	4,867
Paid losses.....	(423)	(451)
	-----	-----
Reserves as of December 31.....	\$ 3,334	\$ 4,416
	=====	=====
Type of reserves		
Case.....	\$ 545	\$ 1,865
IBNR.....	2,789	2,551
	-----	-----
Total.....	\$ 3,334	\$ 4,416
	=====	=====

AIHL's subsidiaries have experienced limited mold claims to date and have exclusions for mold claims in their policies. As of December 31, 2003, aggregate reserves for mold exposure for AIHL's operating units were less than \$0.9 million.

Net Loss and LAE Reserves

The reconciliation between the aggregate net loss and LAE reserves of AIHL reported in the annual statements filed with state insurance departments prepared in accordance with SAP and those reported in AIHL's consolidated financial statements prepared in accordance with GAAP for the last two years is shown below (in thousands):

Reconciliation of Reserves for Losses and LAE from SAP Basis to GAAP Basis

	2003	2002
	-----	-----
Statutory reserves.....	\$ 277,282	\$ 114,925
Reinsurance recoverables.....	178,702(1)	144,766(2)
Purchase accounting adjustment.....	(1,320)	(1,647)
Funds withheld from ceding companies (3)	--	427
	-----	-----
GAAP reserves.....	\$ 454,664	\$ 258,471
	=====	=====

(1) Excludes \$12,067 of current reinsurance receivables, and includes reinsurance receivables of \$91,950 due from the seller of Platte River and \$37,261 due from the seller of Landmark.

(2) Excludes \$2,713 of current reinsurance receivables, and includes reinsurance receivables of \$142,501 due from the seller of Platte River.

(3) These amounts are included in reserves for GAAP purposes but appear as separate line items for SAP purposes.

The reserves for unpaid losses and LAE related to asbestos and environmental impairment claims reported in the annual statements filed with state insurance departments prepared in accordance with statutory accounting practices ("SAP") and those reported in AIHL's consolidated financial statements prepared in accordance with GAAP for the year ended December 31, 2003 were identical.

The reconciliation of beginning and ending aggregate reserves for unpaid losses and LAE of AIHL for the last two years is shown below (in thousands):

Reconciliation of Reserves for Losses and LAE

	2003	2002
Reserves as of January 1.....	\$ 258,471	\$ --
Reserves acquired.....	14,573	266,688
Less: reinsurance recoverables.....	159,766	179,512
Net reserves.....	113,278	87,176
	=====	=====
Incurred loss, net of reinsurance, related to:		
Current year.....	229,519	82,639
Prior years.....	20,683	17,869(1)
Total incurred loss, net of reinsurance.....	250,202	100,508
	-----	-----
Paid loss, net of reinsurance, related to:		
Current year.....	40,122	28,562
Prior years.....	47,396	45,417
Total paid loss, net of reinsurance.....	87,518	73,979
	-----	-----
Reserves, net of reinsurance recoverables, as of December 31	275,962	113,705
Reinsurance recoverables, as of December 31.....	178,702(2)	144,766(3)
	-----	-----
Reserves, gross of reinsurance recoverables, as of December 31.....	\$ 454,664	\$ 258,471
	=====	=====

(1) Includes \$17,320 of prior years' loss reserves development and \$549 relating to amortization which is required to be taken under purchase accounting rules.

(2) Excludes \$12,067 of current reinsurance receivables, and includes reinsurance receivables of \$91,950 due from the seller of Platte River and \$37,261 due from the seller of Landmark.

(3) Excludes \$2,713 of current reinsurance receivables, and includes reinsurance receivables of \$142,501 due from the seller of Platte River.

Competition

The property and casualty businesses of RSUI and Darwin compete on a national basis, as does the fidelity and surety business of Capitol Transamerica. Capitol Transamerica's property and casualty business competes on a regional basis with a primary focus on the Midwestern and Plains states. Competitors of each of AIHL's subsidiaries include other primary insurers and new forms of insurance such as alternative self-insurance mechanisms. Many such competitors have considerably greater financial resources and greater experience in the insurance industry and offer a broader line of insurance products than do AIHL's subsidiaries.

Except for regulatory considerations, there are virtually no barriers to entry into the insurance industry. Competition may be domestic or foreign, and competitors are not necessarily required to be licensed by various state insurance departments. The number of competitors within the industry is not known. The commercial property and casualty insurance and fidelity and surety insurance industries are highly competitive, competing on the basis of reliability, financial strength and stability, ratings, underwriting consistency, service, business ethics, price, performance, capacity, policy terms and coverage conditions.

Competition in the property and casualty insurance business has historically been cyclical in nature. Typically, a cycle operates as follows. The ability of primary insurers to conduct business is dependent generally upon their ability to purchase reinsurance. A surplus of reinsurers allows primary insurers to obtain reinsurance more cheaply, thereby enhancing profits. Enhanced profits increase the number of primary insurers, which increases competition for business and consequently reduces premium rates. As premium rates fall, the primary insurance business becomes less profitable and insurers profit only at the expense of their reinsurers. As reinsurance becomes less profitable, the reinsurance market contracts, consequently increasing reinsurance rates. Reduced insurance rates and increased reinsurance rates cause the primary insurance market to contract. Competition decreases in a contracted primary insurance market, allowing insurance rates to increase again, thereby enhancing profits of primary insurers. The enhanced profitability of primary insurers can be shared with reinsurers depending on the terms of the individual reinsurance agreements. A profitable reinsurance market generally will again lead to a surplus of reinsurers.

The dynamics of the surety industry are also cyclical, partly for the same reasons as the property and casualty business described above. Typically, the cycles of surety business and property and casualty business run independent of each other. Currently, the surety industry is experiencing a flattening of price increases for primary coverages after two years of rising prices. The price increases have been driven by catastrophic

losses for both primary writers and reinsurers, with the reinsurers sustaining the bulk of the losses. These losses have caused several large primary writers and reinsurers to exit the surety marketplace, creating opportunity for primary writers that can continue to obtain reinsurance at reasonable rates from the remaining reinsurers as a result of favorable loss histories.

The Gramm-Leach-Bliley Act of 1999 removed many federal and state law barriers to affiliations between insurers, banks, securities firms and other financial services providers. This legislation and similar initiatives may lead to increased consolidation and competition in the insurance industry.

Regulation

AIHL is subject to the insurance holding company laws of several states. Certain dividends and distributions by an insurance subsidiary are subject to approval by the insurance regulators of the domiciliary state of such subsidiary. Other significant transactions between an insurance subsidiary and its holding company or other subsidiaries of the holding company may require approval by insurance regulators in the domiciliary state of each of the insurance subsidiaries participating in such transactions.

AIHL's subsidiaries are subject to regulation in their domiciliary states as well as in the other states in which they do business. Such regulation pertains to matters such as approving policy forms and various premium rates, licensing agents, granting and revoking licenses to transact business and regulating trade practices. The majority of AIHL's insurance operations are in states requiring prior approval by regulators before proposed rates for property or casualty or fidelity or surety insurance policies may be implemented. Insurance regulatory authorities perform periodic examinations of an insurer's market conduct and other affairs.

Insurance companies are required to report their financial condition and results of operation in accordance with statutory accounting principles prescribed or permitted by state insurance regulators in conjunction with the National Association of Insurance Commissioners (the "NAIC"). State insurance regulators also prescribe the form and content of statutory financial statements, perform periodic financial examinations of insurers, set minimum reserve and loss ratio requirements, establish standards for the types and amounts of investments, and require minimum capital and surplus levels. Such statutory capital and surplus requirements include risk-based capital ("RBC") rules promulgated by the NAIC. These RBC standards are intended to assess the level of risk inherent in an insurance company's business and consider items such as asset risk, credit risk, underwriting risk and other business risks relevant to its operations. In accordance with RBC formulas, a company's RBC requirements are calculated and compared to its total adjusted capital to determine whether regulatory intervention is warranted. At

December 31, 2003, the total adjusted capital of each of AIHL's insurance subsidiaries exceeded the minimum levels required under RBC rules and each had excess capacity to write additional premiums in relation to these requirements.

The NAIC annually calculates certain statutory financial ratios for most insurance companies in the United States. These calculations are known as the Insurance Regulatory Information System ("IRIS") ratios. There presently are twelve IRIS ratios. The primary purpose of the ratios is to provide an "early warning" of any negative developments. The NAIC reports the ratios to state regulators who may then contact the companies if three or more ratios fall outside the NAIC's "usual ranges." Based upon calculations as of December 31, 2003, none of AIHL's subsidiaries had more than four IRIS ratios outside the usual ranges.

AIHL's subsidiaries are required under the guaranty fund laws of most states in which they transact business to pay assessments up to prescribed limits to fund policyholder losses or liabilities of insolvent insurance companies. AIHL's subsidiaries also are required to participate in various involuntary pools, principally involving workers' compensation and windstorms. In most states, the involuntary pool participation of AIHL's subsidiaries is in proportion to their voluntary writings of related lines of business in such states.

In addition to the regulatory requirements described above, a number of current and pending legislative and regulatory measures may significantly affect the insurance business in a variety of ways. These measures include, among other things, tort reform, consumer privacy requirements and financial services deregulation initiatives.

Employees

AIHL's subsidiaries employed 622 persons as of December 31, 2003, 297 of which were at RSUI and its subsidiaries, 295 of which were at Capitol Transamerica and its subsidiaries and 30 of which were at Darwin.

INDUSTRIAL MINERALS BUSINESS

On July 31, 1991, a holding company subsidiary of Alleghany acquired all of Manville Corporation's worldwide industrial minerals business, now conducted principally through World Minerals. The former Chairman of the Board of World Minerals currently owns an equity interest of approximately 1.5 percent of World Minerals' immediate parent company.

World Minerals, headquartered in Santa Barbara, California, is principally engaged in the mining, production and sale of two industrial minerals, diatomite and perlite.

Diatomite

World Minerals conducts its diatomite business through its Celite subsidiary. Celite is believed to be the world's largest producer of filter-aid grade diatomite, which it markets worldwide under the Celite(R), Diafil(R) and Kenite(R) brand names. Celite also markets filter-aid grade diatomite in Europe under the Primisil(R) brand name and in Latin America and other areas under the Diactiv(R) brand name.

Diatomite is a silica-based mineral consisting of the fossilized remains of microscopic freshwater or marine plants. Diatomite's primary applications are in filtration and as a functional filler. Filtration accounts for the majority of the worldwide diatomite market and for over 50 percent of Celite's diatomite sales. Diatomite is used as a filter aid in the production of beer, food, juice, wine, water, sweeteners, fats and oils, pharmaceuticals, chemicals, lubricants and petroleum. Diatomite is used as a filler, mainly in paints, and as an anti-block agent in plastic film.

In addition to diatomite, Celite also produces calcium silicate products and magnesium silicate products, which are sold worldwide under the MicroCel(R) and Celkate(R) brand names (except in portions of Europe where calcium silicate products are sold under the Calflo(R) brand name). These products, which have high surface area and adsorption and absorption capabilities, are used to convert liquid, semi-solid and sticky ingredients into dry, free-flowing powders in the production of rubber, sweeteners, flavorings and pesticides.

Celite has its world headquarters in Lompoc, California and owns, directly or through wholly owned subsidiaries, diatomite mines and/or processing plants in Lompoc, California; Quincy, Washington; Fernley, Nevada; Murat, France; Alicante, Spain; Arica, Chile; Arequipa, Peru; Ayacucho, Peru; Tuxpan, Mexico; and Guadalajara, Mexico. In addition, World Minerals, through various subsidiaries of Celite, owns controlling

interests in three joint ventures of which two are active and engaged in the mining and processing of diatomite in Jilin Province, People's Republic of China ("PRC").

In 2001, Celite sold its 48.6 percent of Kisilidjan, h.f., a joint venture with the Government of Iceland, which mines and processes diatomite from Lake Myvatn in Iceland, to Allied EFA. Following the sale, Celite retained the exclusive right to sell the diatomite products produced from the Icelandic mine as long as such products continue to be produced. Also in 2001, Celite acquired the diatomite business, including a plant and mining properties, in and around Fernley, Nevada from CR Minerals, LLC.

Celite's largest diatomite plant and mine is located near Lompoc, California. Celite currently obtains all additional diatomite supplies from its mines in the states of Washington and Nevada and in France, Spain, Mexico, Chile and Peru, from its joint ventures in China and from its former joint venture in Iceland. Celite believes that its diatomite reserves in Washington, Nevada, Mexico, Chile, Peru, and China are generally sufficient to last for at least 20 more years at current rates of production. Reserves are less than 20 years for some ore types at Lompoc, France and Spain. Programs are underway to improve ore reserves at these locations by making improvements to the plants' processing technology and through additional exploration. Celite has substantial ore reserves at several of its mines and sufficient plant capacities that enable it, if necessary, to supply customers from different locations.

Celite's silicate products are produced from purchased magnesium and calcium compounds and internally supplied diatomite.

Perlite

World Minerals conducts its worldwide perlite business through its Harborlite subsidiary. World Minerals believes that Harborlite is the world's largest producer of perlite filter aids and that Harborlite, which is also engaged in the business of selling perlite ore, is one of the world's largest merchant producers of perlite ore. These products are marketed worldwide under the Harborlite(R) and Europerl(R) brand names.

Perlite is a volcanic rock which contains between two percent and five percent natural combined water. When heated rapidly, the natural combined water turns explosively into steam, and the perlite ore "pops" in a manner similar to popcorn, expanding up to twenty times its original volume and creating a soft material with large surface area and correspondingly low density.

Harborlite has its world headquarters in Lompoc, California and owns, directly or through wholly owned subsidiaries, a perlite mine and mill in No Agua, New Mexico; a perlite loading facility in Antonito, Colorado; a perlite mine and a mill in Superior,

Arizona; a perlite deposit in Utah; a perlite mine and mill in Dikili, Turkey; perlite deposits in Central Mexico and Central Turkey; and perlite expansion facilities in Escondido, California; Green River, Wyoming; LaPorte, Texas; Youngsville, North Carolina; Vicksburg, Michigan; Quincy, Florida; Wissembourg, France; Hessle, England; Barcelona, Spain; Milan, Italy; Santiago, Chile; and Paulinia, Brazil.

The Perlite ore mined at Harborlite's No Agua, New Mexico mine is sold primarily to companies that expand it in their own expansion plants and use it in the manufacture of roofing board, formed pipe insulation and acoustical ceiling tile. Perlite ore for filter aid and certain filler applications is mined at Harborlite's Superior, Arizona mine and is expanded at Harborlite's six expansion plants located in the United States. Expanded perlite is also produced at Harborlite's European expansion plants at Hessle, United Kingdom; Wissembourg, France; Barcelona, Spain and Milan, Italy; from perlite ore obtained from Harborlite's perlite mines at Dikili, Turkey and in Central Turkey; and from merchant ore producers in Europe. In the 2003 fourth quarter, Harborlite announced the closing of its Hessle, United Kingdom expansion plant during 2004. Harborlite's Chilean plant expands perlite obtained from its own deposits in Chile and its Brazil plant expands perlite ore obtained from Harborlite's Turkish mines. Most of the expanded perlite is used as a filter aid in the brewing, food, wine, sweetener, pharmaceutical, chemical and lubricant industries, or as a filler and insulating medium in various construction applications.

In 2000, Harborlite subsidiaries completed the acquisition of small perlite expansion businesses in the United Kingdom and Spain, which have been merged into existing Harborlite businesses in those countries.

In 2001, Harborlite acquired a small perlite expansion business in Spain, which was merged into Harborlite's existing operations in Spain, and acquired additional perlite ore reserves in Central Turkey. In 2002, Harborlite acquired the perlite mining and expansion business in Chile and the perlite expansion business in Brazil.

Harborlite obtains perlite ore in the United States from its No Agua and Superior mines, and believes that its perlite ore reserves at each of these sites are sufficient to last at least 20 more years at the current rates of production. The perlite used by Harborlite for expansion in Europe and Brazil is obtained from Harborlite's two mines in Turkey and from third parties in Europe. Ore reserves at the Turkish mines are believed to be sufficient to last at least 20 more years at the current rates of production. Ore reserves at Harborlite's Chilean mine is believed to be sufficient to last at least 20 more years at the current rates of production.

World Minerals conducts its business on a worldwide basis, with mining and processing operations in eleven countries. In 2003, approximately 49 percent of World

Minerals' revenues (equal to 12.8 percent of Alleghany's consolidated revenues) were generated by foreign operations, and an additional 11 percent of World Minerals' revenues were generated by export sales from the United States. While World Minerals believes that the international scope of its operations gives it unique competitive advantages, international operations can be subject to additional risks, such as currency fluctuations, changes in foreign legal requirements and political instability. World Minerals closely monitors its methods of operating in each country and adopts strategies responsive to changing economic and political environments.

World Minerals minimizes its exposure to the risk of foreign currency fluctuation by, among other things, requiring its non-European foreign subsidiaries to invoice their export customers in United States dollars and causing all of its subsidiaries to declare and pay dividends whenever feasible. World Minerals' foreign operations do not subject Alleghany to a material risk from foreign currency fluctuation.

World Minerals' operating subsidiaries experienced no interruptions in raw materials availability in 2003. Barring unforeseen circumstances, World Minerals anticipates no such interruptions in 2004. Celite and Harborlite believe that they have taken reasonable precautions for the continuous supply of their critical raw materials.

Many of Celite's and Harborlite's operations use substantial amounts of energy, including electricity, fuel oil, natural gas and propane. In 2001, Celite and Harborlite experienced the effects of unprecedented increases in the costs of electricity (particularly in California) and natural gas, and temporary shutdowns as a result of electricity shortages experienced in California. The electricity shortages did not extend beyond 2001, but higher electricity and natural gas prices are expected to continue into the foreseeable future. Celite and Harborlite have supply contracts for most of their energy requirements. Most of such contracts are for one year or less. Celite and Harborlite have not experienced any energy shortages outside of California and they believe that they have taken reasonable precautions to ensure that their energy needs will be met, barring any unusual or unpredictable developments.

From the time World Minerals began operations in 1991, none of its customers accounted for 10 percent or more of World Minerals' annual sales.

World Minerals presently owns, controls or holds licenses either directly or through its subsidiaries to approximately 21 United States and 110 foreign patents and patent applications. Although World Minerals considers all of its patents and licenses to be valuable, World Minerals believes that none of its patents or licenses is by itself material to its business.

World Minerals normally maintains approximately a one- to four-week supply of inventory on certain products due to production lead times. Although diatomite mining activities at Celite's principal mine in Lompoc, California may be suspended during periods of heavy rainfall, World Minerals believes that, because of the stockpiling of ore during dry periods, such suspensions do not materially affect the supply of inventory. Barring unusual circumstances, World Minerals does not experience backlogs of orders. World Minerals' business is not seasonal to any material degree.

In order to bring more focused attention to the unique business needs of various areas of the world, World Minerals reorganized the management of its business in 2000 into three regional sectors. Sales, operations and finance functions are now managed on a regional basis. Administrative, technical and support services are provided to the regional sectors by World Minerals. World Minerals has research and development, environmental control and quality control laboratories at its Lompoc production facilities and quality control laboratories at each of its other production facilities. In 2003, World Minerals spent approximately \$2.3 million on company-sponsored research and technical services (in addition to amounts spent on engineering and exploration) related to the development and improvement of its products and services. World Minerals embarked on a major project to upgrade its information technology capabilities in 2000, a process that will continue into 2005.

Competition

World Minerals believes that Celite is the world's largest producer of filter-aid grade diatomite. The remainder of the market is shared by Celite's four major competitors: Eagle-Picher Minerals (United States), CECA (France), Showa (Japan) and Grefco (United States), and a number of smaller competitors.

World Minerals believes that Harborlite is the world's largest producer of perlite filter aids and is one of the world's largest merchant producers of perlite ore. Harborlite has two large competitors in the expanded perlite market, Grefco and CECA, and many smaller competitors. Harborlite also has two large competitors in the merchant perlite ore market, Silver & Baryte (Greece) and Grefco, and numerous smaller competitors.

The filter aid products of Celite and Harborlite compete with other filter aids, such as cellulose, and other filtration technologies, such as crossflow and centrifugal separation. Celite's silicates compete with a wide variety of other synthetic mineral products.

In all of World Minerals' businesses, competition is principally on the basis of service, product quality and performance, warranty terms, speed and reliability of delivery, product availability and price.

Regulation

All of Celite's and Harborlite's domestic operations are subject to a variety of federal, state and local environmental laws and regulations. These laws and regulations establish potential liability for costs incurred in cleaning up waste sites and impose limitations on atmospheric emissions, discharges to domestic waters, and disposal of hazardous materials. Certain state and local jurisdictions have adopted regulations that may be more stringent than corresponding federal regulations. Celite and Harborlite believe that the impact of environmental regulations on their respective operating results has been minimal due to their environmental compliance programs; however, Celite and Harborlite cannot predict the potential future impact of such regulations, given the increasing number and complexity, and changing character, of such regulations.

Moreover, federal and state laws governing disposal of wastes impact customers who must dispose of used filter-aid materials. World Minerals works with its customers to implement disposal strategies to minimize the impact of these disposal regulations.

The domestic mining operations of Celite and Harborlite are subject to regulation by the Mine Safety and Health Administration ("MSHA"). This agency establishes health and safety standards relating to noise, respiratory protection and dust for employee work environments in the mining industry. Celite's and Harborlite's domestic production facilities which are not under the jurisdiction of MSHA are subject to regulation by the Occupational Safety and Health Administration ("OSHA"), which establishes regulations regarding, among other things, workplace conditions and exposure to dust and noise. In addition, certain state agencies exercise concurrent jurisdiction in these areas. During 1997, both MSHA and OSHA announced special emphasis programs to reduce the incidence of silicosis in the workplace. Due to Celite's industrial hygiene and monitoring programs, Celite does not expect these special emphasis programs to impact its business in any material way.

World Minerals maintains a staff of experienced environmental, safety and industrial hygiene professionals who assist plant personnel in complying with environmental, health and safety regulations. Its environmental, safety and industrial hygiene audit group also performs routine internal audits and reviews of World Minerals' plant facilities worldwide. Due to these programs and responsible management at the local plant level, compliance with such regulations has been facilitated and the financial impact of such regulations on operating results has been minimal.

Certain products of Celite and Harborlite are subject to the Hazard Communication Standard promulgated by OSHA, which requires Celite and Harborlite to disclose the hazards of those products to employees and customers. Celite's diatomite products and certain of Harborlite's products contain varying amounts of crystalline

silica, a mineral which is among the most common found on earth. In 1997, the International Agency for Research on Cancer ("IARC") reclassified the inhalation of crystalline silica from occupational sources from "probably carcinogenic to humans" to a category reflecting "sufficient evidence of human carcinogenicity." Celite and Harborlite provide required warning labels on their products containing in excess of 0.1 percent respirable crystalline silica, advising customers of the IARC designation and providing recommended safety precautions. Such requirements also mandate that industrial customers who purchase diatomite or perlite for use as a filler in their products label such products to disclose hazards which may result from the inclusion of crystalline silica-based fillers, if such products contain in excess of 0.1 percent of crystalline silica by volume, except in the case of non-calcined diatomaceous earth where labeling is only required in cases where the crystalline silica level exceeds 1 percent. Due to labeling concerns, some manufacturers of paint may be considering the use of other fillers in place of Celite's products. In such cases, Celite has actively worked with the customers to switch to alternative products. Celite believes that the loss of these customers would not have a material adverse effect on its operating results. Several states have also enacted or adopted "right to know" laws or regulations, which seek to expand the federal Hazard Communication Standard to include providing notice of hazards to the general public, as well as to employees and customers.

Celite, through the industry-sponsored International Diatomite Producers Association ("IDPA"), has participated in funding several studies to examine in more detail the cancer risk to humans from occupational exposure to crystalline silica. One such study, conducted by the University of Washington on diatomite workers in Lompoc, California (the "Washington Study"), found a modest increase in lung cancer deaths in the cohort compared with national rates (indicated by a standardized mortality ratio ("SMR") equal to 1.43). The SMR compares the number of expected cancer deaths in the cohort with 1, which represents the number of cancer deaths in the population at large. The study also found an increase in non-malignant respiratory disease ("NMRD") (SMR equal to 2.59); this finding was expected because the NMRD category included silicosis resulting from exposures in past decades.

After the publication of the Washington Study, Celite conducted its own review of the portion of the cohort representing the Lompoc plant and found that more workers in this portion of the cohort may have been exposed to asbestos prior to World Minerals' purchase of the Lompoc plant than originally thought. Since exposure to asbestos has been found to cause lung cancer and respiratory disease, this finding has raised concern that the Washington Study may have overstated the adverse health effects of exposure to crystalline silica. IDPA engaged an epidemiologist and an industrial hygienist to examine the cohort to determine whether asbestos exposure was properly accounted for

in the Washington Study's results. The final IDPA report (the "Asbestos Study") was issued in December 1994 and found:

"Although asbestos operations were small relative to the diatomaceous earth operations, analyses in this report showed that exposure to asbestos by workers was relatively common. For example, the number of cohort members who were ever definitely, probably or possibly exposed to asbestos was shown to involve approximately 60 percent of the cohort. Even when only men employed in jobs definitely exposed to asbestos for more than [one] year in the period 1950-1977 were considered, more than 8 percent of the cohort had held such jobs."

The Asbestos Study's authors called for further analyses which fully take into account the results of their study stating "[t]he interpretation of the silica-lung cancer risk relationships based on the [Lompoc] cohort should await the outcome of such analyses."

The results of the Asbestos Study were analyzed by the authors of the Washington Study. They did not agree that asbestos was a likely confounder of the results of the initial study.

In 1996, the Washington Study's authors, in association with researchers from Tulane University, conducted a seven-year follow-up study of the Lompoc cohort. The follow-up study, funded by a grant from the National Institute for Occupational Safety and Health, reported a lower SMR for the cohort (1.29 vs. 1.43), a weakened dose response relationship (which may suggest a less conclusive indication of a causative relationship between occupational exposure and cancer deaths), and a continued absence of excess lung cancer in workers hired after 1960. Data errors later discovered in the follow-up study reduced the final SMR to 1.22 and further weakened the dose response relationship. An additional aspect of the study, which sought to compare results of the cohort study to radiographic readings of the workers, confirmed that the risk of silicosis to workers hired since 1950 and exposed to a cumulative crystalline silica exposure equal to or less than 3 mg/m(3) over the working lifetime of the workers has not been appreciably different than in non-exposed populations.

The various agreements covering the purchase of the business of Celite in 1991 provide for the indemnification of the holding company subsidiary of Alleghany which acquired Celite by the various selling Manville entities in respect of any environmental and health claims arising from the operations of the business of Celite prior to its acquisition by the holding company subsidiary. Such commitments of the selling Manville entities will terminate on July 31, 2006 with respect to claims first asserted thereafter.

Employees

As of December 31, 2003, World Minerals and its consolidated subsidiaries had approximately 1,551 employees worldwide, including 1,080 at Celite and 277 at Harborlite. Approximately 295 of Celite's employees and 36 of Harborlite's employees in the United States are covered by collective bargaining agreements. All of the collective bargaining agreements covering workers at Celite and Harborlite are in full force and effect.

WHOLESALE STEEL FASTENER BUSINESS

Heads & Threads, headquartered in Bloomingdale, Illinois, is one of the nation's leading importers and distributors of steel fasteners. The Heads and Threads division (owned by Alleghany since 1974) was reorganized in 1999 as Heads & Threads International LLC. Heads & Threads imports and sells commercial fasteners - nuts, bolts, screws, washers, sockets, and anchors - for resale through distributors and packagers that serve original equipment manufacturers, maintenance and repair operators, construction and retail customers. Heads & Threads has five distribution centers and seven warehouses serving major metropolitan areas with same day or next day delivery. Heads & Threads also has a packaging operation that distributes small packages through its Atlas division.

In 1998, Heads & Threads acquired Gardenbolt International Corp, substantially increasing its size and presence in East Coast markets and adding a complementary direct from mill/stock for release business to its existing stock business. In April 2000, Heads & Threads acquired the assets of Reynolds Fasteners Inc., effectively doubling its size. Reynolds, a wholesale distributor of fasteners headquartered in Edison, New Jersey, conducted a stock business through twelve sales offices and warehouses nationwide. In November 2000, Heads & Threads acquired the assets of the Atlas Screw & Specialty Division of Pawtucket Fasteners Inc. Atlas, headquartered in New Bedford, Massachusetts, was a relatively small wholesale distributor of fasteners, selling product in small package quantities primarily in the eastern United States.

Because Heads & Threads imports the vast majority of its fasteners, it is necessary to forecast inventory requirements from six months to a year in advance to allow time for shipments to reach their destinations in the United States. As a result, Heads & Threads maintains a six- to eight-month supply of inventory due to customer requirements for immediate delivery. Because of the large inventories it holds and the price sensitivity of the market it serves, Heads & Threads' margins can be adversely affected when product replacement costs, and therefore, selling prices, change quickly or dramatically.

Heads & Threads' costs are subject to fluctuations in foreign currency and import duties. Increases in import duties may result from determinations by United States federal agencies that foreign countries are violating United States laws or intellectual property rights, or are following restrictive import policies. Heads & Threads operations do not subject Alleghany to a material risk from fluctuations in foreign currency or import duties.

At December 31, 2003, Heads & Threads had 247 employees.

REAL ESTATE BUSINESS

Headquartered in Sacramento, California, Alleghany Properties owns and manages properties in the Sacramento region of California. Such properties include improved and unimproved commercial land and commercial and residential lots. The majority of these properties is located in North Natomas. A considerable amount of activity from developers has occurred in the North Natomas area since 1998, including the construction of more than 8,900 single family homes, 3,100 apartment units, office buildings and several fully-leased regional retail shopping centers. Participating in this growth, Alleghany Properties sold over 360 acres of residential land and 50 acres of commercial property.

At December 31, 2003, Alleghany Properties had four employees.

Item 2. Properties.

Alleghany's headquarters is located in leased office space of approximately 16,000 square feet at 375 Park Avenue in New York City.

World Minerals' headquarters is located in leased premises of approximately 13,000 square feet in Santa Barbara, California. Celite, Harborlite and certain departments of World Minerals share approximately 16,800 square feet of leased premises in Lompoc, California.

A description of the major plants and properties owned and operated by Celite and Harborlite is set forth below. All of the following properties are owned, with the exception of the following sites, which are leased: Plant # 1 at Quincy, Washington; the plant site at Fernley, Nevada; the headquarters of World Minerals at Santa Barbara; headquarters of Celite and Harborlite at Lompoc, California; the offices at Nanterre, France; Beijing, PRC; Santiago, Chile; Sao Paulo, Brazil; and Izmir, Turkey; and the plant at Wissembourg, France.

Location and Nature of Property -----	Approximate Square Footage -----	Product or Use -----
CELITE:		
Lompoc, CA Production facility; 18 multi-story production buildings; 5 one-story warehouse buildings; 6 one-story laboratory buildings; 4 multi-story bulk handling buildings; 6 one-story office buildings; 2 one-story lunch and locker-room buildings; and 10 one-story shops.	997,410	Diatomite filter aids, fillers, silicates and specialty products
Lompoc, CA 1 one-story building; and 3 units within 1 one-story building.	16,800	Administrative office

Location and Nature of Property -----	Approximate Square Footage -----	Product or Use -----
Quincy, WA Production facility; Plant #1-1 multi-story production building and 7 one-story buildings. Plant #2-1 multi-story production building and 6 one-story buildings.	60,941	Diatomite filter aids and fillers
Fernley, NV Production facility; 1 five-story processing building; 1 one-story warehouse and office building; 1 one-story warehouse, office and packaging building; 1 one-story truck shed; 1 one-story maintenance shop; and 1 one-story lab.	21,200	Diatomite filters
Murat, Department of Cantal, France Production facility; 1 one-story manufacturing building; 2 one-story warehouses; and 1 one-story office building.	77,000	Diatomite filter aids
Nanterre, France 1 single floor in a multi-story, rental office building.	6,600	Sales and administrative offices
Guadalajara, Mexico Production facility; 2 multi-story production buildings; 2 multi-story pollution-control buildings; and 20 one-story buildings.	116,610	Diatomite filter aids and fillers

Location and Nature of Property -----	Approximate Square Footage -----	Product or Use -----
Mexico City, Mexico 1 single floor condominium.	2,700	Sales and administrative offices
Arica, Chile Production facility; 1 calcined line; 1 administration building; 1 laboratory; 1 warehouse building; 1 changing room building; 1 maintenance workshop; and 1 product warehouse.	50,000	Diatomite filter aids
Santiago, Chile 1 single floor in a multi-story, rental office building.	2,500	Offices
Alicante, Spain Production facility; 2 multi-story manufacturing buildings; 3 one-story warehouses; 2 one-story office buildings; 1 two-story laboratory; and 3 miscellaneous buildings.	70,777	Diatomite filter aids and fillers
Changbai County, Jilin Province, PRC Production facility; 1 multi-story processing facility; 4 one-story warehouse buildings; 1 multi-story office building; and 4 one-story miscellaneous buildings.	95,000	Diatomite filter aids

Location and Nature of Property -----	Approximate Square Footage -----	Product or Use -----
Linjiang County, Jilin Province, PRC Production facility; 1 multi-story production facility; 1 two-story office building; 3 one-story warehouse buildings; and 3 one-story miscellaneous buildings.	74,665	Diatomite filter aids
Linjiang County, Jilin Province, PRC Production facility; 3 multi-story production facilities; 1 one-story office building; 2 one-story warehouse buildings; and 5 one-story miscellaneous buildings.	142,000	Diatomite filter aids
Beijing, PRC 1 single floor in a multi-story, rental office building.	2,700	Offices
HARBORLITE:		
Antonito, CO 1 one-story manufacturing building and warehouse; 1 one-story office building; and 1 one-story warehouse.	9,780	Warehouse facilities for perlite ore

No Agua, NM Production facility; 1 six-story mill building; 1 one-story office and shop building; and 8 miscellaneous one-story buildings.	40,550	Perlite ore
Superior, AZ Production facility; 1 one-story warehouse building; and 1 one-story office building.	6,900	Perlite ore
Escondido, CA 1 one-story warehouse building; and 1 one-story office building.	8,450	Perlite filter aids
Green River, WY 1 one-story warehouse building; and 1 one-story office building.	17,300	Perlite filter aids
Vicksburg, MI 2 one-story warehouse buildings; and 1 one-story office building.	25,050	Perlite filter aids
Youngsville, NC 1 one-story warehouse building; 1 one-story manufacturing building; and 1 one-story office building.	22,500	Perlite filter aids

Quincy, FL 1 one-story warehouse building; 1 one-story manufacturing building; and 1 one-story office building.	18,450	Perlite filter aids
LaPorte, TX 1 one-story expansion warehouse and office building.	23,000	Perlite filter aids and fillers
Wissembourg, France A portion of 1 multi-story production and warehouse building.	5,000	Perlite filter aids and fillers
Hessle, Humberside, United Kingdom 1 one-story manufacturing building; and 1 two-story office building.	36,700	Perlite filter aids and fillers
Dikili, Turkey Production facility; 1 four-story manufacturing building; 1 one-story warehouse building; 1 one-story raw material warehouse; 1 one-story office building; and 1 one-story maintenance shop.	63,200	Perlite crushing mill
Izmir, Turkey 1 single floor in a rental office building.	1,000	Sales and administrative offices

Barcelona, Spain Production facility; 1 one-story manufacturing and warehouse building; 1 one-story raw material warehouse; and 1 two-story office building.	70,300	Perlite filter aids and fillers
El Ejido, Spain 1 one-story manufacturing building; 1 one-story warehouse; and 1 one-story office building.	21,520	Perlite fillers
Milan, Italy Production facility; 1 one-story manufacturing/ warehouse building; 1 one-story raw material warehouse; and 1 two-story office building.	68,600	Perlite filter aids
Santiago, Chile Production facility; 1 ore crushing station; 1 classification and drying line; 3 expansion lines; 1 administration building; 2 product warehouse buildings; 1 laboratory; 1 employee locker facility.	26,000	Perlite expansion facility
Paulinia, Brazil 1 expansion line; 1 maintenance workshop; 1 laboratory; 1 administration building; 1 warehouse; 3 ore silos; 1 employee locker facility.	21,520	Perlite expansion facility
Sao Paulo, Brazil	2,100	Administrative offices

Celite's largest mine is located on owned property immediately adjacent to the City of Lompoc, California, and is the site of one of the most unusual marine diatomite deposits in the world. The mine celebrated its 100th anniversary of production in 1993 and has been in continuous operation for more than 60 years. The Lompoc production facility has a rated capacity in excess of 200,000 tons annually and currently supplies more than 25 different grades of diatomite products to the filtration and filler markets. The facility also houses World Minerals' research and development, and health, safety and environmental departments and Celite's quality control laboratories.

World Minerals, Celite and Harborlite also lease warehouses, office space and other facilities in the United States and abroad. Celite's joint ventures in the PRC have rights to mine diatomaceous earth in sections of Jilin Province, PRC.

RSUI leases approximately 115,000 square feet of office space in Atlanta, Georgia for its headquarters and approximately 34,000 square feet of office space in Sherman Oaks, California.

Capitol Transamerica leases approximately 50,000 square feet of office space in Madison, Wisconsin for its and Platte River's headquarters.

Item 3. Legal Proceedings.

Alleghany's subsidiaries are parties to pending litigation and claims in connection with the ordinary course of their businesses. Each such subsidiary makes provision on its books, in accordance with generally accepted accounting principles, for estimated losses to be incurred in such litigation and claims, including legal costs. In the opinion of management, such provision is adequate under generally accepted accounting principles as of December 31, 2003.

Item 4. Submission of Matters to a Vote of Security Holders.

No matter was submitted to a vote of security holders during the fourth quarter of 2003.

Supplemental Item. Executive Officers of Registrant.

The name, age, current position, date elected and five-year business history of each executive officer of Alleghany are as follows:

Name ----	Age ---	Current Position (date elected) -----	Business Experience During Last 5 Years -----
F.M. Kirby	84	Chairman of the Board (since 1967)	Chairman of the Board, Alleghany.
John J. Burns, Jr.	72	President, chief operating officer (since 1977) and chief executive officer (since 1992)	President and chief executive officer, Alleghany.
Weston M. Hicks	47	Executive Vice President (since October 2002)	Executive Vice President, Alleghany; Executive Vice President and Chief Financial Officer, The Chubb Corporation (from March 2001 to October 2002); Senior Research Analyst and Managing Director, J.P. Morgan Securities (from February 1999 to March 2001); Senior Research Analyst, Sanford C. Bernstein & Co., Inc. (from March 1991 to February 1999).
David B. Cuming	71	Senior Vice President and chief financial officer (since 1989)	Senior Vice President and chief financial officer, Alleghany.
Robert M. Hart	59	Senior Vice President, General Counsel (since 1994) and Secretary (since 1995)	Senior Vice President, General Counsel and Secretary, Alleghany.

James P. Slattery	52	Senior Vice President - Insurance (since 2002)	Senior Vice President - Insurance, Alleghany; President, JPS & Co., LLC (from April 2001); Chief Operating Officer and Deputy Chief Executive Officer, Swiss Reinsurance America Corporation (from November 1999 to April 2001); Senior Vice President - Swiss Re Capital Partners (from 1983 to 1999).
Peter R. Sismondo	48	Vice President, Controller, Assistant Secretary, principal accounting officer (since 1989) and Treasurer (since 1995)	Vice President, Controller, Treasurer, Assistant Secretary and principal accounting officer, Alleghany.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

The information required by this Item with respect to the market price of and dividends on Alleghany's common stock and related stockholder matters is incorporated by reference from page 28 of Alleghany's Annual Report to Stockholders for the year 2003, filed as Exhibit 13 hereto.

Recent Sales of Unregistered Securities.

Other than unregistered issuances of Common Stock previously reported in Alleghany's Quarterly Reports on Form 10-Q for the quarters ended June 30, 2003 and September 30, 2003, and such issuances that did not involve a sale consisting of issuances of common stock and other securities pursuant to employee incentive plans, Alleghany did not sell any Common Stock during 2003 that was not registered under the Securities Act.

Item 6. Selected Financial Data.

The information required by this Item 6 is incorporated by reference from page 28 of Alleghany's Annual Report to Stockholders for the year 2003, filed as Exhibit 13 hereto.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The information required by this Item 7 is incorporated by reference from pages 3 through 4, 6 through 10, 12 through 26 and 30 through 32 of Alleghany's Annual Report to Stockholders for the year 2003, filed as Exhibit 13 hereto.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The information required by this Item 7A is incorporated by reference from pages 32 through 33 of Alleghany's Annual Report to Stockholders for the year 2003, filed as Exhibit 13 hereto.

Item 8. Financial Statements and Supplementary Data.

The information required by this Item 8 is incorporated by reference from pages 34 through 52 of Alleghany's Annual Report to Stockholders for the year 2003, filed as Exhibit 13 hereto.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 9A. Controls and Procedures

Alleghany carried out an evaluation, under the supervision and with the participation of Alleghany's management, including the Chief Executive Officer (the "CEO") and the Chief Financial Officer (the "CFO"), of the effectiveness of the design and operation of Alleghany's disclosure controls and procedures as of the end of the period covered by this Form 10-K Report pursuant to Rule 13a-15 promulgated under the Securities Exchange Act of 1934. Based on that evaluation, Alleghany's management, including the CEO and CFO, concluded that Alleghany's disclosure controls and procedures are effective in timely alerting them to material information required to be included in Alleghany's periodic reports required to be filed with the Securities and Exchange Commission. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. There have been no significant changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, Alleghany's internal control over financial reporting subsequent to the date of such evaluation, including any corrective actions with regard to significant deficiencies or material weaknesses.

PART III**Item 10. Directors and Executive Officers of Registrant.**

As permitted by General Instruction G(3), information concerning the executive officers of Alleghany is set forth as a supplemental item included in Part I of this Form 10-K Report under the caption "Executive Officers of Registrant." Information concerning the directors of Alleghany is incorporated by reference from pages 4 through 9 of Alleghany's Proxy Statement, filed or to be filed in connection with its Annual Meeting of Stockholders to be held on April 23, 2004. Information concerning compliance with the reporting requirements under Section 16 of the Securities Exchange Act of 1934, as amended, is incorporated by reference from pages 10 and 11 of Alleghany's Proxy Statement, filed or to be filed in connection with its Annual Meeting of Stockholders to be held on April 23, 2004.

In September 2003, the Board of Directors of Alleghany adopted a Financial Personnel Code of Ethics (the "Financial Personnel Code of Ethics") applicable to its chief executive officer, chief financial officer, chief accounting officer and vice president for tax matters that complies with the requirements of Item 406 of Regulation S-K under the Securities Exchange Act of 1934, as amended. The Financial Personnel Code of Ethics supplements Alleghany's Code of Business Conduct and Ethics, adopted by the Board of Directors of Alleghany in September 2003, which is applicable to all employees of Alleghany and its directors. A copy of the Financial Personnel Code of Ethics has been filed as Exhibit 14 to this Form 10-K Report.

Item 11. Executive Compensation.

The information required by this Item 11 is incorporated by reference from pages 12 through 17 of Alleghany's Proxy Statement, filed or to be filed in connection with its Annual Meeting of Stockholders to be held on April 23, 2004. The information set forth beginning with the bottom of page 18 through page 23 of Alleghany's Proxy Statement, filed or to be filed in connection with its Annual Meeting of Stockholders to be held on April 23, 2004, is not "filed" as a part hereof.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Equity Compensation Plan Information

The following table summarizes information, as of December 31, 2003, relating to equity compensation plans of Alleghany under which equity securities of Alleghany are authorized for issuance:

PLAN CATEGORY	(a) NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	(b) WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	(c) NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS (EXCLUDING SECURITIES REFLECTED IN COLUMN (a))
-----	-----	-----	-----
Equity compensation plans approved by security holders(1).....	85,564(2)	\$146.87	782,070
Equity compensation plans not approved by security holders(3).....	37,488	\$123.36	10,235
	-----	-----	-----
Total.....	123,052	--	792,305
	=====	=====	=====

(1) These plans consist of: (i) the Amended and Restated Directors' Stock Option Plan, (ii) the 2000 Directors' Stock Option Plan, (iii) the Directors' Equity Compensation Plan, (iv) the 1993 Long-Term Incentive Plan and (v) the 2002 Long-Term Incentive Plan.

(2) This amount does not include 81,667 performance shares outstanding under the 1993 Plan and 38,489 performance shares outstanding under the 2002 Plan. Performance shares do not have an exercise price because their value is dependent upon the achievement of certain performance goals over a period of time. Performance shares are typically paid one-half in cash and one-half in Common Stock.

(3) These plans consist of: (i) the Subsidiary Directors' Stock Option Plan (the "Subsidiary Option Plan"), (ii) the Underwriters Re Group, Inc. 1998 Stock Option Plan (the "URG 1998 Plan") and (iii) the Underwriters Re Group, Inc. 1997 Stock Option Plan (the "URG 1997 Plan"). Under the Subsidiary Option Plan, which was adopted on July 21, 1998, the Compensation Committee of Alleghany's Board of Directors selected non-employee directors of Alleghany's subsidiaries to receive grants of nonqualified stock options. Not more than 25,000 shares of Common Stock (subject to adjustment by reason of any stock split, stock dividend or other similar event) will be issued pursuant to options granted under the Subsidiary Option Plan. As of December 31, 2003, options to purchase 10,826 shares of Alleghany's Common Stock (subject to adjustment by reason of any stock split, stock dividend or other similar event) were outstanding. The Subsidiary Option Plan expired on July 31, 2003 and therefore no shares of Alleghany's Common Stock remain available for future grants. Each option has a term of 10 years from the date it is granted. One-third of the total number of shares of Common Stock covered by each option becomes exercisable each year beginning with the first anniversary of the date it is granted; however, an option automatically becomes exercisable in full when the non-employee subsidiary director ceases to be a non-employee subsidiary director for any reason other than death. If an optionholder dies while holding options that have not been fully exercised, his or her executors, administrators, heirs or distributees, as the case may be, may exercise those options which the decedent could have exercised at the time of death within one year after the date of such death. Under the URG 1998 Plan, which was adopted on or about October 23, 1998, options were granted to certain employees of Venton Holdings Ltd. ("Venton") in exchange for warrants or options to purchase Venton shares upon the acquisition of Venton in October 1998 by Underwriters Re Group, Inc. ("URG"), a wholly owned subsidiary of Alleghany until May 2000, when it was sold to Swiss Re America Holding Corporation. As of December 31, 2003, options to purchase 5,934 shares of Alleghany's Common Stock (subject to adjustment by reason of any stock split, stock dividend or other similar event) were outstanding, and no shares of Alleghany's Common Stock remained available for future grants under the URG 1998 Plan. Under the URG 1997 Plan, which was adopted on September 17, 1997, options were granted to certain members of URG management in exchange for options to purchase shares of URG. As of December 31, 2003, options to purchase 20,728 shares of Alleghany's Common Stock

(subject to adjustment by reason of any stock split, stock dividend or other similar event) were outstanding, and no shares of Alleghany's Common Stock remained available for future option grants under the URG 1997 Plan. Under the URG 1998 Plan and the URG 1997 Plan, options expire if they are not exercised prior to the earliest of (i) the tenth anniversary of the date of grant of the original warrant or option to purchase Venton or URG common stock, (ii) three months after termination of the optionee's employment with Venton or URG or a subsidiary for any reason except death or a permanent disability, or (iii) one year after termination of the optionee's employment with Venton or URG or a subsidiary by reason of death or permanent disability.

The additional information required by this Item 12 is incorporated by reference from pages 3 and 4, and from pages 9 and 10, of Alleghany's Proxy Statement, filed or to be filed in connection with its Annual Meeting of Stockholders to be held on April 23, 2004.

Item 13. Certain Relationships and Related Transactions.

The information required by this Item 13 is incorporated by reference from pages 6 and 7 of Alleghany's Proxy Statement, filed or to be filed in connection with its Annual Meeting of Stockholders to be held on April 23, 2004.

Item 14. Principal Accountant Fees and Services

The information required by this Item 14 is incorporated by reference from pages 25 and 26 of Alleghany's Proxy Statement, filed or to be filed in connection with its Annual Meeting of Stockholders to be held on April 23, 2004.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) 1. Financial Statements.

The consolidated financial statements of Alleghany and its subsidiaries, together with the report thereon of KPMG LLP, independent certified public accountants, are incorporated by reference from the Annual Report to Stockholders for the year 2003 into Item 8 of this Report.

2. Financial Statement Schedules.

The schedules relating to the consolidated financial statements of Alleghany and its subsidiaries, together with the report thereon of KPMG LLP, independent certified public accountants, are detailed in a separate index herein.

3. Exhibits.

The following are filed as exhibits to this Report:

Exhibit Number -----	Description -----
3.01	Restated Certificate of Incorporation of Alleghany, as amended by Amendment accepted and received for filing by the Secretary of State of the State of Delaware on June 23, 1988, filed as Exhibit 20 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 1988, is incorporated herein by reference.
3.02	By-laws of Alleghany, as amended September 17, 2002, filed as Exhibit 3.1 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002, is incorporated herein by reference.
*10.01	Description of Alleghany Management Incentive Plan, filed as Exhibit 10.01 to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1993, is incorporated herein by reference.

* Compensatory plan or arrangement.

*10.02	Alleghany Corporation Deferred Compensation Plan, as amended and restated as of December 15, 1992, filed as Exhibit 10.03 to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1992, is incorporated herein by reference.
*10.03	Alleghany 2002 Long-Term Incentive Plan, adopted and effective April 26, 2002, filed as Exhibit A to Alleghany's Proxy Statement, filed in connection with its Annual Meeting of Stockholders held on April 26, 2002, is incorporated herein by reference.
*10.04	Alleghany Supplemental Death Benefit Plan dated as of May 15, 1985 and effective as of January 1, 1985, filed as Exhibit 10.08 to Old Alleghany's Annual Report on Form 10-K for the year ended December 31, 1985, is incorporated herein by reference.
*10.05(a)	Trust Agreement Amendment made as of July 8, 1994 between Alleghany and Chemical Bank, filed as Exhibit 10.08(a) to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1995, is incorporated herein by reference.
*10.05(b)	Alleghany Retirement Plan, as amended and restated on March 14, 1995, filed as Exhibit 10.08(c) to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1994, is incorporated herein by reference.
*10.05(c)	Amendments to Alleghany Retirement Plan, effective as of January 1, 1996, filed as Exhibit 10.1 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996, is incorporated herein by reference.
*10.05(d)	Amendments to Alleghany Retirement Plan, effective as of January 1, 1998, filed as Exhibit 10.05(d) to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1997, are incorporated herein by reference.

* Compensatory plan or arrangement.

*10.06	Alleghany Retirement COLA Plan dated and effective as of January 1, 1992, as adopted on March 17, 1992, filed as Exhibit 10.7 to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1991, are incorporated herein by reference.
*10.07	Description of Alleghany Group Long Term Disability Plan effective as of July 1, 1995, filed as Exhibit 10.10 to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1995, is incorporated herein by reference.
*10.08(a)	Alleghany Amended and Restated Directors' Stock Option Plan effective as of April 20, 1993, filed as Exhibit 10.1 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993, is incorporated herein by reference.
*10.08(b)	Alleghany 2000 Directors' Stock Option Plan effective April 28, 2000, filed as Exhibit A to Alleghany's Proxy Statement, filed in connection with its Annual Meeting of Stockholders held on April 28, 2000, is incorporated herein by reference.
*10.09	Alleghany Directors' Equity Compensation Plan, effective as of January 16, 1995, filed as Exhibit 10.11 to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1994, is incorporated herein by reference.
*10.10	Alleghany Non-Employee Directors' Retirement Plan effective July 1, 1990, filed as Exhibit 10.1 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 1990, is incorporated herein by reference.

* Compensatory plan or arrangement.

- 10.11(a) 364-Day Revolving Credit Agreement, dated as of June 14, 2002, by and between Alleghany, the banks which are signatories thereto, and U.S. Bank National Association (U.S. Bank"), as agent for the banks (the "364-Day Revolving Credit Agreement"), filed as Exhibit 10.1(a) to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, is incorporated herein by reference.
- 10.11(b) List of Contents of Exhibits and Schedules to the 364-Day Revolving Credit Agreement, filed as Exhibit 10.1(b) to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.11(c) Three-Year Revolving Credit Agreement, dated as of June 14, 2002, by and between Alleghany, the banks which are signatories thereto, and U.S. Bank, as agent for the banks (the "Three-Year Revolving Credit Agreement"), filed as Exhibit 10.2(a) to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, is incorporated herein by reference.
- 10.11(d) List of Contents of Exhibits and Schedules to the Three-Year Revolving Credit Agreement, filed as Exhibit 10.2(b) to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.11(e) First Amendment to 364-Day Revolving Credit Agreement, dated as of June 13, 2003, amending the 364-Day Revolving Credit Agreement, dated as of June 14, 2002, by and among Alleghany, the Banks named therein and U.S. Bank, as agent for the Banks, filed as Exhibit 10.46 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.

- 10.11(f) Second Amendment to 364-Day Revolving Credit Agreement, dated as of June 20, 2003, amending the 364-Day Revolving Credit Agreement, dated as of June 14, 2002, by and among Alleghany, the Banks named therein and U.S. Bank, as agent for the Banks, filed as Exhibit 10.47 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.11(g) Third Amendment to 364-Day Revolving Credit Agreement, dated as of September 30, 2003, amending the 364-Day Revolving Credit Agreement, dated as of June 14, 2002, by and among Alleghany, the Banks named therein and U.S. Bank, as agent for the Banks, filed as Exhibit 10.10 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, is incorporated herein by reference.
- 10.11(h) Fourth Amendment to 364-Day Revolving Credit Agreement, dated as of October 17, 2003, amending the 364-Day Revolving Credit Agreement, dated as of June 14, 2002, by and among Alleghany, the Banks named therein and U.S. Bank, as agent for the Banks, filed as Exhibit 10.11 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, is incorporated herein by reference.
- 10.11(i) Fifth Amendment to 364-Day Revolving Credit Agreement, dated as of November 10, 2003, amending the 364-Day Revolving Credit Agreement, dated as of June 14, 2002, by and among Alleghany, the Banks named therein and U.S. Bank, as agent for the Banks, filed as Exhibit 10.12 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, is incorporated herein by reference.
- 10.11(j) First Amendment to Three-Year Revolving Credit Agreement, dated as of June 20, 2003, amending the Three-Year Revolving Credit Agreement, dated as of June 14, 2002, among Alleghany, the Banks named therein and U.S. Bank, as agent for the Banks, filed as Exhibit 10.48 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, is incorporated herein by reference.

- 10.11(k) Second Amendment to Three-Year Revolving Credit Agreement, dated as of October 17, 2003, amending the Three-Year Revolving Credit Agreement, dated as of June 14, 2002, among Alleghany, the Banks named therein and U.S. Bank, as agent for the Banks, filed as Exhibit 10.13 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, is incorporated herein by reference.
- 10.12(a) Distribution Agreement dated as of June 16, 1998 by and between Alleghany and Chicago Title Corporation (the "Spin-Off Distribution Agreement"), filed as Exhibit 2.1(a) to Chicago Title Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, is incorporated herein by reference (Securities and Exchange Commission File No. 001-13995).
- 10.12(b) List of Contents of Exhibits to the Spin-Off Distribution Agreement, filed as Exhibit 2.1(b) to Chicago Title Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, is incorporated herein by reference (Securities and Exchange Commission File No. 001-13995). Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.12(c) Tax Sharing Agreement dated as of June 17, 1998 by and among Alleghany and Chicago Title Corporation, filed as Exhibit 10.2 to Chicago Title Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, is incorporated herein by reference (Securities and Exchange Commission File No. 001-13995).
- 10.13 Distribution Agreement dated as of May 1, 1987 between Alleghany and MSL Industries, Inc., filed as Exhibit 10.21 to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1987, is incorporated herein by reference.

- 10.14 Amendment to Distribution Agreement dated June 29, 1987, effective as of May 1, 1987, between Alleghany and MSL Industries, Inc., filed as Exhibit 10.22 to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1987, is incorporated herein by reference.
- 10.15(a) Note Purchase Agreement dated as of December 11, 1998 by and among Alleghany Properties, Inc., Alleghany and United of Omaha Life Insurance Company (the "Alleghany Properties 1998 Note Purchase Agreement"), filed as Exhibit 10.18(a) to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1998, is incorporated herein by reference. Agreements dated as of December 11, 1998 among Alleghany Properties, Inc., Alleghany and each of Companion Life Insurance Company, Hartford Life Insurance Company, The Lincoln National Life Insurance Company, and First Penn-Pacific Life Insurance Company are omitted pursuant to Instruction 2 of Item 601 of Regulation S-K.
- 10.15(b) List of Contents of Annexes and Exhibits to the Alleghany Properties 1998 Note Purchase Agreement, filed as Exhibit 10.18(b) to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1998, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.16(a) Installment Sales Agreement dated December 8, 1986 by and among Alleghany, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Merrill Lynch & Co., Inc., filed as Exhibit 10.10 to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1986, is incorporated herein by reference.
- 10.16(b) Intercreditor and Collateral Agency Agreement dated as of October 20, 1997 among The Chase Manhattan Bank, Barclays Bank PLC and Alleghany Funding Corporation, filed as Exhibit 10.1 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997, is incorporated herein by reference.

- 10.16(c) Master Agreement dated as of October 20, 1997 between Barclays Bank PLC and Alleghany Funding Corporation, and related Amended Confirmation dated October 24, 1997 between Barclays Bank PLC and Alleghany Funding Corporation, filed as Exhibit 10.2 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997, are incorporated herein by reference.
- 10.16(d) Indenture dated as of October 20, 1997 between Alleghany Funding Corporation and The Chase Manhattan Bank, filed as Exhibit 10.3 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997, is incorporated herein by reference.
- 10.17(a) Stock Purchase Agreement dated as of July 1, 1991 among Celite Holdings Corporation, Celite Corporation and Manville International, B.V. (the "Celite Stock Purchase Agreement"), filed as Exhibit 10.2(a) to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 1991, is incorporated herein by reference.
- 10.17(b) List of Contents of Exhibits and Schedules to the Celite Stock Purchase Agreement, filed as Exhibit 10.2(b) to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 1991, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.18(a) Joint Venture Stock Purchase Agreement dated as of July 1, 1991 among Celite Holdings Corporation, Celite Corporation and Manville Corporation (the "Celite Joint Venture Stock Purchase Agreement"), filed as Exhibit 10.3(a) to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 1991, is incorporated herein by reference.

- 10.18(b) List of Contents of Exhibits and Schedules to the Celite Joint Venture Stock Purchase Agreement, filed as Exhibit 10.3(b) to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 1991, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.19(a) Asset Purchase Agreement dated as of July 1, 1991 among Celite Holdings Corporation, Celite Corporation and Manville Sales Corporation (the "Celite Asset Purchase Agreement"), filed as Exhibit 10.4(a) to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 1991, is incorporated herein by reference.
- 10.19(b) List of Contents of Exhibits and Schedules to the Celite Asset Purchase Agreement, filed as Exhibit 10.4(b) to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 1991, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.19(c) Amendment No. 1 dated as of July 31, 1991 to the Celite Asset Purchase Agreement, filed as Exhibit 10.32(c) to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1991, is incorporated herein by reference.
- 10.20(a) Acquisition Related Agreement dated as of July 1, 1991, by and between Celite Holdings Corporation, Celite Corporation and Manville Corporation (the "Celite Acquisition Related Agreement"), filed as Exhibit 10.5(a) to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 1991, is incorporated herein by reference.

- 10.20(b) List of Contents of Exhibits to the Celite Acquisition Related Agreement, filed as Exhibit 10.5(b) to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 1991, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.20(c) Amendment dated as of July 31, 1991 to Celite Acquisition Related Agreement, filed as Exhibit 10.33(c) to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1991, is incorporated herein by reference.
- 10.21(a) Credit Agreement dated as of March 12, 2003 among Mineral Holdings, Inc., World Minerals, designated subsidiary borrowers, the Banks named therein and Union Bank of California, N.A., as Sole Lead Arranger, Administrative Agent and Collateral Agent (the "World Minerals Credit Agreement"), filed as Exhibit 10.1 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003, is incorporated herein by reference.
- 10.21(b) List of Contents of Exhibits, Annexes and Schedules to the World Minerals Credit Agreement, filed as Exhibit 10.2 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.21(c) Subordination Agreement dated as of March 12, 2003 between Alleghany and Union Bank of California, N.A., as Administrative Agent and Collateral Agent, filed as Exhibit 10.3 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003, is incorporated herein by reference.

- 10.22(a) Stock Purchase Agreement dated as of December 30, 1999 by and between Alleghany and Swiss Re America Holding Corporation, filed as Exhibit 99.1 to Alleghany's Current Report on Form 8-K dated December 30, 1999, is incorporated herein by reference.
- 10.22(b) Closing Agreement, dated May 10, 2000, by and between Swiss Re America Holding Corporation and Alleghany, filed as Exhibit 99.2 to Alleghany's Current Report on Form 8-K dated May 25, 2000, is incorporated herein by reference.
- 10.23 Agreement, effective as of December 20, 2000, by and among Alleghany, Underwriters Reinsurance Company and London Life and Casualty Reinsurance Corporation, filed as Exhibit 10.23 to Alleghany's Annual Report on Form 10-K for the year ended December 31, 2000, is incorporated herein by reference.
- 10.24(a) Agreement and Plan of Amalgamation dated as of July 30, 1998 by and among Underwriters Reinsurance Company, Underwriters Acquisition Company Ltd. and Venton Holdings Ltd. (the "Amalgamation Agreement"), filed as Exhibit 10.28(a) to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1998, is incorporated herein by reference.
- 10.24(b) List of Contents of Exhibits to the Amalgamation Agreement, filed as Exhibit 10.28(b) to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1998, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.24(c) Amendment No. 1 dated as of September 24, 1998 to the Amalgamation Agreement (the "Amalgamation Amendment No. 1"), filed as Exhibit 10.28(c) to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1998, is incorporated herein by reference.

- 10.24(d) List of Contents of Exhibits to the Amalgamation Amendment No. 1, filed as Exhibit 10.28(d) to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1998, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.25(a) Credit Agreement dated as of August 14, 2000, by and among Alleghany Underwriting Ltd, Alleghany Underwriting Capital Ltd, Talbot Underwriting Limited, and Alleghany Underwriting Capital (Bermuda) Ltd, as Borrowers and Account Parties; Alleghany, as Guarantor; the Banks parties thereto from time to time; Mellon Bank, N.A., as Issuing Bank, as Administrative Agent and as Arranger; National Westminster Bank plc, as Syndication Agent and ING Bank, N.V., as Managing Agent (the "Alleghany Underwriting Credit Agreement"), filed as Exhibit 10.1 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000, is incorporated herein by reference.
- 10.25(b) List of Contents of Exhibits and Schedules to the Alleghany Underwriting Credit Agreement, filed as Exhibit 10.2 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.

- 10.25(c) First Amendment to Credit Agreement dated as of February 1, 2001, by and among Alleghany Underwriting Ltd, Alleghany Underwriting Capital Ltd, Talbot Underwriting Limited, Alleghany Underwriting Capital (Bermuda) Ltd, Alleghany, Alleghany Insurance Holdings LLC, the Banks and Agents which have signed the signature pages thereto, and Mellon Bank, N.A., as Bank, as Issuing Bank and as Administrative Agent for the Banks and the Issuing Bank, filed as Exhibit 10.25(c) to Alleghany's Annual Report on Form 10-K for the year ended December 31, 2000, is incorporated herein by reference.
- 10.25(d) Purchase Agreement dated as of October 31, 2001 by and between Alleghany Insurance Holdings LLC and Talbot Holdings Ltd, filed as Exhibit 10.1 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001, is incorporated herein by reference.
- 10.26(a) Agreement and Plan of Merger, dated as of October 18, 2000, by and among ABN AMRO North America Holding Company, Alleghany Asset Management, Inc. and Alleghany, filed as Exhibit 2.1 to Alleghany's Current Report on Form 8-K dated October 23, 2000, is incorporated herein by reference.
- 10.26(b) Amendment to the Agreement and Plan of Merger dated as of January 17, 2001, by and among ABN AMRO North America Holding Company, Alleghany Asset Management, Inc. and Alleghany, filed as Exhibit 2.2 to Alleghany's Current Report on Form 8-K dated February 14, 2001, is incorporated herein by reference.
- 10.26(c) Closing Agreement dated as of February 1, 2001, by and among ABN AMRO North America Holding Company, Alleghany Asset Management, Inc. and Alleghany, filed as Exhibit 2.3 to Alleghany's Current Report on Form 8-K dated February 14, 2001, is incorporated herein by reference.

- 10.27(a) Asset Purchase Agreement dated as of April 3, 2000 by and among Heads & Threads, Acktion Corporation and Reynolds Fasteners, Inc. (the "Heads & Threads Asset Purchase Agreement"), filed as Exhibit 10.1 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000, is incorporated herein by reference.
- 10.27(b) List of Contents of Schedules to the Heads & Threads Asset Purchase Agreement, filed as Exhibit 10.2 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.28(a) Credit Agreement dated as of April 30, 2003 between Heads & Threads and LaSalle Bank, N.A. (the "Heads & Threads Credit Agreement"), filed as Exhibit 10.4 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003, is incorporated herein by reference.
- 10.28(b) List of Contents of Exhibits, Annexes and Schedules to the Heads & Threads Credit Agreement, filed as Exhibit 10.5 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.29(a) Agreement and Plan of Merger dated as of July 20, 2001 by and among Capitol Transamerica, ABC Acquisition Corp. and Alleghany (the "Capitol Transamerica Merger Agreement"), filed as Exhibit 10.1(a) to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001, is incorporated herein by reference.

10.29(b)	List of Contents of Exhibits and Schedules to the Capitol Transamerica Merger Agreement, filed as Exhibit 10.1(b) to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
*10.30(a)	Employment Agreement, dated October 7, 2002, between Alleghany and Weston M. Hicks, filed as Exhibit 10.1 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002, is incorporated herein by reference.
*10.30(b)	Restricted Stock Award Agreement, dated October 7, 2002, between Alleghany and Weston M. Hicks, filed as Exhibit 10.2 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002, is incorporated herein by reference.
*10.30(c)	Restricted Stock Unit Matching Grant Agreement, dated October 7, 2002, between Alleghany and Weston M. Hicks, filed as Exhibit 10.3 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002, is incorporated herein by reference.
10.31(a)	Acquisition Agreement, dated as of June 6, 2003, by and between Royal Group, Inc. and AIHL (the "Resurgens Specialty Acquisition Agreement"), filed as Exhibit 10.1 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
10.31(b)	List of Contents of Exhibits and Schedules to the Resurgens Specialty Acquisition Agreement, filed as Exhibit 10.2 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.

* Compensatory plan or arrangement.

- 10.32 Assignment and Assumption Agreement, dated as of June 30, 2003, by and between AIHL and RSUI (regarding the transfer of rights under the Resurgens Specialty Acquisition Agreement), filed as Exhibit 10.3 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.33(a) Quota Share Reinsurance Agreement, dated as of July 1, 2003, by and between Royal Indemnity Company and RIC (the "Royal Indemnity Company Quota Share Reinsurance Agreement"), filed as Exhibit 10.4 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.33(b) List of Contents of Exhibits and Schedules to the Royal Indemnity Company Quota Share Reinsurance Agreement, filed as Exhibit 10.5 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.34(a) Quota Share Reinsurance Agreement, dated as of July 1, 2003, by and between Royal Surplus Lines Insurance Company and RIC (the "Royal Surplus Lines Insurance Company Quota Share Reinsurance Agreement"), filed as Exhibit 10.6 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.34(b) List of Contents of Exhibits and Schedules to the Royal Surplus Lines Insurance Company Quota Share Reinsurance Agreement, filed as Exhibit 10.7 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.

- 10.35(a) Quota Share Reinsurance Agreement, dated as of July 1, 2003, by and between Landmark and RIC (the "Landmark Quota Share Reinsurance Agreement"), filed as Exhibit 10.8 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.35(b) List of Contents of Exhibits and Schedules to the Landmark Quota Share Reinsurance Agreement, filed as Exhibit 10.9 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.36(a) Administrative Services Agreement, dated as of July 1, 2003, by and among Royal Indemnity Company, Resurgens Specialty and RIC (the "Royal Indemnity Company Administrative Services Agreement"), filed as Exhibit 10.10 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.36(b) List of Contents of Exhibits and Schedules to the Royal Indemnity Company Administrative Services Agreement, filed as Exhibit 10.11 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.37(a) Administrative Services Agreement, dated as of July 1, 2003, by and among Royal Surplus Lines Insurance Company, Resurgens Specialty and RIC (the "Royal Surplus Lines Insurance Company Administrative Services Agreement"), filed as Exhibit 10.12 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.

- 10.37(b) List of Contents of Exhibits and Schedules to the Royal Surplus Lines Insurance Company Administrative Services Agreement, filed as Exhibit 10.13 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.38(a) Administrative Services Agreement, dated as of July 1, 2003, by and among Royal Insurance Company of America, Resurgens Specialty and RIC (the "Royal Insurance Company of America Administrative Services Agreement"), filed as Exhibit 10.14 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.38(b) List of Contents of Exhibits and Schedules to the Royal Insurance Company of America Administrative Services Agreement, filed as Exhibit 10.15 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.39(a) Administrative Services Agreement, dated as of July 1, 2003, by and among Landmark, Resurgens Specialty and RIC (the "Landmark Administrative Services Agreement"), filed as Exhibit 10.16 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.39(b) List of Contents of Exhibits and Schedules to the Landmark Administrative Services Agreement, filed as Exhibit 10.17 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.

- 10.40(a) Trust Agreement, dated as of July 1, 2003, by and among Royal Indemnity Company, Royal Surplus Lines Insurance Company, Landmark, RIC and LaSalle Bank National Association, as Trustee (the "Trust Agreement"), filed as Exhibit 10.18 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.40(b) Amendment, dated as of September 2, 2003, amending the Trust Agreement, filed as Exhibit 10.7 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, is incorporated herein by reference.
- 10.41(a) Assignment of Net Premium Receivables, dated as of July 1, 2003, by and between LaSalle Bank National Association and Royal Indemnity Company, Royal Surplus Lines Insurance Company and Landmark ("Assignment of Receivables"), filed as Exhibit 10.19 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.41(b) Amendment, dated as of September 2, 2003, amending the Assignment of Receivables, filed as Exhibit 10.8 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, is incorporated herein by reference.
- 10.42(a) Assignment of Reinsurance Recoverables, dated as of July 1, 2003, by and among RIC, LaSalle Bank National Association and Royal Indemnity Company, Royal Surplus Lines Insurance Company and Landmark ("Assignment of Recoverables"), filed as Exhibit 10.20 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.42(b) Amendment, dated as of September 2, 2003, amending the Assignment of Recoverables, filed as Exhibit 10.9 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, is incorporated herein by reference.

- 10.43 Administrative Services Intellectual Property License Agreement, dated as of July 1, 2003, by and between Royal Indemnity Company and Resurgens Specialty (entered into pursuant to the Royal Indemnity Company Administrative Services Agreement), filed as Exhibit 10.21 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.44 Administrative Services Intellectual Property License Agreement, dated as of July 1, 2003, by and between Royal Indemnity Company and Resurgens Specialty (entered into pursuant to the Royal Surplus Lines Insurance Company Administrative Services Agreement), filed as Exhibit 10.22 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.45 Administrative Services Intellectual Property License Agreement, dated as of July 1, 2003, by and between Royal Indemnity Company and Resurgens Specialty (entered into pursuant to the Royal Insurance Company of America Administrative Services Agreement), filed as Exhibit 10.23 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.46 Administrative Services Intellectual Property License Agreement, dated as of July 1, 2003, by and between Royal Indemnity Company and Resurgens Specialty (entered into pursuant to the Landmark Administrative Services Agreement), filed as Exhibit 10.24 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.47(a) Claims Servicing Agreement, dated as of July 1, 2003, by and among RIC, Royal Indemnity Company, Royal Surplus Lines Insurance Company, Landmark, Royal Insurance Company of America, American and Foreign Insurance Company, Globe Indemnity Company, Safeguard Insurance Company and Phoenix Assurance Company of New York (the "Claims Servicing Agreement"), filed as Exhibit 10.25 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.

- 10.47(b) List of Contents of Exhibits and Schedules to the Claims Servicing Agreement, filed as Exhibit 10.26 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.48 Claims Servicing Information Technology License Agreement, dated as of July 1, 2003, by and between Royal Indemnity Company and RIC, filed as Exhibit 10.27 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.49(a) Renewal Rights Agreement, dated as of July 1, 2003, by and among Landmark, Royal Indemnity Company, Royal Surplus Lines Insurance Company, Royal Insurance Company of America and AIHL (the "Renewal Rights Agreement"), filed as Exhibit 10.28 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.49(b) List of Contents of Exhibits to the Renewal Rights Agreement, filed as Exhibit 10.29 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.50(a) Transition Services Agreement, dated as of July 1, 2003, by and among Royal Group, Inc., RSUI and Resurgens Specialty (the "Transition Services Agreement"), filed as Exhibit 10.30 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.50(b) List of Contents of Schedules to the Transition Services Agreement, filed as Exhibit 10.31 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.

- 10.51 Transitional Trademark License Agreement, dated as of July 1, 2003, by and among R&SA, Resurgens Specialty and RSA Surplus Lines Insurance Services, Inc, filed as Exhibit 10.32 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.52 Employee Leasing Agreement, dated as of July 1, 2003, by and between Royal Indemnity Company and RIC, filed as Exhibit 10.33 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.53(a) Managing General Agency Agreement, dated as of July 1, 2003, by and among Resurgens Specialty, as Managing General Agent, Royal Indemnity Company, Royal Surplus Lines Insurance Company, Royal Insurance Company of America and Landmark (the "Managing General Agency Agreement"), filed as Exhibit 10.34 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.53(b) List of Contents of Exhibits to the Managing General Agency Agreement, filed as Exhibit 10.35 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.54(a) Stock Purchase Agreement, dated as of July 1, 2003, by and between AIHL and Royal Group, Inc. (the "RSA Surplus Lines Insurance Services, Inc. Stock Purchase Agreement"), filed as Exhibit 10.36 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.54(b) List of Contents of Exhibits and Schedules to the RSA Surplus Lines Insurance Services, Inc. Stock Purchase Agreement, filed as Exhibit 10.37 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.

- 10.55 Assignment and Assumption of Liabilities Agreement, dated as of July 1, 2003, by and between RSA Surplus Lines Insurance Services, Inc. and Royal Indemnity Company, filed as Exhibit 10.38 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.56 Assignment and Assumption Agreement, dated as of July 1, 2003, by and between AIHL and RSUI, filed as Exhibit 10.39 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.57 Assignment and Assumption Agreement, dated as of July 1, 2003, by and between AIHL and RSUI, filed as Exhibit 10.40 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.58 Assignment and Assumption Agreement, dated as of July 1, 2003, by and between AIHL and RSUI, filed as Exhibit 10.41 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.59(a) Stock Purchase Agreement, dated as of June 6, 2003, by and between AIHL and Guaranty National Insurance Company (the "Landmark Stock Purchase Agreement"), filed as Exhibit 10.42 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.59(b) List of Contents of Exhibits and Schedules to the Landmark Stock Purchase Agreement, filed as Exhibit 10.43 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.60(a) Stock Purchase Agreement, dated as of June 12, 2003, by and between Swiss Re America Holding Corporation and RSUI (the "RIC Stock Purchase Agreement"), filed as Exhibit 10.44 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.

- 10.60(b) List of Contents of Exhibits and Schedules to the RIC Stock Purchase Agreement, filed as Exhibit 10.45 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.61 Assignment and Assumption Agreement, dated as of July 1, 2003, by and between AIHL and RIC (regarding the transfer of rights under the Landmark Stock Purchase Agreement), filed as Exhibit 10.1 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, is incorporated herein by reference.
- 10.62(a) RIC (Landmark) Quota Share Reinsurance Agreement, dated as of September 2, 2003, by and between Landmark and Royal Indemnity Company (the "Royal Indemnity Company (Landmark) Quota Share Reinsurance Agreement"), filed as Exhibit 10.2 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, is incorporated herein by reference.
- 10.62(b) List of Contents of Exhibits and Schedules to the Royal Indemnity Company (Landmark) Quota Share Reinsurance Agreement, filed as Exhibit 10.3 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.63(a) RIC (Landmark) Administrative Services Agreement, dated as of September 2, 2003, by and between Royal Indemnity Company and Landmark (the "Royal Indemnity Company (Landmark) Administrative Services Agreement"), filed as Exhibit 10.4 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, is incorporated herein by reference.

10.63(b)	List of Contents of Exhibits and Schedules to the Royal Indemnity Company (Landmark) Administrative Services Agreement, filed as Exhibit 10.5 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
10.64	Assumption of Liabilities Agreement, dated as of September 2, 2003, by and between Landmark and Royal Indemnity Company, filed as Exhibit 10.6 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, is incorporated herein by reference.
10.65	Stock Purchase Agreement, dated as of January 30, 2004, by and among AIHL, Aegis Holding Inc. and Associated Electric & Gas Insurance Services Limited Landmark and Royal Indemnity Company ("Aegis Stock Purchase Agreement").
10.66	List of Contents of Exhibits and Schedules to the Aegis Stock Purchase Agreement. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
13	Pages 3 through 4, 6 through 10, 12 through 26, 28 and 30 through 32 of the Annual Report to Stockholders of Alleghany for the year 2003.
14	Alleghany Financial Personnel Code of Ethics.
21	List of subsidiaries of Alleghany.
23	Consent of KPMG LLP, independent certified public accountants, to the incorporation by reference of their reports relating to the financial statements and related schedules of Alleghany and subsidiaries in Alleghany's Registration Statements on Form S-8 (Registration No. 333-37237), Form S-8 (Registration No. 333-76159), Form S-8 (Registration No. 333-76996), Form S-3 (Registration No. 33-55707), Form S-3 (Registration No. 33-62477), Form S-3 (Registration No. 333-09881), and Form S-3 (Registration No. 333-13971).

31.1	Certification of the Chief Executive Officer of Alleghany pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer of Alleghany pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer of Alleghany pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. This exhibit shall not be deemed "filed" as a part of this Annual Report on Form 10-K.
32.2	Certification of the Chief Financial Officer of Alleghany pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. This exhibit shall not be deemed "filed" as a part of this Annual Report on Form 10-K.

(b) Reports on Form 8-K.

On November 13, 2003, Alleghany furnished a report on Form 8-K under Item 12 thereof regarding a press release reporting on Alleghany's financial results as of and for the quarter ended September 30, 2003.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ALLEGHANY CORPORATION

(Registrant)

Date: February 25, 2004

By */s/ John J. Burns, Jr.*

John J. Burns, Jr.
President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: February 25, 2004

By */s/ Rex D. Adams*

Rex D. Adams
Director

Date: February 25, 2004

By */s/ John J. Burns, Jr.*

John J. Burns, Jr.
President and Director
(principal executive officer)

Date: February 25, 2004

By */s/ Dan R. Carmichael*

Dan R. Carmichael
Director

Date: February 25, 2004

By */s/ David B. Cuming*

David B. Cuming
Senior Vice President
(principal financial officer)

Date: February 25, 2004

By */s/ Thomas S. Johnson*

Thomas S. Johnson
Director

Date: February 25, 2004

By */s/ Allan P. Kirby, Jr.*

Allan P. Kirby, Jr.
Director

Date: February 25, 2004

By /s/ F.M. Kirby

F.M. Kirby
Chairman of the Board and Director

Date: February 25, 2004

By /s/ William K. Lavin

William K. Lavin
Director

Date: February 25, 2004

By /s/ Roger Noall

Roger Noall
Director

Date: February 25, 2004

By /s/ Peter R. Sismondo

Peter R. Sismondo
Vice President, Controller,
Treasurer and Assistant
Secretary (principal
accounting officer)

Date: February 25, 2004

By /s/ James F. Will

James F. Will
Director

ALLEGHANY CORPORATION

AND SUBSIDIARIES

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VI SUPPLEMENTAL INFORMATION CONCERNING INSURANCE OPERATIONS

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENT SCHEDULES

All other schedules are omitted since they are not required, are not applicable, or the required information is set forth in the financial statements or notes thereto.

SCHEDULE II

ALLEGHANY CORPORATION CONDENSED BALANCE SHEETS DECEMBER 31, 2003 AND 2002 (in thousands)

	2003	2002
Assets		
Equity securities (cost: 2003 \$123,846; 2002 \$160,259)	\$ 293,053	\$ 352,691
Debt securities (cost: 2003 \$15,322; 2002 \$397,833)	15,309	402,664
Short-term investments	81,880	165,432
Cash	1,950	2,713
Notes receivable	140	140
Accounts receivable	1,415	2,003
Property and equipment - at cost, net of accumulated depreciation	155	174
Other assets	4,598	4,588
Deferred tax assets	11,487	41,052
Investment in subsidiaries	1,329,273	623,708
	\$1,739,260	\$1,595,165
	=====	=====
Liabilities and common stockholders' equity		
Current taxes payable	\$ 17,978	\$ 25,064
Other liabilities	35,928	43,547
Deferred tax liabilities	103,409	116,014
Long-term debt	19,123	31,198
Total liabilities	176,438	215,823
Stockholders' equity	1,562,822	1,379,342
	\$1,739,260	\$1,595,165
	=====	=====

See accompanying Notes to Condensed Financial Statements.

SCHEDULE II

ALLEGHANY CORPORATION CONDENSED STATEMENTS OF EARNINGS THREE YEARS ENDED DECEMBER 31, 2003 (in thousands)

	2003	2002	2001
Revenues:			
Interest, dividend and other income	\$ 11,894	\$21,490	\$ 38,044
Net gain on sale of subsidiary	-	-	775,906
Net gain on investment transactions	96,748	48,132	806
Total revenues	108,642	69,622	814,756
Costs and Expenses:			
Interest expense	2,660	2,556	2,664
General and administrative	34,770	25,593	47,105
Total costs and expenses	37,430	28,149	49,769
Operating profit	71,212	41,473	764,987
Equity in earnings (loss) of consolidated subsidiaries	169,155	15,931	(230,608)
Earnings before income taxes	240,367	57,404	534,379
Income taxes	77,989	2,591	103,816
Earnings from continuing operations	162,378	54,813	430,563
Losses from discontinued operations, net of tax	-	-	(206,333)
Net earnings	\$162,378	\$54,813	\$ 224,230

See accompanying Notes to Condensed Financial Statements.

SCHEDULE II

ALLEGHANY CORPORATION CONDENSED STATEMENTS OF CASH FLOWS THREE YEARS ENDED DECEMBER 31, 2003 (in thousands)

	2003	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES			
Earnings from continuing operations	\$ 162,378	\$ 54,813	\$ 430,563
Adjustments to reconcile earnings to cash provided by (used in) operations:			
Equity in undistributed net (earnings) losses of consolidated subsidiaries	(110,267)	8,289	36,492
Capital contributions to consolidated subsidiaries	(366,747)	(17,776)	(110,218)
Distributions from consolidated subsidiaries	58,217	248,220	54,964
Depreciation and amortization	743	47	40
Net gain on investment transactions and sales of subsidiaries	(96,748)	(48,132)	(475,613)
Tax benefit on stock options exercised	4,267	1,188	816
Decrease in accounts receivable	389	64	3,582
Increase in notes receivable	--	(140)	--
(Increase) decrease in other assets	(133)	2,094	2,177
Increase (decrease) in other liabilities and taxes payable	21,352	(253,020)	274,732
Net adjustments	(488,927)	(59,166)	(213,028)
Net cash (used in) provided by operations	(326,549)	(4,353)	217,535
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(55,930)	(712,771)	(15,099)
Sales of investments	334,061	375,396	46,823
Purchases of property and equipment	(36)	(100)	(44)
Net change in short-term investments	(11,803)	585,427	(413,756)
Proceeds from the sale of subsidiaries, net of cash disposed	--	--	531,477
Acquisition of subsidiaries, net of cash acquired	--	(221,056)	--
Other, net	66,016	--	--
Net cash provided by investing activities	332,308	26,896	149,401
CASH FLOWS FROM FINANCING ACTIVITIES			
Treasury stock acquisitions	(287)	(28,731)	(12,576)
Net cash provided to discontinued operations	--	--	(344,915)
Other, net	(6,235)	8,175	(10,141)
Net cash used in financing activities	(6,522)	(20,556)	(367,632)
Net increase (decrease) in cash	(763)	1,987	(696)
Cash at beginning of year	2,713	726	1,422
Cash at end of year	\$ 1,950	\$ 2,713	\$ 726
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Interest	\$ 1,967	\$ 1,912	\$ 1,912
Income taxes	\$ 10,244	\$ 45,504	\$ 250

See accompanying Notes to Condensed Financial Statements.

SCHEDULE II

ALLEGHANY CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS (IN THOUSANDS)

1. Investment in Consolidated Subsidiaries. Reference is made to Note 1 of the Notes to Consolidated Financial Statements incorporated herein by reference.
2. Long-Term Debt. Reference is made to Note 7 of the Notes to Consolidated Financial Statements incorporated herein by reference for information regarding the significant provisions of the revolving credit loan agreement of Alleghany. Included in long-term debt in the accompanying condensed balance sheets is \$19,123 in 2003 of inter-company notes payable to Alleghany Funding. In 2002, \$19,123 and 12,075 of inter-company notes were payable to Alleghany Funding and World Minerals, respectively.
3. Income Taxes. Reference is made to Note 8 of the Notes to Consolidated Financial Statements incorporated herein by reference.
4. Commitments and Contingencies. Reference is made to Note 14 of the Notes to Consolidated Financial Statements incorporated herein by reference.
5. Stockholders' Equity. Reference is made to Note 9 of the Notes to Consolidated Financial Statements incorporated herein by reference with respect to stockholders' equity and surplus available for dividend payments to Alleghany from its subsidiaries.

SCHEDULE III

ALLEGHANY CORPORATION AND SUBSIDIARIES SUPPLEMENTARY INSURANCE INFORMATION (in thousands)

YEAR	LINE OF BUSINESS	AT DECEMBER 31						
		DEFERRED POLICY ACQUISITION COSTS	FUTURE POLICY BENEFITS, LOSSES, CLAIMS AND LOSS EXPENSES	UNEARNED PREMIUMS	OTHER POLICY CLAIMS AND BENEFITS PAYABLE			
2003	Property and Casualty Insurance	\$43,958	\$437,257	\$658,808	\$ 0			
	Fidelity and Surety Insurance	3,324	17,407	18,132	0			
	AIHL, Other	0	0	0	0			
	Total	\$47,282	\$454,664	\$676,940	\$ 0			
2002	Property and Casualty Insurance	\$17,550	\$244,144	\$ 49,916	\$ 0			
	Fidelity and Surety Insurance	4,997	14,327	14,199	0			
	AIHL, Other	0	0	0	0			
	Total	\$22,547	\$258,471	\$ 64,115	\$ 0			
		FOR THE YEAR ENDED DECEMBER 31						
YEAR	LINE OF BUSINESS	PREMIUM REVENUE	NET INVESTMENT INCOME	BENEFITS, CLAIMS, LOSSES AND SETTLEMENT EXPENSES	AMORTIZATION OF DEFERRED POLICY ACQUISITION COSTS	OTHER OPERATING EXPENSES	COMMISSIONS AND BROKERAGE EXPENSES	NET PREMIUMS WRITTEN
2003	Property and Casualty Insurance	\$403,441	\$ 20,209	\$226,966	\$40,791	\$12,716	\$58,376	\$751,363
	Fidelity and Surety Insurance	27,473	1,672	23,236	2,244	726	10,778	31,113
	AIHL, Other	0	58,736	0	0	(595)	0	0
	Total	\$430,914	\$ 80,617	\$250,202	\$43,035	\$12,847	\$69,154	\$782,476
2002	Property and Casualty Insurance	\$100,861	\$ 8,644	\$ 85,100	\$ 2,798	\$ 4,845	\$11,292	\$100,063
	Fidelity and Surety Insurance	24,788	2,360	15,408	3,431	17,633	17,808	31,461
	AIHL, Other	0	(8,562)	0	0	(3,872)	0	0
	Total	\$125,649	\$ 2,442	\$100,508	\$ 6,229	\$18,606	\$29,100	\$131,524

SCHEDULE IV

**ALLEGHANY CORPORATION AND SUBSIDIARIES
REINSURANCE
TWO YEARS ENDED DECEMBER 31, 2003
(in thousands)**

YEAR	LINE OF BUSINESS	GROSS AMOUNT	CEDED TO OTHER COMPANIES	ASSUMED FROM OTHER COMPANIES	NET AMOUNT	PERCENTAGE OF AMOUNT ASSUMED TO NET
2003	Property and casualty reinsurance premiums earned	\$502,787	\$ 99,346	\$275,264	\$403,441	68.229%
	Fidelity and Surety reinsurance premiums earned	35,169	7,696	648	27,473	2.359%
	Total	\$537,956	\$107,042	\$275,912	\$430,914	64.029%
2002	Property and casualty reinsurance premiums earned	\$114,788	\$ 14,023	\$ 96	\$100,861	9.500%
	Fidelity and Surety reinsurance premiums earned	25,552	2,693	1,929	24,788	7.782%
	Total	\$140,340	\$ 16,716	\$ 2,025	\$125,649	1.612%

ALLEGHANY CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL INFORMATION CONCERNING INSURANCE OPERATIONS
(in thousands)

2002	Property and Casualty	\$17,550	\$244,144	\$ 0	\$ 49,916
	Fidelity and Surety Insurance	4,997	14,327	0	14,199
	AIHL, Other	0	0	0	0
		-----	-----	-----	-----
	Total	\$22,547	\$258,471	\$ 0	\$ 64,115

		FOR THE YEAR ENDED DECEMBER 31						
YEAR	LINE OF BUSINESS	NET EARNED PREMIUMS	NET INVESTMENT INCOME	CLAIMS AND CLAIM ADJUSTMENT EXPENSES INCURRED RELATED TO		AMORTIZATION OF DEFERRED POLICY ACQUISITION COSTS	PAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES	NET PREMIUMS WRITTEN
				(1) CURRENT YEAR	(2) PRIOR YEAR			
2003	Property and Casualty	\$ 403,441	\$ 20,209	\$208,993	\$17,973	\$40,791	\$68,015	\$ 751,363
	Fidelity and Surety Insurance	27,473	1,672	20,526	2,710	2,244	19,503	31,113
	AIHL, Other	0	58,736	0	0	0	0	0
	Total	\$ 430,914	\$ 80,617	\$229,519	\$20,683	\$43,035	\$87,518	\$ 782,476
2002	Property and Casualty	\$ 100,861	\$ 8,644	\$ 67,013	\$ 9,347	\$ 2,798	\$55,832	\$ 100,063
	Fidelity and Surety Insurance	24,788	2,360	15,626	8,522	3,431	18,147	31,461
	AIHL, Other	0	(8,562)	0	0	0	0	0
	Total	\$ 125,649	\$ 2,442	\$ 82,639	\$17,869	\$ 6,229	\$73,979	\$ 131,524

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Alleghany Corporation:

Under date of February 25, 2004, we reported on the consolidated balance sheets of Alleghany Corporation and subsidiaries as of December 31, 2003 and 2002 and the related consolidated statements of earnings, changes in common stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2003 as contained in the 2003 annual report to stockholders. These consolidated financial statements and our report thereon are incorporated by reference in the Annual Report on Form 10-K for the year 2003. In connection with our audits of the aforementioned consolidated financial statements, we also have audited the related financial statements schedules as listed in the accompanying index. These financial statements schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements schedules based on our audits.

In our opinion, such financial statements schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

KPMG LLP

New York, New York
February 25, 2004

EXHIBIT INDEX

Exhibit Number -----	Description -----
3.01	Restated Certificate of Incorporation of Alleghany, as amended by Amendment accepted and received for filing by the Secretary of State of the State of Delaware on June 23, 1988, filed as Exhibit 20 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 1988, is incorporated herein by reference.
3.02	By-laws of Alleghany, as amended September 17, 2002, filed as Exhibit 3.1 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002, is incorporated herein by reference.
*10.01	Description of Alleghany Management Incentive Plan, filed as Exhibit 10.01 to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1993, is incorporated herein by reference.

* Compensatory plan or arrangement.

*10.02	Alleghany Corporation Deferred Compensation Plan, as amended and restated as of December 15, 1992, filed as Exhibit 10.03 to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1992, is incorporated herein by reference.
*10.03	Alleghany 2002 Long-Term Incentive Plan, adopted and effective April 26, 2002, filed as Exhibit A to Alleghany's Proxy Statement, filed in connection with its Annual Meeting of Stockholders held on April 26, 2002, is incorporated herein by reference.
*10.04	Alleghany Supplemental Death Benefit Plan dated as of May 15, 1985 and effective as of January 1, 1985, filed as Exhibit 10.08 to Old Alleghany's Annual Report on Form 10-K for the year ended December 31, 1985, is incorporated herein by reference.
*10.05(a)	Trust Agreement Amendment made as of July 8, 1994 between Alleghany and Chemical Bank, filed as Exhibit 10.08(a) to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1995, is incorporated herein by reference.
*10.05(b)	Alleghany Retirement Plan, as amended and restated on March 14, 1995, filed as Exhibit 10.08(c) to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1994, is incorporated herein by reference.
*10.05(c)	Amendments to Alleghany Retirement Plan, effective as of January 1, 1996, filed as Exhibit 10.1 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996, is incorporated herein by reference.
*10.05(d)	Amendments to Alleghany Retirement Plan, effective as of January 1, 1998, filed as Exhibit 10.05(d) to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1997, are incorporated herein by reference.

* Compensatory plan or arrangement.

*10.06	Alleghany Retirement COLA Plan dated and effective as of January 1, 1992, as adopted on March 17, 1992, filed as Exhibit 10.7 to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1991, are incorporated herein by reference.
*10.07	Description of Alleghany Group Long Term Disability Plan effective as of July 1, 1995, filed as Exhibit 10.10 to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1995, is incorporated herein by reference.
*10.08(a)	Alleghany Amended and Restated Directors' Stock Option Plan effective as of April 20, 1993, filed as Exhibit 10.1 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993, is incorporated herein by reference.
*10.08(b)	Alleghany 2000 Directors' Stock Option Plan effective April 28, 2000, filed as Exhibit A to Alleghany's Proxy Statement, filed in connection with its Annual Meeting of Stockholders held on April 28, 2000, is incorporated herein by reference.
*10.09	Alleghany Directors' Equity Compensation Plan, effective as of January 16, 1995, filed as Exhibit 10.11 to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1994, is incorporated herein by reference.
*10.10	Alleghany Non-Employee Directors' Retirement Plan effective July 1, 1990, filed as Exhibit 10.1 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 1990, is incorporated herein by reference.

* Compensatory plan or arrangement.

- 10.11(a) 364-Day Revolving Credit Agreement, dated as of June 14, 2002, by and between Alleghany, the banks which are signatories thereto, and U.S. Bank National Association (U.S. Bank"), as agent for the banks (the "364-Day Revolving Credit Agreement"), filed as Exhibit 10.1(a) to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, is incorporated herein by reference.
- 10.11(b) List of Contents of Exhibits and Schedules to the 364-Day Revolving Credit Agreement, filed as Exhibit 10.1(b) to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.11(c) Three-Year Revolving Credit Agreement, dated as of June 14, 2002, by and between Alleghany, the banks which are signatories thereto, and U.S. Bank, as agent for the banks (the "Three-Year Revolving Credit Agreement"), filed as Exhibit 10.2(a) to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, is incorporated herein by reference.
- 10.11(d) List of Contents of Exhibits and Schedules to the Three-Year Revolving Credit Agreement, filed as Exhibit 10.2(b) to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.11(e) First Amendment to 364-Day Revolving Credit Agreement, dated as of June 13, 2003, amending the 364-Day Revolving Credit Agreement, dated as of June 14, 2002, by and among Alleghany, the Banks named therein and U.S. Bank, as agent for the Banks, filed as Exhibit 10.46 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.

- 10.11(f) Second Amendment to 364-Day Revolving Credit Agreement, dated as of June 20, 2003, amending the 364-Day Revolving Credit Agreement, dated as of June 14, 2002, by and among Alleghany, the Banks named therein and U.S. Bank, as agent for the Banks, filed as Exhibit 10.47 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.11(g) Third Amendment to 364-Day Revolving Credit Agreement, dated as of September 30, 2003, amending the 364-Day Revolving Credit Agreement, dated as of June 14, 2002, by and among Alleghany, the Banks named therein and U.S. Bank, as agent for the Banks, filed as Exhibit 10.10 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, is incorporated herein by reference.
- 10.11(h) Fourth Amendment to 364-Day Revolving Credit Agreement, dated as of October 17, 2003, amending the 364-Day Revolving Credit Agreement, dated as of June 14, 2002, by and among Alleghany, the Banks named therein and U.S. Bank, as agent for the Banks, filed as Exhibit 10.11 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, is incorporated herein by reference.
- 10.11(i) Fifth Amendment to 364-Day Revolving Credit Agreement, dated as of November 10, 2003, amending the 364-Day Revolving Credit Agreement, dated as of June 14, 2002, by and among Alleghany, the Banks named therein and U.S. Bank, as agent for the Banks, filed as Exhibit 10.12 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, is incorporated herein by reference.
- 10.11(j) First Amendment to Three-Year Revolving Credit Agreement, dated as of June 20, 2003, amending the Three-Year Revolving Credit Agreement, dated as of June 14, 2002, among Alleghany, the Banks named therein and U.S. Bank, as agent for the Banks, filed as Exhibit 10.48 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, is incorporated herein by reference.

- 10.11(k) Second Amendment to Three-Year Revolving Credit Agreement, dated as of October 17, 2003, amending the Three-Year Revolving Credit Agreement, dated as of June 14, 2002, among Alleghany, the Banks named therein and U.S. Bank, as agent for the Banks, filed as Exhibit 10.13 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, is incorporated herein by reference.
- 10.12(a) Distribution Agreement dated as of June 16, 1998 by and between Alleghany and Chicago Title Corporation (the "Spin-Off Distribution Agreement"), filed as Exhibit 2.1(a) to Chicago Title Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, is incorporated herein by reference (Securities and Exchange Commission File No. 001-13995).
- 10.12(b) List of Contents of Exhibits to the Spin-Off Distribution Agreement, filed as Exhibit 2.1(b) to Chicago Title Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, is incorporated herein by reference (Securities and Exchange Commission File No. 001-13995). Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.12(c) Tax Sharing Agreement dated as of June 17, 1998 by and among Alleghany and Chicago Title Corporation, filed as Exhibit 10.2 to Chicago Title Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, is incorporated herein by reference (Securities and Exchange Commission File No. 001-13995).
- 10.13 Distribution Agreement dated as of May 1, 1987 between Alleghany and MSL Industries, Inc., filed as Exhibit 10.21 to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1987, is incorporated herein by reference.

- 10.14 Amendment to Distribution Agreement dated June 29, 1987, effective as of May 1, 1987, between Alleghany and MSL Industries, Inc., filed as Exhibit 10.22 to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1987, is incorporated herein by reference.
- 10.15(a) Note Purchase Agreement dated as of December 11, 1998 by and among Alleghany Properties, Inc., Alleghany and United of Omaha Life Insurance Company (the "Alleghany Properties 1998 Note Purchase Agreement"), filed as Exhibit 10.18(a) to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1998, is incorporated herein by reference. Agreements dated as of December 11, 1998 among Alleghany Properties, Inc., Alleghany and each of Companion Life Insurance Company, Hartford Life Insurance Company, The Lincoln National Life Insurance Company, and First Penn-Pacific Life Insurance Company are omitted pursuant to Instruction 2 of Item 601 of Regulation S-K.
- 10.15(b) List of Contents of Annexes and Exhibits to the Alleghany Properties 1998 Note Purchase Agreement, filed as Exhibit 10.18(b) to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1998, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.16(a) Installment Sales Agreement dated December 8, 1986 by and among Alleghany, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Merrill Lynch & Co., Inc., filed as Exhibit 10.10 to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1986, is incorporated herein by reference.
- 10.16(b) Intercreditor and Collateral Agency Agreement dated as of October 20, 1997 among The Chase Manhattan Bank, Barclays Bank PLC and Alleghany Funding Corporation, filed as Exhibit 10.1 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997, is incorporated herein by reference.

- 10.16(c) Master Agreement dated as of October 20, 1997 between Barclays Bank PLC and Alleghany Funding Corporation, and related Amended Confirmation dated October 24, 1997 between Barclays Bank PLC and Alleghany Funding Corporation, filed as Exhibit 10.2 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997, are incorporated herein by reference.
- 10.16(d) Indenture dated as of October 20, 1997 between Alleghany Funding Corporation and The Chase Manhattan Bank, filed as Exhibit 10.3 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997, is incorporated herein by reference.
- 10.17(a) Stock Purchase Agreement dated as of July 1, 1991 among Celite Holdings Corporation, Celite Corporation and Manville International, B.V. (the "Celite Stock Purchase Agreement"), filed as Exhibit 10.2(a) to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 1991, is incorporated herein by reference.
- 10.17(b) List of Contents of Exhibits and Schedules to the Celite Stock Purchase Agreement, filed as Exhibit 10.2(b) to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 1991, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.18(a) Joint Venture Stock Purchase Agreement dated as of July 1, 1991 among Celite Holdings Corporation, Celite Corporation and Manville Corporation (the "Celite Joint Venture Stock Purchase Agreement"), filed as Exhibit 10.3(a) to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 1991, is incorporated herein by reference.

- 10.18(b) List of Contents of Exhibits and Schedules to the Celite Joint Venture Stock Purchase Agreement, filed as Exhibit 10.3(b) to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 1991, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.19(a) Asset Purchase Agreement dated as of July 1, 1991 among Celite Holdings Corporation, Celite Corporation and Manville Sales Corporation (the "Celite Asset Purchase Agreement"), filed as Exhibit 10.4(a) to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 1991, is incorporated herein by reference.
- 10.19(b) List of Contents of Exhibits and Schedules to the Celite Asset Purchase Agreement, filed as Exhibit 10.4(b) to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 1991, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.19(c) Amendment No. 1 dated as of July 31, 1991 to the Celite Asset Purchase Agreement, filed as Exhibit 10.32(c) to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1991, is incorporated herein by reference.
- 10.20(a) Acquisition Related Agreement dated as of July 1, 1991, by and between Celite Holdings Corporation, Celite Corporation and Manville Corporation (the "Celite Acquisition Related Agreement"), filed as Exhibit 10.5(a) to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 1991, is incorporated herein by reference.

- 10.20(b) List of Contents of Exhibits to the Celite Acquisition Related Agreement, filed as Exhibit 10.5(b) to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 1991, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.20(c) Amendment dated as of July 31, 1991 to Celite Acquisition Related Agreement, filed as Exhibit 10.33(c) to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1991, is incorporated herein by reference.
- 10.21(a) Credit Agreement dated as of March 12, 2003 among Mineral Holdings, Inc., World Minerals, designated subsidiary borrowers, the Banks named therein and Union Bank of California, N.A., as Sole Lead Arranger, Administrative Agent and Collateral Agent (the "World Minerals Credit Agreement"), filed as Exhibit 10.1 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003, is incorporated herein by reference.
- 10.21(b) List of Contents of Exhibits, Annexes and Schedules to the World Minerals Credit Agreement, filed as Exhibit 10.2 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.21(c) Subordination Agreement dated as of March 12, 2003 between Alleghany and Union Bank of California, N.A., as Administrative Agent and Collateral Agent, filed as Exhibit 10.3 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003, is incorporated herein by reference.

- 10.22(a) Stock Purchase Agreement dated as of December 30, 1999 by and between Alleghany and Swiss Re America Holding Corporation, filed as Exhibit 99.1 to Alleghany's Current Report on Form 8-K dated December 30, 1999, is incorporated herein by reference.
- 10.22(b) Closing Agreement, dated May 10, 2000, by and between Swiss Re America Holding Corporation and Alleghany, filed as Exhibit 99.2 to Alleghany's Current Report on Form 8-K dated May 25, 2000, is incorporated herein by reference.
- 10.23 Agreement, effective as of December 20, 2000, by and among Alleghany, Underwriters Reinsurance Company and London Life and Casualty Reinsurance Corporation, filed as Exhibit 10.23 to Alleghany's Annual Report on Form 10-K for the year ended December 31, 2000, is incorporated herein by reference.
- 10.24(a) Agreement and Plan of Amalgamation dated as of July 30, 1998 by and among Underwriters Reinsurance Company, Underwriters Acquisition Company Ltd. and Venton Holdings Ltd. (the "Amalgamation Agreement"), filed as Exhibit 10.28(a) to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1998, is incorporated herein by reference.
- 10.24(b) List of Contents of Exhibits to the Amalgamation Agreement, filed as Exhibit 10.28(b) to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1998, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.24(c) Amendment No. 1 dated as of September 24, 1998 to the Amalgamation Agreement (the "Amalgamation Amendment No. 1"), filed as Exhibit 10.28(c) to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1998, is incorporated herein by reference.

- 10.24(d) List of Contents of Exhibits to the Amalgamation Amendment No. 1, filed as Exhibit 10.28(d) to Alleghany's Annual Report on Form 10-K for the year ended December 31, 1998, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.25(a) Credit Agreement dated as of August 14, 2000, by and among Alleghany Underwriting Ltd, Alleghany Underwriting Capital Ltd, Talbot Underwriting Limited, and Alleghany Underwriting Capital (Bermuda) Ltd, as Borrowers and Account Parties; Alleghany, as Guarantor; the Banks parties thereto from time to time; Mellon Bank, N.A., as Issuing Bank, as Administrative Agent and as Arranger; National Westminster Bank plc, as Syndication Agent and ING Bank, N.V., as Managing Agent (the "Alleghany Underwriting Credit Agreement"), filed as Exhibit 10.1 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000, is incorporated herein by reference.
- 10.25(b) List of Contents of Exhibits and Schedules to the Alleghany Underwriting Credit Agreement, filed as Exhibit 10.2 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.

- 10.25(c) First Amendment to Credit Agreement dated as of February 1, 2001, by and among Alleghany Underwriting Ltd, Alleghany Underwriting Capital Ltd, Talbot Underwriting Limited, Alleghany Underwriting Capital (Bermuda) Ltd, Alleghany, Alleghany Insurance Holdings LLC, the Banks and Agents which have signed the signature pages thereto, and Mellon Bank, N.A., as Bank, as Issuing Bank and as Administrative Agent for the Banks and the Issuing Bank, filed as Exhibit 10.25(c) to Alleghany's Annual Report on Form 10-K for the year ended December 31, 2000, is incorporated herein by reference.
- 10.25(d) Purchase Agreement dated as of October 31, 2001 by and between Alleghany Insurance Holdings LLC and Talbot Holdings Ltd, filed as Exhibit 10.1 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001, is incorporated herein by reference.
- 10.26(a) Agreement and Plan of Merger, dated as of October 18, 2000, by and among ABN AMRO North America Holding Company, Alleghany Asset Management, Inc. and Alleghany, filed as Exhibit 2.1 to Alleghany's Current Report on Form 8-K dated October 23, 2000, is incorporated herein by reference.
- 10.26(b) Amendment to the Agreement and Plan of Merger dated as of January 17, 2001, by and among ABN AMRO North America Holding Company, Alleghany Asset Management, Inc. and Alleghany, filed as Exhibit 2.2 to Alleghany's Current Report on Form 8-K dated February 14, 2001, is incorporated herein by reference.
- 10.26(c) Closing Agreement dated as of February 1, 2001, by and among ABN AMRO North America Holding Company, Alleghany Asset Management, Inc. and Alleghany, filed as Exhibit 2.3 to Alleghany's Current Report on Form 8-K dated February 14, 2001, is incorporated herein by reference.

- 10.27(a) Asset Purchase Agreement dated as of April 3, 2000 by and among Heads & Threads, Acktion Corporation and Reynolds Fasteners, Inc. (the "Heads & Threads Asset Purchase Agreement"), filed as Exhibit 10.1 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000, is incorporated herein by reference.
- 10.27(b) List of Contents of Schedules to the Heads & Threads Asset Purchase Agreement, filed as Exhibit 10.2 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.28(a) Credit Agreement dated as of April 30, 2003 between Heads & Threads and LaSalle Bank, N.A. (the "Heads & Threads Credit Agreement"), filed as Exhibit 10.4 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003, is incorporated herein by reference.
- 10.28(b) List of Contents of Exhibits, Annexes and Schedules to the Heads & Threads Credit Agreement, filed as Exhibit 10.5 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.29(a) Agreement and Plan of Merger dated as of July 20, 2001 by and among Capitol Transamerica, ABC Acquisition Corp. and Alleghany (the "Capitol Transamerica Merger Agreement"), filed as Exhibit 10.1(a) to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001, is incorporated herein by reference.

10.29(b)	List of Contents of Exhibits and Schedules to the Capitol Transamerica Merger Agreement, filed as Exhibit 10.1(b) to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
*10.30(a)	Employment Agreement, dated October 7, 2002, between Alleghany and Weston M. Hicks, filed as Exhibit 10.1 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002, is incorporated herein by reference.
*10.30(b)	Restricted Stock Award Agreement, dated October 7, 2002, between Alleghany and Weston M. Hicks, filed as Exhibit 10.2 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002, is incorporated herein by reference.
*10.30(c)	Restricted Stock Unit Matching Grant Agreement, dated October 7, 2002, between Alleghany and Weston M. Hicks, filed as Exhibit 10.3 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002, is incorporated herein by reference.
10.31(a)	Acquisition Agreement, dated as of June 6, 2003, by and between Royal Group, Inc. and AIHL (the "Resurgens Specialty Acquisition Agreement"), filed as Exhibit 10.1 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
10.31(b)	List of Contents of Exhibits and Schedules to the Resurgens Specialty Acquisition Agreement, filed as Exhibit 10.2 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.

* Compensatory plan or arrangement.

- 10.32 Assignment and Assumption Agreement, dated as of June 30, 2003, by and between AIHL and RSUI (regarding the transfer of rights under the Resurgens Specialty Acquisition Agreement), filed as Exhibit 10.3 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.33(a) Quota Share Reinsurance Agreement, dated as of July 1, 2003, by and between Royal Indemnity Company and RIC (the "Royal Indemnity Company Quota Share Reinsurance Agreement"), filed as Exhibit 10.4 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.33(b) List of Contents of Exhibits and Schedules to the Royal Indemnity Company Quota Share Reinsurance Agreement, filed as Exhibit 10.5 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.34(a) Quota Share Reinsurance Agreement, dated as of July 1, 2003, by and between Royal Surplus Lines Insurance Company and RIC (the "Royal Surplus Lines Insurance Company Quota Share Reinsurance Agreement"), filed as Exhibit 10.6 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.34(b) List of Contents of Exhibits and Schedules to the Royal Surplus Lines Insurance Company Quota Share Reinsurance Agreement, filed as Exhibit 10.7 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.

- 10.35(a) Quota Share Reinsurance Agreement, dated as of July 1, 2003, by and between Landmark and RIC (the "Landmark Quota Share Reinsurance Agreement"), filed as Exhibit 10.8 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.35(b) List of Contents of Exhibits and Schedules to the Landmark Quota Share Reinsurance Agreement, filed as Exhibit 10.9 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.36(a) Administrative Services Agreement, dated as of July 1, 2003, by and among Royal Indemnity Company, Resurgens Specialty and RIC (the "Royal Indemnity Company Administrative Services Agreement"), filed as Exhibit 10.10 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.36(b) List of Contents of Exhibits and Schedules to the Royal Indemnity Company Administrative Services Agreement, filed as Exhibit 10.11 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.37(a) Administrative Services Agreement, dated as of July 1, 2003, by and among Royal Surplus Lines Insurance Company, Resurgens Specialty and RIC (the "Royal Surplus Lines Insurance Company Administrative Services Agreement"), filed as Exhibit 10.12 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.

- 10.37(b) List of Contents of Exhibits and Schedules to the Royal Surplus Lines Insurance Company Administrative Services Agreement, filed as Exhibit 10.13 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.38(a) Administrative Services Agreement, dated as of July 1, 2003, by and among Royal Insurance Company of America, Resurgens Specialty and RIC (the "Royal Insurance Company of America Administrative Services Agreement"), filed as Exhibit 10.14 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.38(b) List of Contents of Exhibits and Schedules to the Royal Insurance Company of America Administrative Services Agreement, filed as Exhibit 10.15 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.39(a) Administrative Services Agreement, dated as of July 1, 2003, by and among Landmark, Resurgens Specialty and RIC (the "Landmark Administrative Services Agreement"), filed as Exhibit 10.16 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.39(b) List of Contents of Exhibits and Schedules to the Landmark Administrative Services Agreement, filed as Exhibit 10.17 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.

- 10.40(a) Trust Agreement, dated as of July 1, 2003, by and among Royal Indemnity Company, Royal Surplus Lines Insurance Company, Landmark, RIC and LaSalle Bank National Association, as Trustee (the "Trust Agreement"), filed as Exhibit 10.18 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.40(b) Amendment, dated as of September 2, 2003, amending the Trust Agreement, filed as Exhibit 10.7 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, is incorporated herein by reference.
- 10.41(a) Assignment of Net Premium Receivables, dated as of July 1, 2003, by and between LaSalle Bank National Association and Royal Indemnity Company, Royal Surplus Lines Insurance Company and Landmark ("Assignment of Receivables"), filed as Exhibit 10.19 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.41(b) Amendment, dated as of September 2, 2003, amending the Assignment of Receivables, filed as Exhibit 10.8 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, is incorporated herein by reference.
- 10.42(a) Assignment of Reinsurance Recoverables, dated as of July 1, 2003, by and among RIC, LaSalle Bank National Association and Royal Indemnity Company, Royal Surplus Lines Insurance Company and Landmark ("Assignment of Recoverables"), filed as Exhibit 10.20 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.42(b) Amendment, dated as of September 2, 2003, amending the Assignment of Recoverables, filed as Exhibit 10.9 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, is incorporated herein by reference.

- 10.43 Administrative Services Intellectual Property License Agreement, dated as of July 1, 2003, by and between Royal Indemnity Company and Resurgens Specialty (entered into pursuant to the Royal Indemnity Company Administrative Services Agreement), filed as Exhibit 10.21 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.44 Administrative Services Intellectual Property License Agreement, dated as of July 1, 2003, by and between Royal Indemnity Company and Resurgens Specialty (entered into pursuant to the Royal Surplus Lines Insurance Company Administrative Services Agreement), filed as Exhibit 10.22 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.45 Administrative Services Intellectual Property License Agreement, dated as of July 1, 2003, by and between Royal Indemnity Company and Resurgens Specialty (entered into pursuant to the Royal Insurance Company of America Administrative Services Agreement), filed as Exhibit 10.23 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.46 Administrative Services Intellectual Property License Agreement, dated as of July 1, 2003, by and between Royal Indemnity Company and Resurgens Specialty (entered into pursuant to the Landmark Administrative Services Agreement), filed as Exhibit 10.24 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.47(a) Claims Servicing Agreement, dated as of July 1, 2003, by and among RIC, Royal Indemnity Company, Royal Surplus Lines Insurance Company, Landmark, Royal Insurance Company of America, American and Foreign Insurance Company, Globe Indemnity Company, Safeguard Insurance Company and Phoenix Assurance Company of New York (the "Claims Servicing Agreement"), filed as Exhibit 10.25 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.

- 10.47(b) List of Contents of Exhibits and Schedules to the Claims Servicing Agreement, filed as Exhibit 10.26 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.48 Claims Servicing Information Technology License Agreement, dated as of July 1, 2003, by and between Royal Indemnity Company and RIC, filed as Exhibit 10.27 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.49(a) Renewal Rights Agreement, dated as of July 1, 2003, by and among Landmark, Royal Indemnity Company, Royal Surplus Lines Insurance Company, Royal Insurance Company of America and AIHL (the "Renewal Rights Agreement"), filed as Exhibit 10.28 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.49(b) List of Contents of Exhibits to the Renewal Rights Agreement, filed as Exhibit 10.29 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.50(a) Transition Services Agreement, dated as of July 1, 2003, by and among Royal Group, Inc., RSUI and Resurgens Specialty (the "Transition Services Agreement"), filed as Exhibit 10.30 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.50(b) List of Contents of Schedules to the Transition Services Agreement, filed as Exhibit 10.31 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.

- 10.51 Transitional Trademark License Agreement, dated as of July 1, 2003, by and among R&SA, Resurgens Specialty and RSA Surplus Lines Insurance Services, Inc, filed as Exhibit 10.32 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.52 Employee Leasing Agreement, dated as of July 1, 2003, by and between Royal Indemnity Company and RIC, filed as Exhibit 10.33 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.53(a) Managing General Agency Agreement, dated as of July 1, 2003, by and among Resurgens Specialty, as Managing General Agent, Royal Indemnity Company, Royal Surplus Lines Insurance Company, Royal Insurance Company of America and Landmark (the "Managing General Agency Agreement"), filed as Exhibit 10.34 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.53(b) List of Contents of Exhibits to the Managing General Agency Agreement, filed as Exhibit 10.35 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.54(a) Stock Purchase Agreement, dated as of July 1, 2003, by and between AIHL and Royal Group, Inc. (the "RSA Surplus Lines Insurance Services, Inc. Stock Purchase Agreement"), filed as Exhibit 10.36 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.54(b) List of Contents of Exhibits and Schedules to the RSA Surplus Lines Insurance Services, Inc. Stock Purchase Agreement, filed as Exhibit 10.37 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.

- 10.55 Assignment and Assumption of Liabilities Agreement, dated as of July 1, 2003, by and between RSA Surplus Lines Insurance Services, Inc. and Royal Indemnity Company, filed as Exhibit 10.38 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.56 Assignment and Assumption Agreement, dated as of July 1, 2003, by and between AIHL and RSUI, filed as Exhibit 10.39 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.57 Assignment and Assumption Agreement, dated as of July 1, 2003, by and between AIHL and RSUI, filed as Exhibit 10.40 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.58 Assignment and Assumption Agreement, dated as of July 1, 2003, by and between AIHL and RSUI, filed as Exhibit 10.41 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.59(a) Stock Purchase Agreement, dated as of June 6, 2003, by and between AIHL and Guaranty National Insurance Company (the "Landmark Stock Purchase Agreement"), filed as Exhibit 10.42 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.
- 10.59(b) List of Contents of Exhibits and Schedules to the Landmark Stock Purchase Agreement, filed as Exhibit 10.43 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.60(a) Stock Purchase Agreement, dated as of June 12, 2003, by and between Swiss Re America Holding Corporation and RSUI (the "RIC Stock Purchase Agreement"), filed as Exhibit 10.44 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference.

- 10.60(b) List of Contents of Exhibits and Schedules to the RIC Stock Purchase Agreement, filed as Exhibit 10.45 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.61 Assignment and Assumption Agreement, dated as of July 1, 2003, by and between AIHL and RIC (regarding the transfer of rights under the Landmark Stock Purchase Agreement), filed as Exhibit 10.1 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, is incorporated herein by reference.
- 10.62(a) RIC (Landmark) Quota Share Reinsurance Agreement, dated as of September 2, 2003, by and between Landmark and Royal Indemnity Company (the "Royal Indemnity Company (Landmark) Quota Share Reinsurance Agreement"), filed as Exhibit 10.2 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, is incorporated herein by reference.
- 10.62(b) List of Contents of Exhibits and Schedules to the Royal Indemnity Company (Landmark) Quota Share Reinsurance Agreement, filed as Exhibit 10.3 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
- 10.63(a) RIC (Landmark) Administrative Services Agreement, dated as of September 2, 2003, by and between Royal Indemnity Company and Landmark (the "Royal Indemnity Company (Landmark) Administrative Services Agreement"), filed as Exhibit 10.4 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, is incorporated herein by reference.

10.63(b)	List of Contents of Exhibits and Schedules to the Royal Indemnity Company (Landmark) Administrative Services Agreement, filed as Exhibit 10.5 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, is incorporated herein by reference. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
10.64	Assumption of Liabilities Agreement, dated as of September 2, 2003, by and between Landmark and Royal Indemnity Company, filed as Exhibit 10.6 to Alleghany's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, is incorporated herein by reference.
10.65	Stock Purchase Agreement, dated as of January 30, 2004, by and among AIHL, Aegis Holding Inc. and Associated Electric & Gas Insurance Services Limited Landmark and Royal Indemnity Company ("Aegis Stock Purchase Agreement").
10.66	List of Contents of Exhibits and Schedules to the Aegis Stock Purchase Agreement. Alleghany agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.
13	Pages 3 through 4, 6 through 10, 12 through 26, 28 and 30 through 52 of the Annual Report to Stockholders of Alleghany for the year 2003.
14	Alleghany Financial Personnel Code of Ethics.
21	List of subsidiaries of Alleghany.
23	Consent of KPMG LLP, independent certified public accountants, to the incorporation by reference of their reports relating to the financial statements and related schedules of Alleghany and subsidiaries in Alleghany's Registration Statements on Form S-8 (Registration No. 333-37237), Form S-8 (Registration No. 333-76159), Form S-8 (Registration No. 333-76996), Form S-3 (Registration No. 33-55707), Form S-3 (Registration No. 33-62477), Form S-3 (Registration No. 333-09881), and Form S-3 (Registration No. 333-13971).

- 31.1 Certification of the Chief Executive Officer of Alleghany pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of the Chief Financial Officer of Alleghany pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of the Chief Executive Officer of Alleghany pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. This exhibit shall not be deemed "filed" as a part of this Annual Report on Form 10-K.
- 32.2 Certification of the Chief Financial Officer of Alleghany pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. This exhibit shall not be deemed "filed" as a part of this Annual Report on Form 10-K.

Exhibit 10.65

STOCK PURCHASE AGREEMENT

by and among

ALLEGHANY INSURANCE HOLDINGS LLC,

AEGIS HOLDING INC.

and

**ASSOCIATED ELECTRIC & GAS
INSURANCE SERVICES LIMITED**

Dated as of January 30, 2004

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STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement, dated as of January 30, 2004, is by and among Alleghany Insurance Holdings LLC, a Delaware limited liability company ("Purchaser"), Aegis Holding Inc., a Delaware corporation ("Seller"), and Associated Electric & Gas Insurance Services Limited, a mutual insurance company organized under the laws of Bermuda and the sole stockholder of Seller ("Parent").

RECITALS:

WHEREAS, Seller owns 3,500,000 shares, constituting all of the issued and outstanding shares, of common stock, par value \$1.00 per share (the "Stock"), of U.S. Aegis Energy Insurance Company, a stock insurance company organized under the laws of Delaware (the "Company");

WHEREAS, prior to the Closing (as defined below), pursuant to the Commutation Agreement (as defined below), Parent and Company will fully settle, commute and discharge any and all of their respective obligations and liabilities under the Company Reinsurance Agreements (as defined below) and under the Parent Reinsurance Agreement (as defined below) and exchange mutual releases relating thereto; and

WHEREAS, prior to the Closing, pursuant to the Assignment (as defined below), all of the rights, obligations and liabilities of the Company under the Company Reinsurance Agreements and under the Parent Reinsurance Agreement will be transferred to and assumed by Parent;

WHEREAS, as of the Closing, the Company will have no liabilities or obligations whatsoever based on or arising out of any act, omission or event occurring prior to the Closing that are not fully indemnified by Parent pursuant to this Agreement; and

WHEREAS, Purchaser desires to purchase and Seller desires to sell the Stock upon the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual agreements contained herein, intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

As used herein, the terms below shall have the following meanings, except as otherwise expressly provided or unless the context otherwise requires:

1.1 "2003 Filing Fees" shall have the meaning set forth in Section 3.8(b).

1.2 "2004 Filing Fees" shall have the meaning set forth in Section 5.5(b).

1.3 "Affiliate" or "Affiliated" shall mean with respect to any Person, any Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person. A Person will be deemed to control a Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

1.4 "Agreement" shall refer to this Stock Purchase Agreement together with all Exhibits and Schedules hereto, as the same may be amended from time to time.

1.5 "Assignment" shall refer to the Transfer and Assumption Agreement to be entered into by and between Parent and the Company and made effective on or prior to the Closing pursuant to which the Company will transfer to Parent, and Parent will assume, all of the rights, obligations and liabilities of the Company pursuant to the Company Reinsurance Agreements and the Parent Reinsurance Agreement. The Assignment shall be in the form attached hereto as Exhibit A (with such changes thereto as may be approved by Purchaser).

1.6 "Assumption Agreements" shall have the meaning set forth in Section 3.14(b)(i).

1.7 "Bankruptcy Exception" shall refer, in respect of any agreement, contract or commitment, to any limitation thereon imposed by any bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar law affecting creditors' rights and remedies generally and, with respect to the enforceability thereof, by general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

1.8 "Business Day" shall mean a Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions in the State of New York are not authorized or obligated by applicable law to close.

1.9 "Closing" and "Closing Date" shall have the respective meanings set forth in Section 2.3.

1.10 "Closing Date Balance Sheet" shall mean a balance sheet of the Company as at the Closing Date setting forth all assets of the Company from the Closing Date Statement of Assets and setting forth all liabilities of the Company determined in accordance with Statutory Accounting Principles, provided that the Closing Date Balance Sheet shall give effect to the treatment of 2004 Filing Fees as provided in Section 5.5(b).

1.11 "Closing Date Shareholder's Equity" shall mean total assets (valued in accordance with the provisions of Section 5.5, but excluding any deferred Tax Assets) less total liabilities (determined in accordance with Statutory Accounting Principles, and excluding any liability for Taxes) of the Company as set forth on the Closing Date Balance Sheet.

1.12 "Closing Date Statement of Assets" shall refer to the statement of assets of the Company as of the Closing Date prepared in accordance with the provisions of Section 5.5.

1.13 "COBRA" shall mean the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

1.14 "Code" shall mean the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder.

1.15 "Commutation Agreement" shall refer to the Commutation Agreement and Release by and between Parent and Company, dated December 31, 2003.

1.16 "Company" shall have the meaning set forth in the recitals hereto.

1.17 "Company Agreements" shall have the meaning set forth in Section 3.14(a).

1.18 "Company Reinsurance Agreements" shall refer collectively to the following reinsurance agreements: the Standard Lines Aggregate Excess of Loss Reinsurance Agreement between Parent and the Company (as reinsurer), dated as of January 1, 1996, as amended through Amendment No. 7 thereto dated January 1, 2003; and the Property Quota Share Reinsurance Agreement between Parent and the Company (as reinsurer), dated as of April 1, 1996, as amended through Amendment No. 4 thereto dated January 1, 2000.

1.19 "Confidential Information" shall mean all Documents and information concerning Parent, Seller or the Company furnished to Purchaser in connection with this Agreement and any Documents or compilations prepared by or for Purchaser which contain, reflect or are based upon such information.

1.20 "Delaware Commissioner" shall mean the Insurance Commissioner of the Delaware Department of Insurance.

1.21 "Documents" shall refer to any books, records, files, papers, tapes, microfilms and any other documents.

1.22 "Employee Benefit Plan" shall mean any "employee benefit plan" (as such term is defined in section 3(3) of ERISA), and any other retirement, pension, profit-sharing, thrift, savings, target benefit, employee stock ownership, cash or deferred, deferred or incentive compensation, bonus, stay bonus, stock option, employee stock purchase, phantom stock, stock appreciation, change in control, retention compensation, medical, dental, vision, psychiatric or other counseling, employee assistance, tuition reimbursement, vacation, holiday, sick pay, disability, salary continuation, termination allowance, severance, employee relocation, death benefit, survivor income, dependent care assistance, legal assistance or fringe benefit (cash or noncash) plan, program, policy, practice or arrangement, or any cafeteria plan under Section 125 of the Code, in which any current or former officer, director, independent contractor or employee of the Company or any ERISA Affiliate has ever participated, or as to which the Company or any ERISA Affiliate has ever had any present or contingent obligation, including any obligation to make contributions.

1.23 "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

1.24 "ERISA Affiliate" shall refer to any entity required to be aggregated with the Company as a single employer under Section 414(b), (c), (m) or (o) of the Code.

1.25 "Exhibit" shall refer to each of several written Exhibits to this Agreement, each of which is incorporated into and made a part of this Agreement for all purposes.

1.26 "Filing Fees" shall have the meaning set forth in Section 3.8(b).

1.27 "GEMICO Agreement" shall have the meaning set forth in Section 3.14(b)(ii).

1.28 "Governmental Entity" shall mean any federal, state, local or foreign government, political subdivision, legislature, court, agency, department, bureau, commission or other governmental or regulatory authority, body or instrumentality, including any insurance or securities regulatory authority.

1.29 "Indemnification Event" shall refer to any action, proceeding or claim for which a Person is entitled to indemnification under this Agreement.

1.30 "Indemnitor" shall refer to the indemnifying Person with respect to the occurrence of an Indemnification Event.

1.31 "Insurance Permit" shall mean any Permit in any jurisdiction to issue, underwrite, assume, place, sell or otherwise transact the business of insurance.

1.32 "Liens or Restrictions" shall refer to any lien, pledge, mortgage, security interest, charge, adverse claim or other encumbrance of any kind.

1.33 "Material Adverse Effect" shall mean any material adverse effect on the business, operations, financial condition, results of operations or prospects of the Company.

1.34 "Multiemployer Plan" shall have the meaning ascribed to such term by Section 4001(a)(3) of ERISA.

1.35 "Parent" shall have the meaning set forth in the preamble.

1.36 "Parent Reinsurance Agreement" means the Reinsurance Agreement, dated as of January 1, 1996, as amended through Amendment No. 7 thereto dated January 1, 2003, between the Company and Parent (as reinsurer).

1.37 "PBGC" shall mean the Pension Benefit Guaranty Corporation.

1.38 "Permit" shall refer to any federal, state, local or other governmental consent, license, permit, grant or authorization which is held by the Company in a particular jurisdiction immediately prior to the Closing Date.

1.39 "Person" shall mean any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, mutual company, trust, unincorporated organization or Governmental Entity or agency thereof.

1.40 "Post-Closing Period" shall refer to a taxable period of the Company beginning after the Closing Date.

1.41 "Pre-Closing Period" shall refer to a taxable period of the Company ending on or prior to the Closing Date.

1.42 "Property" shall mean any real, personal or mixed property, whether tangible or intangible.

1.43 "Purchase Price" shall have the meaning set forth in Section 2.2.

1.44 "Purchaser" shall have the meaning set forth in the preamble.

1.45 "Purchaser Indemnitees" shall have the meaning set forth in Section 5.4(c).

1.46 "Purchaser Losses" shall have the meaning set forth in Section 5.4(c).

1.47 "Purchaser's Knowledge" shall refer to the actual knowledge of (i) individuals who, at the time of execution of this Agreement, perform such functions or hold such positions with Purchaser as would reasonably be expected to require them to be aware of the information in question and (ii) officers of Purchaser holding the position of Vice President or higher.

1.48 "Schedule" shall refer to each of several written Schedules to this Agreement, each of which is incorporated into and made a part of this Agreement for all purposes.

1.49 "Seller" shall have the meaning set forth in the preamble.

1.50 "Seller Acquisition Agreement" shall mean the Stock Purchase Agreement by and between Seller and Consolidated Insurance Group of America, Inc., dated as of December 22, 1995.

1.51 "Seller Group" shall have the meaning set forth in Section 3.7(a).

1.52 "Seller Indemnitees" shall have the meaning set forth in Section 5.4(d).

1.53 "Seller Losses" shall have the meaning set forth in Section 5.4(d).

1.54 "Seller's Knowledge" shall refer to the actual knowledge of (i) individuals who, at the time of execution of this Agreement, perform such functions or hold such positions with Seller, Parent or the Company (prior to the Closing) as would reasonably be expected to require them to be aware of the information in question and (ii) officers of Seller, Parent or the Company holding the position of Vice President or higher (prior to the Closing).

1.55 "Statutory Accounting Principles" shall mean the statutory accounting practices prescribed or permitted by the Delaware Commissioner.

1.56 "Statutory Financial Statements" shall mean the Annual Statements and the Quarterly Statements of the Condition and Affairs of the Company filed with the Delaware Insurance Department, in each case including all exhibits, interrogatories, notes and schedules thereto and any actuarial opinion, affirmation or certification or other supporting documentation filed in connection therewith.

1.57 "Stock" shall have the meaning set forth in the first recital of this Agreement.

1.58 "Straddle Period" shall refer to a taxable period of the Company beginning before and ending after the Closing Date.

1.59 "Subsidiary" shall mean, with respect to any Person, any corporation, partnership, limited liability company, joint venture or other entity in which such Person (i) owns, directly or indirectly, 50% or more of the outstanding voting securities, equity interests, profits interest or capital interest, (ii) is entitled to elect at least a majority of the board of directors or similar governing body, or (iii) in the case of a limited partnership or limited liability company, is a general partner or managing member, respectively.

1.60 "Tax" or "Taxes" shall mean all federal, state, county, municipal, foreign and other income, profits, windfall profits, gains, gross receipts, net worth, premium, value added, ad valorem, sales, use, excise, stamp, transfer, franchise, withholding, payroll, employment, occupation, workers' compensation, disability, severance, unemployment insurance, social security and property taxes, and all other taxes, levies, fees, imposts, duties and charges of any kind whatsoever, together with any interest, penalties and additions thereto imposed by any Taxing Authority, including all amounts imposed as a result of being a member of an affiliated or combined group.

1.61 "Taxing Authority" shall refer to any Governmental Entity responsible for the administration or collection of Taxes.

1.62 "Tax Claim" shall have the meaning set forth in Section 5.3(h).

1.63 "Tax Return" shall mean all returns, reports, elections, estimates, declarations, information statements and other forms and documents (including all schedules, exhibits, and other attachments thereto and any supplements or amendments thereof) relating to, and required to be filed or maintained in connection with the calculation, determination, assessment or collection of, any Taxes (including estimated Taxes).

1.64 "Transfer Taxes" shall have the meaning set forth in Section 5.6.

1.65 "Transferee" shall have the meaning set forth in Section 2.4.

ARTICLE II

PURCHASE OF STOCK

2.1 Purchase and Sale. Upon the terms and subject to the conditions of this Agreement, at the Closing, Purchaser shall purchase from Seller, and Seller shall sell to Purchaser, all of the Stock.

2.2 The Purchase Price. The price Purchaser shall pay for the Stock shall be an amount equal to the sum of the following:

(a) Three Million Three Hundred Thousand Dollars (\$3,300,000.00),

(b) plus the Closing Date Shareholder's Equity, as determined in accordance with Section 5.5 (such sum, the "Purchase Price").

2.3 Closing. The closing of the purchase and sale of the Stock pursuant to this Agreement (the "Closing") shall take place at the offices of Dewey Ballantine LLP, 1301 Avenue of the Americas, New York, New York at 10:00 a.m. New York time on the third business day following the satisfaction or waiver of all conditions to the obligations of the parties to consummate the transaction contemplated hereby (other than conditions with respect to actions the parties will take at the Closing itself) (the "Closing Date"), or such other place, times or dates as the parties hereto agree in writing. At the Closing:

(a) Seller shall deliver to Purchaser a certificate or certificates representing the Stock duly endorsed to Purchaser or accompanied by duly executed stock powers so as to transfer and assign to Purchaser good and valid title to the Stock free and clear of all Liens or Restrictions and to constitute Purchaser the sole beneficial and record stockholder of the Company;

(b) Purchaser shall pay to Seller the Purchase Price by wire transfer of immediately available funds to an account designated in writing by Seller on or before the Closing; and

(c) Seller shall deliver to Purchaser (i) fully executed originals of the Assignment and the Commutation Agreement and (ii) fully executed originals, or copies certified by Seller, of the Assumption Agreements and the GEMICO Agreement.

2.4 Transfer of Stock. Seller hereby acknowledges and agrees that, subsequent to the Closing, Purchaser shall have the right to transfer, exchange or contribute the Stock to any direct or indirect majority owned or wholly owned Subsidiary of the Purchaser ("Transferee").

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF SELLER AND PARENT

Seller and Parent, jointly and severally, hereby represent and warrant to Purchaser, as of the date of this Agreement (except if another date is specified in the representation or warranty) and as of the Closing Date, as follows:

3.1 Organization and Standing.

(a) Each of Seller, Parent and the Company is duly organized, validly existing and in good standing under the laws of its respective jurisdiction, and each of Seller, Parent and the Company has all requisite power and authority to own, lease and operate its assets and Properties (including, without limitation, the Stock) and to conduct its business as currently being conducted. The Company is duly qualified, licensed to conduct business, and is in good standing in each jurisdiction set forth in Schedule 3.1(b), except as noted thereon.

(b) Schedule 3.1(b) is an accurate and complete list of each Insurance Permit held by the Company and sets forth the scheduled expiration date of each such Insurance Permit. True, correct and complete copies of all of such Insurance Permits (as of a recent date) are attached to Schedule 3.1(b). Except as limited by state statute generally applicable to all companies of a similar type as the Company or as set forth in such Schedule, the Company's authority to write the lines and classes of insurance set forth on such Schedule is unrestricted and the Company is not a party to any agreement or arrangement with any regulatory official or agency limiting or restricting the Company's ability to make full use of the Insurance Permits. Except as set forth in Schedule 3.1(b), each such Insurance Permit is currently in good standing, and, other than as set forth in Schedule 3.1(b), no Insurance Permit has been withdrawn, modified, restricted or conditioned in any respect by a state insurance regulatory authority, and no application for an Insurance Permit filed by the Company within the last 12 months has been denied or withdrawn. No event has occurred that, with or without notice or lapse of time or both, could reasonably be expected to result in the revocation, suspension, lapse or limitation of any Insurance Permit. The Company is not transacting and has not transacted any insurance business in any jurisdiction requiring an Insurance Permit or qualification in which it did not possess such Insurance Permit or qualification.

(c) Schedule 3.1(c) identifies each director and executive officer of the Company as currently in effect and contains true and correct copies of the Company's Certificate of Incorporation and the By-laws, including all amendments thereto through, and as in effect on, the date hereof.

3.2 Authorization of Agreement. Each of Seller and Parent has all requisite power to execute and deliver this Agreement and perform its obligations under this Agreement, and the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated by this Agreement have been duly authorized and approved by all necessary action on the part of each of Seller and Parent. Each of Parent and the Company has the requisite power to execute and deliver the Assignment and the Commutation Agreement and to perform its obligations thereunder, and the execution, delivery and performance of the

Assignment and the Commutation Agreement and the consummation of the transactions contemplated thereby have been duly authorized by all necessary requisite action on the part of each of Parent and the Company. This Agreement has been duly executed and delivered by each of Seller and Parent and is the valid and binding obligation of each of Seller and Parent enforceable against each of them in accordance with its terms, subject to the Bankruptcy Exception. Prior to the Closing Date, the Assignment and the Commutation Agreement will have been duly authorized, executed and delivered by each of Parent and the Company, and, on the Closing Date, each of the Assignment and the Commutation Agreement will be the valid and binding obligations of each of Parent and the Company enforceable against each of them in accordance with its terms, subject to the Bankruptcy Exception.

3.3 Capital Stock of the Company. The authorized capital stock of the Company consists of 10,000,000 shares of common stock, \$1.00 par value per share, of which only the Stock (consisting of 3,500,000 shares of such common stock) is issued and outstanding. All issued and outstanding shares of Stock are duly authorized, validly issued and fully paid and non-assessable. Seller is the lawful owner, beneficially and of record, of all of the Stock and has good and valid title to the Stock, free and clear of all Liens or Restrictions, voting trusts or other voting agreements, contracts, calls, commitments of any kind, including any such agreement, arrangement, commitment or understanding restricting or otherwise relating to the voting, dividend rights or dispositions of the Stock. Upon consummation of the transactions contemplated by this Agreement, Purchaser will acquire record and beneficial ownership of the Stock, free and clear of any Liens or Restrictions, voting trusts or other voting agreements, contracts, calls, commitments of any kind, including any such agreement, arrangement, commitment or understanding restricting or otherwise relating to the voting, dividend rights or dispositions of the Stock.

3.4 Interests in Securities of the Company. There are no outstanding options, convertible securities, warrants or other rights to subscribe for or purchase from Seller or the Company, and there are no plans, contracts or commitments for the granting by Seller or the Company of rights to acquire: (i) any capital stock or other ownership interests in the Company including the Stock; or (ii) any securities convertible into or exchangeable for any such capital stock or ownership interests in the Company.

3.5 Financial Statements. Seller has delivered to Purchaser true, correct and complete copies of the Statutory Financial Statements of the Company for the year ended December 31, 2002 and for the quarterly periods ended March 31, June 30 and September 30, 2003. Such Statutory Financial Statements fairly represent the financial position and the results of operations of the Company as of the dates and for the periods to which such financial statements relate in accordance with Statutory Accounting Principles. Except as disclosed on such Statutory Financial Statements or in the notes thereto, there has not been any change in the business, financial condition or results of operations of the Company during the last 12 months that has had, or could reasonably be expected to have, a Material Adverse Effect. Seller has heretofore delivered to Purchaser true, correct and complete copies of the Statutory Financial Statements of the Company for each of the years ended December 31, 1997, 1998, 1999, 2000 and 2001.

3.6 Subsidiaries. The Company does not own, either of record or beneficially, any direct or indirect equity interest or any right (contingent or otherwise) to acquire the same in any other Person.

3.7 Tax Returns and Reports.

(a) Seller is the common parent of an affiliated group of corporations (within the meaning of section 1504(a) of the Code) (such group, the "Seller Group") that files a consolidated federal income Tax Return. For all periods during which it has owned the Company, Seller has properly included (or, with respect to the taxable year ending on the Closing Date, will properly include) the Company in its consolidated federal income Tax Return as a member of the Seller Group.

(b) Other than as set forth on Schedule 3.7, (i) the Company has filed (or joined in the filing of) when due all material Tax Returns required to be filed by or with respect to the Company, including Tax Returns of the Seller Group and of any other consolidated, combined, unitary or other affiliated group of which the Company is a member, and all Taxes shown to be due on such Tax Returns have been timely paid; (ii) all such Tax Returns were true, correct and complete in all respects; (iii) there is no action, suit, proceeding, investigation, audit or claim now pending against, or with respect to, the Company in respect of any Tax or assessment, nor is any claim for additional Tax or assessment being asserted by any Taxing Authority; (iv) no claim has been asserted in writing by any Taxing Authority in a jurisdiction in which the Company does not currently file a Tax Return that it is or may be subject to Tax by such jurisdiction; (v) the Company is not a party to any agreement, whether written or unwritten, providing for the payment of Taxes, payment for Tax losses, entitlement to refunds or similar Tax matters; (vi) the Company has withheld and remitted to its applicable Taxing Authorities all Taxes required to be withheld in connection with any material amounts paid or owing to any employee, creditor, attorney, independent contractor or other Person; (vii) neither Seller nor the Company has made, changed or revoked, or permitted to be made, changed or revoked, any material election or method of accounting with respect to material Taxes affecting or relating to the Company, or entered into, or permitted to be entered into, any closing or other agreement or settlement with respect to Taxes affecting or relating to the Company; (viii) no ruling with respect to Taxes has been requested by or on behalf of the Company or by Seller with respect to any transaction involving the Company that could affect the liability of the Company for Taxes for any period after the Closing; (ix) the Company has no liability for the Taxes of any Person (other than pursuant to Treasury Regulation Section 1.1502-6, or any analogous state, local or foreign law or regulation) as a transferee or successor, by contract or otherwise; (x) the statutes of limitations for Tax years of the Company have closed for all years ending prior to January 1, 2000; (xi) the Seller is not a "foreign person" within the meaning of Section 1445(f)(2) of the Code.

3.8 Required Filings.

(a) All statements, reports, forms or other information required to be filed with respect to the Company have been or will be timely filed, and all required regulatory approvals in respect thereof are in full force and effect, except for any such information or regulatory approvals that if not made or obtained would not reasonably be expected, individually

or in the aggregate, to have a Material Adverse Effect. All such regulatory filings were true and correct in all material respects when filed and were in compliance with applicable laws, and no deficiencies have been asserted by any such Governmental Entity with respect to such regulatory filings that have not been satisfied.

(b) Schedule 3.8(b) sets forth: (i) all amounts paid by the Company as annual statement filing fees, license renewal fees, examination fees, membership fees or dues to state guaranty associations and joint underwriting associations, minimum required state insurance premium taxes (i.e. those imposed without regard to the amount of premiums written) and other taxes, fees or assessments required to be paid by the Company in order to maintain its Insurance Permits in good standing (collectively, "Filing Fees") for the year ending December 31, 2003 (the "2003 Filing Fees"); and (ii) the dates on which such 2003 Filing Fees were due. To Seller's Knowledge, no Filing Fees were due for such period other than as shown on said Schedule 3.8(b).

3.9 No Breach of Statute or Contract; Governmental Authorizations.

(a) Neither the execution and delivery of this Agreement by Parent or Seller, nor the execution and delivery of the Assignment and the Commutation Agreement by Parent and the Company, nor performance by any of them of any of their obligations hereunder or thereunder will (x) conflict with, or result in a breach of, any of the terms, conditions or provisions of: (i) the certificate of incorporation or by-laws (or comparable organizational documents) of Seller, Parent or the Company; (ii) subject to receipt of approvals referred to in Section 3.9(b), any judgment, order, injunction, decree or ruling of any court or governmental authority, domestic or foreign, or any law, statute or regulation, to which Seller, Parent or the Company is subject; or (iii) any agreement, contract or commitment to which Seller, Parent or the Company is a party or is subject, except, in the case of clauses (ii) and (iii) only, for such conflicts or breaches that (A) would not be reasonably expected to have a Material Adverse Effect, (B) would not materially impair the ability of Parent or Seller to execute, deliver and perform its obligations under this Agreement,

(C) would not materially impair the ability of Parent or the Company to execute, deliver and perform its obligations under the Assignment and the Commutation Agreement, and (D) would not impair the validity of any Insurance Permit, or (y) result in the creation or imposition of any Lien or Restriction on any of the Properties or assets of the Company.

(b) To Seller's Knowledge, except as set forth in Schedule 3.9(b), there are no governmental approvals, consents, licenses, orders or registrations required to be obtained, made or given to permit the consummation of the transactions contemplated by this Agreement, except for (i) approval by the Delaware Commissioner with respect to the change in control of the Company and (ii) approvals by the insurance department of any other jurisdiction asserting regulatory authority over the transactions contemplated by this Agreement which are required by applicable law, regulation or rule to be obtained by Purchaser.

(c) The Company is in compliance with all applicable laws, statutes, ordinances, orders, rules and regulations promulgated, and judgments entered, by any federal, foreign or local court or governmental authority relating to the operation, conduct or ownership

of the Property or business of the Company, except for any such failure to comply that would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

(d) None of Seller, Parent or the Company has received any notice of, nor to Seller's Knowledge is there, any violation of any applicable law, statute, ordinance, order, rule or regulation promulgated, or judgment entered, by any federal, foreign, state or local court or governmental authority relating to the operation, conduct or ownership of the business of the Company other than a violation which has been resolved and for which no sanction is pending.

(e) Except as disclosed on Schedule 3.1(b), no proceeding is pending nor, to Seller's Knowledge, is any proceeding threatened in which any Person is seeking to revoke or deny the renewal of any Insurance Permit.

3.10 No Litigation or Adverse Events. Other than (i) applications filed with state insurance departments by Purchaser, (ii) applications requesting approval of the change in control of the Company pursuant to this Agreement, and (iii) as set forth on Schedule 3.9(b), there are no actions, suits or administrative, arbitration or other proceedings or governmental investigations (including counterclaims) pending or, to Seller's Knowledge, threatened against the Company. None of Seller, Parent or the Company has received any written notice of, nor to Seller's Knowledge is there, any claim or assertion of liability on the part of the Company.

3.11 Bank Accounts. Schedule 3.11 sets forth a list of all bank accounts maintained by the Company together with the addresses of the banks at which such accounts are maintained and the contact persons for the Company thereat.

3.12 Form of Capital and Surplus. The Company's capital and surplus consist only of (i) cash and cash equivalents, (ii) fixed income securities traded in a recognized public market and (iii) bonds on deposit with certain states as required to obtain licenses in those states. Schedule 3.12 sets forth a description of the items constituting the Company's capital and surplus, including the values thereof, valued as of January 28, 2004 in accordance with the valuation methods to be used in the preparation of the Closing Date Statement of Assets, as set forth in Section 5.5 of this Agreement.

3.13 Liabilities. The Company has no liabilities, losses or claims (contract or otherwise) other than those set forth in the Statutory Financial Statements of the Company for the period ended December 31, 2002 and for the quarterly periods ended March 31, June 30 and September 30, 2003, or as set forth in Schedule 3.13; and at the Closing, the Company will have no liabilities or obligations other than those set forth in Schedule 3.13.

3.14 Contracts.

(a) To the Seller's Knowledge, the Company Reinsurance Agreements, the Parent Reinsurance Agreement, the Assumption Agreements and the GEMICO Agreement (collectively, the "Company Agreements") constitute all of the contracts and commitments by which the Company is bound or to which the Company is subject, and there are no other contracts or commitments to which the Company is now a party or by which the Company or its assets are or may be bound or to which the Company or its assets are or may be subject, other than (i) contracts and commitments identified on Schedule 3.14(a) that will be terminated on or

prior to the Closing except as indicated on such Schedule and (ii) this Agreement. The Company Agreements are valid and binding agreements of the Company and, to the Seller's Knowledge, each of the other parties thereto, enforceable against each of them in accordance with their terms, subject to the Bankruptcy Exception. To the Seller's Knowledge, on the Closing Date, the Assignment, the Commutation Agreement, the Assumption Agreements and the GEMICO Agreement will constitute all of the contracts and commitments by which the Company or its assets are or may be bound or to which the Company or its assets are or may be subject, and there will be no other contracts or commitments to which the Company is a party or by which the Company or its assets are or may be bound or to which the Company or its assets are or may be subject, other than this Agreement.

(b) Seller represents and warrants to Purchaser that the intent of the agreements set forth below was to render the Company devoid of any liabilities or obligations, including, but not limited to, any liabilities or obligations under insurance policies or reinsurance agreements written by the Company.

(i) With respect to (a) the Assumption Agreement, dated as of April 1, 1995, by and between the Company (then named Peninsula Property and Casualty Company) and American Bankers Insurance Company of Florida and (b) the Assumption Agreement, dated as of June 28, 1995, by and between the Company and Wesco Insurance Company (each agreement hereinafter referred to individually as an "Assumption Agreement" and collectively as the "Assumption Agreements"), Seller hereby represents and warrants to Purchaser, based on representations in the Seller Acquisition Agreement and to the Seller's Knowledge, that (1) the Company had, at the time such Assumption Agreement was executed and delivered, full corporate power and authority to execute, deliver and perform its obligations under such Assumption Agreement and the other documents executed or required to be executed in connection therewith; (2) each Assumption Agreement and the other documents required to be executed and delivered in connection therewith were duly authorized, executed and delivered by the Company; (3) each Assumption Agreement and the other documents required to be executed and delivered in connection therewith were the legal, valid and binding obligations of the Company, enforceable in accordance with its terms, subject to the Bankruptcy Exception; (4) all consents, approvals, authorizations and orders necessary to permit the transactions contemplated by each Assumption Agreement have been obtained; (5) all notices to direct policyholders required to effect valid and binding novations of the insurance policies which are the subject of each Assumption Agreement have been sent; (6) each Assumption Agreement and the other documents required to be executed and delivered in connection therewith are valid and continuing obligations of the parties thereto, (7) no party to such agreements has given notice of termination or taken any action inconsistent with the continuance of such agreements, and (8) the execution, delivery and performance of this Agreement will not affect the enforceability of such agreements against the parties thereto.

(ii) With respect to the Assumption Agreement, dated as of December 30, 1993, by and between the Company (then named General Electric Guaranty Insurance Corporation) and General Electric Mortgage Insurance Corporation (the "GEMICO Agreement"), Seller hereby represents and warrants to Purchaser that, to Seller's Knowledge, (a) the GEMICO Agreement and the other documents required to be executed and delivered in connection therewith are valid and continuing obligations of the parties thereto, (b) no party to such agreements has given notice of termination or taken any action inconsistent with the continuance of such agreements and (c) the execution, delivery and performance of this Agreement will not affect the enforceability of such agreements against the parties thereto.

3.15 Employee Matters. The Company (i) does not have, and since the time that Seller acquired the Company the Company has not had, any employees or independent contractors (including independent insurance agents), (ii) is not a party to or obligated under, and does not have any liabilities or obligations with respect to, any employment, consulting or agency contract with any Person, including any former employee or former independent contractor (including a former independent sales agent), and (iii) does not otherwise have any liabilities or obligations with respect to any current or former employee or independent contractor (including any current or former independent sales agent). At the Closing, the Company will not have any liabilities or obligations to any current or former officers or directors of the Company. Since December 30, 1993, the Company has not maintained, contributed to or been obligated to contribute to any Employee Benefit Plan. The Company is not a party to or otherwise obligated under any collective bargaining agreement. Seller acknowledges that Purchaser is assuming no liability or responsibility with respect to benefits payable or any other obligation owed under any Employee Benefit Plan, or for any insurance agent arrangements which may have existed prior to the date hereof (including any commissions or fees owed in connection therewith).

3.16 Powers of Attorney. Other than as set forth in Schedule 3.16 and other than any powers of attorney granted to insurance commissioners in connection with state licensing matters, all powers of attorney granted by the Company have expired or been revoked prior to the date hereof.

3.17 Accuracy of Documents. All minute books and stock records of the Company and all other Documents delivered by Seller or the Company to Purchaser in connection with the transactions contemplated hereby are complete and accurate in all material respects. All corporate books and records of the Company are maintained in compliance in all material respects with all applicable statutes, including requirements as to their location.

3.18 Brokers and Finders. Except for Merger & Acquisition Services, Inc., no broker, finder or investment banker is entitled to any fee or commission in connection with the transactions contemplated hereby based upon arrangements made by or on behalf of Parent, Seller or the Company.

3.19 Insurance Business. Since December 22, 1995, the Company has not engaged in any business of insurance or reinsurance other than the business transacted pursuant to the Company Reinsurance Agreements and the Parent Reinsurance Agreement, all of which will be commuted and the parties thereto released pursuant to the Commutation Agreement. To Seller's Knowledge and based on representations in the Seller Acquisition Agreement, during the period from December 30, 1993 until December 22, 1995, the Company did not write any business other than business which was assumptively reinsured under the Assumption Agreements.

3.20 Assets and Properties.

(a) The Company owns and has good and marketable title to all of its assets and Properties, free from any Liens or Restrictions (other than any escrowed amounts or other deposits made with state insurance commissioners).

(b) On the Closing Date, the Company will not own any assets or Properties, except (i) its corporate charter and the Insurance Permits set forth on Schedule 3.1(b), (ii) the assets set forth on the Closing Date Statement of Assets, and (iii) the contractual rights of the Company pursuant to the Assignment, the Commutation Agreement, the Assumption Agreements and the GEMICO Agreement.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to Seller and Parent, as of the date of this Agreement (except if another date is specified in the representation or warranty) and as of the Closing Date, as follows:

4.1 Organization and Standing. Purchaser is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware, and Purchaser has all requisite power and authority to execute and deliver this Agreement and perform its obligations under this Agreement.

4.2 Authorization of Agreement. Purchaser has the corporate power to execute and deliver this Agreement and perform its obligations under this Agreement, and the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated by this Agreement have been duly authorized and approved by all necessary corporate action on the part of Purchaser. This Agreement has been duly executed and delivered by Purchaser and is the valid and binding obligation of Purchaser enforceable against it in accordance with its terms, subject to the Bankruptcy Exception.

4.3 No Breach of Statute or Contract; Governmental Authorizations.

(a) Neither the execution and delivery by Purchaser of this Agreement nor performance by Purchaser of its obligations hereunder will conflict with, or result in a breach of, any of the terms, conditions or provisions of: (i) the Restated Certificate of Incorporation or

By-laws of Purchaser; (ii) subject to receipt of approvals referred to in Section 4.3(b), any judgment, order, injunction, decree or ruling of any court or governmental authority, domestic or foreign, or any law, statute or regulation, to which Purchaser is subject; or (iii) any agreement, contract or commitment to which Purchaser is a party or is subject, except, in the case of clauses (ii) and (iii) only, for such conflicts or breaches which would not materially impair the ability of Purchaser to execute, deliver and perform its obligations under this Agreement.

(b) To Purchaser's Knowledge, except for (i) the approval by the Delaware Commissioner with respect to the change in control of the Company and (ii) any approvals by the insurance department of any other jurisdiction asserting regulatory authority over the transactions contemplated by this Agreement which are required by applicable law, regulation or rule to be obtained by Seller, there are no governmental approvals required to permit the consummation of the transactions contemplated by this Agreement.

4.4 Investment Intent. Purchaser represents and warrants that (i) subject to the provisions of Section 2.4 hereof, Purchaser is acquiring the Stock for its own account, for investment purposes only and not with a view to the resale, distribution or other disposition thereof or any part thereof or any interest therein, and (ii) Purchaser has such knowledge of and experience in financial and business matters as to be capable of evaluating the merits and risks of its prospective investment in the Company as contemplated by this Agreement. Purchaser acknowledges that the Stock will not be registered under the Securities Act of 1933, as amended, or under any state securities law and, therefore, may not be sold by Purchaser except pursuant to an effective registration statement under such Securities Act or an exemption from registration thereunder and pursuant to registration or qualification under any applicable state securities law or exemption therefrom.

4.5 No Litigation. There are no actions, suits or administrative, arbitration or other proceedings or governmental investigations (including counterclaims) pending or, to Purchaser's Knowledge, threatened in writing to restrain, prohibit or otherwise challenge the performance by Purchaser of the transactions contemplated by this Agreement.

4.6 Brokers and Finders. Except for Merger & Acquisition Services, Inc., no broker, finder or investment banker is entitled to any fee or commission in connection with the transactions contemplated hereby based upon arrangements made by or on behalf of Purchaser.

ARTICLE V

CONDUCT AND TRANSACTIONS PRIOR TO CLOSING; COVENANTS; INDEMNITIES

5.1 Investigations; Operation of the Business of the Company. Between the date of this Agreement and the Closing:

(a) (i) Upon receipt of reasonable notice, Seller and Parent will give, or cause to be given, to Purchaser or Purchaser's representatives and agents, reasonable access to the books, records and officers of the Company and, to the extent that the same pertain to the Company, the books and records of Seller and Parent, and Seller and

Parent will cause the officers and employees of Seller and Parent and of the Company to furnish to Purchaser upon reasonable prior notice such financial data and other information with respect to the assets and the conduct of the business of the Company as Purchaser shall from time to time reasonably request; provided, however, that any such investigation shall be conducted during normal business hours and in such manner so as not to interfere unreasonably with the operation of the business of Seller, Parent or the Company.

(ii) Until the Closing Date, Purchaser shall hold any Confidential Information in confidence unless and until such time as such information otherwise becomes publicly available, and, in the event of the termination of this Agreement, upon request by Seller, shall deliver to Seller all such Confidential Information so obtained by Purchaser; provided, however, that notwithstanding anything to the contrary contained in this Agreement, the parties hereto (and each employee, representative, or other agent of the parties) may disclose to any and all persons, without limitation of any kind, the Tax treatment and any facts that may be relevant to the Tax structure of the transaction, beginning on the earliest of (i) the date of the public announcement of discussions relating to the transaction, (ii) the date of public announcement of the transaction, or (iii) the date of the execution of this Agreement (with or without conditions) to enter into the transaction, provided, however, that neither party (nor any employee, representative or other agent thereof) may disclose any information that is not necessary to understanding the Tax treatment and any facts that may be relevant to the Tax structure of the transaction (including the identity of the parties and any information that could lead another to determine the identity of the parties), or any other information to the extent that such disclosure could result in a violation of any federal or state securities law.

(iii) Notwithstanding any other provision of this Agreement, the covenants of Purchaser set forth in this Section 5.1(a) shall survive the cancellation, abandonment or termination of this Agreement.

(b) Each of Seller, Parent and Purchaser agrees that it will promptly make or cause to be made any filing or submission required to be made by it or on its behalf or on behalf of the Company with the Delaware Commissioner and with the insurance department or similar regulatory authority of any other jurisdiction asserting regulatory authority over the transactions contemplated by this Agreement.

(c) Seller, Parent and Purchaser shall cooperate in using all reasonable efforts to cause the conditions to the Closing hereunder to be satisfied as soon as practicable including, without limitation, obtaining the consents, approvals and authorizations necessary for the Closing. For purposes of this Agreement, the covenant of the parties to use their "reasonable best efforts" shall not require any party to incur any unreasonable expenses.

(d) Except as otherwise provided for by the terms of this Agreement, without the prior written consent of Purchaser, Seller and Parent will not permit the Company to: (i) issue or sell, or commit to issue or sell, any shares of its capital stock; (ii) grant or commit to grant any options, warrants or rights to subscribe for, purchase, or otherwise acquire any shares of its capital stock; (iii) issue or commit to issue any securities convertible into or exchangeable for

shares of its capital stock; (iv) either declare, set aside, pay or commit to pay any dividend or other distribution with respect to its capital stock or transfer any asset for any other purpose; (v) directly or indirectly redeem, purchase or otherwise acquire or dispose of, or commit to acquire or dispose of, any shares of its capital stock; (vi) effect a split, modification or reclassification of its capital stock or a recapitalization of the Company;

(vii) change the Certificate of Incorporation or By-laws of the Company; (viii) make, or agree to make, any borrowings or any guarantee, or agree to guarantee, the borrowings of any other Person; (ix) enter into or become party to any contract or commitment other than the Assignment and the Commutation Agreement;

(x) write any new insurance or reinsurance business or engage in any business except as may be specifically contemplated in this Agreement; (xi) take any action that would cause the Company to incur any liability whatsoever not fully indemnified hereby or that would have the effect of impairing the value of the assets or the validity of any Insurance Permit; (xii) enter into any new employment, severance or consulting contracts or otherwise hire any new employees; (xiii) subject any of its Properties or assets to any Liens or Restrictions; or (xiv) except as set forth herein, take any action not in the ordinary course of the Company's business or which would be inconsistent with delivering to Purchaser a corporation as otherwise contemplated in this Agreement. Further, after preparation and delivery of the Closing Date Statement of Assets and the Closing Date Balance Sheet, without the prior written consent of Purchaser, Seller and Parent shall not, nor shall Seller or Parent permit the Company to, take any action which would cause or require any changes to the information set forth in the Closing Date Statement of Assets or the Closing Date Balance Sheet, or which would cause the sale or disposition of any assets reflected in the Closing Date Statement of Assets.

(e) Except as specifically consented to in writing by Purchaser, Seller and Parent shall not, and shall not permit the Company to, take any action or omit to take action that would result in a breach of any representation or warranty of Seller or Parent contained in this Agreement.

(f) Except as otherwise contemplated by this Agreement or specifically consented to in writing by Purchaser, from the date of this Agreement through the Closing Date, Seller and Parent shall cause the Company to

(i) conduct its business only in the ordinary course consistent with past and current practices, (ii) comply in all material respects with all applicable laws, (iii) preserve and maintain in full force and effect the Insurance Permits and (iv) perform in all material respects its obligations under all contracts and commitments to which it is a party or by which it is bound.

(g) Purchaser covenants to use reasonable efforts to file as promptly as practicable the Statement Regarding the Acquisition of Control of or the Merger with a Domestic Insurer (Form A) with the Delaware Commissioner.

5.2 Pending or Threatened Litigation or Action. Between the date of this Agreement and the Closing Date, Seller and Parent, on the one hand, and Purchaser, on the other hand, shall each inform the other, promptly upon any party's obtaining knowledge thereof, of any pending or threatened litigation or action by any regulatory authority which could reasonably be anticipated (i) to prohibit or restrain or impair the consummation of the transactions contemplated by this Agreement or the performance by Seller, Parent or Purchaser of their respective obligations under this Agreement, (ii) to have a Material Adverse Effect or (iii) to

have the effect of impairing the value of the assets to be transferred at the Closing or the validity of any Insurance Permit.

5.3 Tax Audits; Tax Returns.

(a) Seller shall file or cause to be filed when due all Tax Returns that are required to be filed for any Pre-Closing Period by or with respect to the Company and Seller shall remit (or cause to be remitted) any Taxes due in respect of such Tax Returns. All such Tax Returns will be prepared in a manner consistent with the past practice of Seller and the Company.

(b) Purchaser shall file or cause to be filed when due all Tax Returns that are required to be filed for any Post-Closing Period or any Straddle Period by or with respect to the Company and, subject to Section 5.4(a) hereof, Purchaser shall remit (or cause to be remitted) any Taxes due in respect of such Tax Returns.

(c) Purchaser shall cause the Company to prepare in a manner consistent with past practice of the Company and to deliver to Seller all relevant Tax information relating to the Company reasonably required to permit Seller to file or cause to be filed when due all Tax Returns required to be filed or caused to be filed by Seller pursuant to Section 5.3(a) of this Agreement.

(d) Purchaser and the Company will provide Seller (and its attorneys, accountants and agents) with the right, at reasonable times, upon reasonable notice, to have access to, copy and use, any records or information that are reasonably available to the Company and that Seller deems in its reasonable discretion relevant for the preparation of any Tax Returns, any audit or other examination by any Taxing Authority, the filing of any claim for a refund of Tax or for the allowance of any Tax credit, or any judicial or administrative proceedings relating to liability for Taxes of the Company for taxable periods ending on or prior to the Closing Date. Purchaser shall be reimbursed by Seller or Parent for all reasonable out-of-pocket expenses incurred by Purchaser in connection with providing such information. Any information obtained pursuant to this Section 5.3(d) shall be held in strict confidence and shall be used solely in connection with the reason for which it was requested.

(e) In the case of any income or premium Tax Return for any Straddle Period, Purchaser shall provide Seller with copies of the completed Tax Return for such taxable period and a schedule apportioning the Tax shown on such Tax Return as between Seller and Purchaser and specifying the amount due to or from Seller (all computed in accordance with Section 5.4(a) hereof), together with such related work papers and other documents as Seller shall reasonably request, no later than forty-five (45) days before the due date for the filing of such Tax Return. Seller and its authorized representatives shall have the right to review the Tax Return and schedule received from Purchaser pursuant to the terms of this Section 5.3(e). Seller and Purchaser agree to consult each other and resolve in good faith any issues arising under the terms of this Section 5.3(e) as a result of the review of any such Tax Return and schedule received from Purchaser and the amount of Tax, if any, due from Seller shall be paid by Seller to Purchaser no later than two (2) days prior to the date of filing of such Tax Return or the amount

of Tax due, if any, from Purchaser to Seller shall be paid by Purchaser to Seller no later than three (3) days after the date of filing of such Tax Return.

(f) Seller shall cause any Tax sharing agreement or similar arrangement with respect to Taxes involving the Company, on the one hand, and Seller, or any Affiliates of Seller, on the other hand, to be terminated effective as of the Closing Date, so that to the extent any such agreement or arrangement relates to the Company after the Closing Date, none of the Company, Seller, nor its Affiliates shall have any obligation thereunder to the other, whether to make payment or otherwise, under any such agreement or arrangement for any past, present or future period.

(g) Except as otherwise expressly contemplated by this Agreement, from the date hereof to and including the Closing Date, Seller, without the prior written consent of Purchaser will not permit the Company to directly or indirectly (i) make, change or revoke, or permit to be made, changed or revoked, any election or method of accounting, with respect to Taxes affecting the Company for Post-Closing Tax Periods, (ii) enter into, or permit to be entered into, any closing or other agreement or settlement with respect to Taxes of the Company affecting or relating to Post-Closing Tax Periods, or (iii) enter into any transaction or series of transactions other than in the ordinary course of business, or take any position on any Tax Return for any taxable period (or portion thereof) ending on or prior to the Closing Date that would have the effect of increasing the Company's tax liability for any taxable period (or portion thereof) beginning after the Closing Date.

(h) If (i) Seller receives a written notice from any Taxing Authority proposing an audit or other examination of a Tax Return of the Company for any Pre-Closing Period or (ii) a claim is made or threatened in writing by any Taxing Authority that, if successful, may result in an indemnity payment under Section 5.4(a) hereof (each a "Tax Claim"), Purchaser shall promptly notify Seller in writing stating the nature and basis of such Tax Claim, and the amount thereof, to the extent known. Failure to give such notice shall not relieve Seller from any liability that it may have on account of this indemnification or otherwise, unless and to the extent that Seller is materially adversely prejudiced thereby. Seller will have the right, upon notification to Purchaser within thirty (30) days of the date Purchaser notified Seller of such Tax Claim, to assume at its own expense the control of any audit or other defense of any Tax Claim with its own counsel. If Seller elects not to control any audit or other defense of a Tax Claim, Purchaser shall have the authority to settle without Seller's consent such Tax Claim. Seller's right to control a Tax Claim will be limited to issues in respect of which amounts in dispute would be paid by Seller or for which Seller would be liable pursuant to Section 5.4(a) hereof. Purchaser shall cooperate in good faith with Seller in contesting any Tax Claim, which cooperation shall include providing records and information that are reasonably available to the Company and relevant to such Tax Claim. All reasonable out-of-pocket expenses of Purchaser related to such cooperation shall be borne by Seller. Notwithstanding the foregoing: (i) Seller shall not have the right to control any issue involved in a Tax Claim unless Seller first acknowledges in writing its obligation to fully indemnify Purchaser for the Taxes asserted in connection with such issue; (ii) no settlement or disposition of any Tax Claim shall be made without Purchaser's prior written consent (which consent shall not be unreasonably withheld); and (iii) Purchaser and Seller shall jointly control all proceedings involving any claims for Taxes

assessed in respect of a Straddle Period, and each party shall bear its own out-of-pocket costs and expenses relating to such claims.

(i) Seller, Purchaser and the Company agree that for all income Tax purposes, the taxable period of the Company shall be terminated as of the close of business on the date of the Closing in accordance with Treasury Regulations Section 1.1502-76(b)(1) (other than transactions properly allocable thereunder to the portion of the day after the Closing shall occur) and items of income, gain, loss, deduction or credit shall be apportioned based upon a closing of the books for Tax purposes in accordance with Treasury Regulation Section 1.1502-76(b). No elections shall be made under either Treasury Regulation Section 1.1502-76(b)(2)(ii) (relating to ratable allocation of a year's items) or Treasury Regulation Section 1.1502-76(b)(2)(iii) (to ratably allocate the items for the month which includes the Closing Date). Seller, Purchaser and the Company further agree to file all Tax Returns, handle the contest of any audit and otherwise act for all Tax purposes consistent with the provisions of this Section 5.3(i).

5.4 Indemnifications, Assumptions of Liability and Related Matters.

(a) Subject to the provisions of Sections 5.4(e), (f) and

(g) and 5.5(b) hereof, Parent and Seller, jointly and severally, shall pay and shall indemnify and hold harmless Purchaser, Transferee and the Company from:

(i) all liability of the Company for Taxes (other than any Tax constituting a part of the 2004 Filing Fees) assessed in respect of, and all costs and expenses of Tax audits or the preparation of Tax Returns for, all Pre-Closing Periods, and the Seller's portion of any Straddle Period; (ii) all liability resulting by reason of the several liability of the Company pursuant to Treasury Regulation Section 1.1502-6 or any analogous state, local or foreign law or regulation or by reason of the Company having been a member of an affiliated, consolidated, combined or unitary group of which the Company was a member on or prior to the Closing Date; (iii) all liability of the Company in respect of Taxes of any other Person or entity pursuant to any agreement or contract, whether written or unwritten, entered into on or before the Closing Date, or as a transferor or successor, by contract or otherwise; and (iv) all liability arising as a result of a breach of the representations provided in Section 3.7 hereof, or the failure of Seller to perform its obligations pursuant to Section 5.3 or Section 5.6 hereof. In the case of any Straddle Period, Parent and Seller shall be solely responsible for all Taxes (other than any Tax constituting a part of the 2004 Filing Fees) of the Company (and that portion of the Company's costs for the preparation of each such Tax Return and Tax Audits) attributable to the portion of the period ending on, and that includes, the Closing Date, and Purchaser shall be solely responsible and shall indemnify Seller for all Taxes imposed on the income or operations of the Company and attributable to the portion of the period beginning after the Closing Date. For purposes of this Agreement, the portion of any Tax (other than any Tax constituting a part of the 2004 Filing Fees) that is attributable to the portion of a Straddle Period up to and including the Closing Date shall be (i) in the case of a Tax that is not based on gross or net income, premiums, sales or gross receipts (including real property taxes), the total amount of such Tax for the period in question multiplied by a fraction, the numerator of which is the number of days in the Straddle Period through and including the Closing Date, and the denominator of which is the total number of days in such Straddle Period, and (ii) in the case of any Tax that is based on any of gross income, premiums, sales or gross receipts, the Tax that would be due with respect to the portion of the Straddle Period through and including the Closing Date, if such portion of the Straddle Period were a separate taxable period, except that exemptions, allowances, deductions,

credits or graduated rates that are calculated or applied on an annual basis (such as the deduction for depreciation or capital allowances) shall be apportioned on the basis of the gross income, premiums, sales or gross receipts for each such period, or if not based upon such gross income, premiums, sales or gross receipts, then on a per diem basis.

(b) Subject to the provisions of Sections 5.4(e) and (g) hereof, from and after the Closing Date, Parent shall indemnify and hold harmless Purchaser, Transferee and the Company from and against any and all losses, claims, damages, liabilities, guaranty fund assessment or similar obligation, costs, expenses (together with reasonable attorneys' fees and all costs and expenses of enforcing such right of indemnification against Parent), Taxes and penalties, if any, arising out of or based upon the employment of any individual or entity or arising with respect to or out of any Employee Benefit Plan including, without limitation, any liability: (i) to the PBGC or any other person under Title IV of ERISA; (ii) with respect to a Multiemployer Plan under Title IV of ERISA; (iii) with respect to any notice and benefit continuation requirements of COBRA; (iv) with respect to any noncompliance with ERISA or any other applicable laws, or with the terms of the Employee Benefit Plan; (v) any excise tax imposed under Sections 4971 through 4980F of the Code; (vi) with respect to any failure to make any contribution to the Employee Benefit Plan; and (vii) with respect to any suit, proceeding or claim which is brought against the Company, its officers or directors, any Employee Benefit Plan or any fiduciary or former fiduciary of any Employee Benefit Plan; provided, however, that Parent's obligation to indemnify Purchaser, Transferee and the Company pursuant to the provisions of this Section 5.4(b) shall not apply to any loss, claim, damage, liability, guaranty fund assessment or similar obligation, cost or expense (together with reasonable attorneys' fees and all costs and expenses of enforcing such right of indemnification) which (A) relates to any individual or entity that was not employed by, and performed no services for, the Company prior to the Closing Date; (B) is based upon or arose out of an act taken by or omission by the Company, Transferee or Purchaser with respect to an event occurring after the Closing Date which event has no connection, directly or indirectly, with any Employee Benefit Plan or employment arrangement for which the Company had (prior to the Closing Date), or a pre-Closing ERISA Affiliate had, an obligation or potential obligation; or (C) is based upon or arose out of any employee benefit plan which was not maintained by the Company or a pre-Closing ERISA Affiliate prior to the Closing Date, or with respect to which neither the Company nor any pre-Closing ERISA Affiliate had any obligations which arose before the Closing Date. Purchaser shall indemnify and hold harmless Seller to the same extent as Parent's indemnity of Purchaser set forth in this

Section 5.4(b) with respect to the matters described in clauses (A), (B) and (C) of this proviso.

(c) Subject to the provisions of Sections 5.4(e), (f) and

(g) and 5.5(b) hereof, from and after the Closing Date, Parent shall indemnify and hold harmless Purchaser, Transferee and the Company and their respective directors, officers and employees (collectively, the "Purchaser Indemnitees") from and against any and all losses, claims, damages, liabilities, guaranty fund assessments or similar obligations, costs, expenses (including reasonable attorneys' fees and all costs and expenses of enforcing such right of indemnification against Parent) and penalties, if any (collectively, the "Purchaser Losses"), arising out of, based upon or with respect to: (i) any breach of or failure by Seller, Parent or any of their respective Affiliates to perform or comply with any of the covenants, agreements or undertakings to be performed or complied with by any of them under the Company Reinsurance Agreements, the Parent

Reinsurance Agreement, the Assignment or the Commutation Agreement; (ii) any breach of or failure by Seller, Parent or any of their respective Affiliates to perform or comply with any of the covenants, agreements or undertakings to be performed or complied with by any of them under this Agreement; (iii) any breach of any representation or warranty made by Seller or Parent in this Agreement or in any certificate, instrument or other documentation delivered pursuant hereto; and (iv) any liability of the Company (whether known or unknown at the time of execution of this Agreement) based on or arising out of any act, omission or event occurring prior to the Closing.

(d) Subject to the provisions of Sections 5.4(e), (f) and

(g) hereof, from and after the Closing Date, Purchaser shall indemnify and hold harmless Parent and Seller and their respective directors, officers and employees (collectively, the "Seller Indemnitees") from and against any and all losses, claims, damages, liabilities, guaranty fund assessments or similar obligations, costs, expenses (including reasonable attorneys' fees and all costs and expenses of enforcing such right of indemnification against Purchaser) and penalties, if any (collectively, the "Seller Losses"), arising out of, based upon or with respect to: (i) any breach of or failure by Purchaser to perform or comply with any of the covenants, agreements or undertakings to be performed or complied with by Purchaser under this Agreement; (ii) any breach of any representation or warranty made by Purchaser in this Agreement; (iii) any liability of the Company (other than any liability for which Parent is obligated to indemnify Purchaser, Transferee and the Company under this Section 5.4) based on or arising out of any act, omission or event occurring after the Closing; and (iv) all liability of the Company for Taxes assessed in respect of all taxable periods beginning after the Closing Date.

(e) For the purposes of administering the indemnification provisions of this Section 5.4 (except for any Tax Claim subject to Section 5.3(h) hereof), the following procedures shall apply from and after the Closing Date:

(i) An indemnified party shall notify the Indemnitor of any Indemnification Event reasonably promptly following (A) the receipt of notice by the indemnified party of the commencement of any action or proceeding, (B) such indemnified party becoming aware of the assertion of any claim against such indemnified party, or (C) the discovery by such indemnified party of any loss giving rise to indemnity pursuant to this Section 5.4. Such notification shall indicate whether such indemnified party is requesting indemnification with respect to such Indemnification Event and the amount of indemnification initially anticipated. The failure to notify the Indemnitor of any Indemnification Event shall not relieve the Indemnitor of its indemnity obligation, unless and to the extent that the Indemnitor is materially and actually prejudiced thereby.

(ii) After notification is given as required by Section 5.4(e)(i) of this Agreement, the Indemnitor shall be entitled (but is not obligated) to assume the defense or settlement of any such action or proceeding, or to participate in any negotiations or proceedings to settle or otherwise eliminate any claim. Any indemnified party is hereby authorized prior to the date on which it receives written notice from the Indemnitor that the Indemnitor intends to assume the defense, settlement or other disposition of such action or proceeding, to file any motion, answer or other pleading and to take such other

action which the indemnified party shall reasonably deem necessary to protect its interest or that of the Indemnitor until the date on which the indemnified party receives such notice from the Indemnitor, provided that, prior to filing such motion, answer or other pleading or taking such other action, the indemnified party shall have made reasonable efforts to consult with the Indemnitor. If the Indemnitor fails to confirm in writing within one month of the date of the notification referred to above that the Indemnitor will assume the defense, the indemnified party may engage counsel to defend, settle or otherwise dispose of such action or proceeding, and in such event the indemnified party shall pursue the defense or settlement of any such action or proceeding in good faith and the Indemnitor shall remain liable and responsible for all losses in connection therewith, including the indemnified party's costs, attorneys' fees and expenses, all as and when incurred by such indemnified party.

(iii) In cases where the Indemnitor has assumed the defense or settlement with respect to an Indemnification Event, the Indemnitor shall be entitled to assume such defense or settlement with counsel of its own choosing, provided that (except with respect to Tax audits subject to the provisions of Section 5.3(h) of this Agreement): (A) the indemnified party (and its counsel) shall be entitled to continue to participate at its own cost in any such action or proceeding or in any negotiations or proceedings to settle or otherwise eliminate any claim for which indemnification is being sought (it being understood that the Indemnitor shall be entitled to make all final determinations with respect to the defense or (subject to clause (B) hereof) settlement of such action, proceeding or claim); and (B) unless the settlement of an action, proceeding or claim involves only the payment of dollar damages (all of which are to be paid by the Indemnitor), the Indemnitor shall not be entitled to settle, compromise, decline to appeal, or otherwise dispose of any such action, proceeding or claim without the consent or agreement of the indemnified party (which consent will not be unreasonably withheld or delayed).

(iv) In any case where an Indemnitor shall have assumed the defense or settlement of any action, proceeding or claim and the indemnified party is entitled to continue to participate in such action, proceeding or claim, and shall have elected to do so, it shall do so at its own expense. In no event shall an Indemnitor be liable to any indemnified party for the cost of employing or using in-house legal counsel regardless of whether such Indemnitor has, or has not, assumed the defense or settlement of such action, proceeding or claim.

(v) In the event indemnification is requested, the Indemnitor, its representatives and agents shall have reasonable access to the books, records and other Documents of the indemnified party or parties seeking such indemnification to the extent reasonably requested by the Indemnitor in connection with the Indemnitor's defense or settlement of any action, proceeding or claim; provided, however, that such access shall be provided upon reasonable prior notice, during normal business hours and in such manner as not to interfere unreasonably with the operation of the business of the indemnified party or parties and shall only take place in the presence of a representative of the indemnified party or parties unless otherwise so agreed; and provided, further, that the indemnified party shall not be required to disclose any information with respect to

itself or any of its Affiliates (or former Affiliates), other than the Company, and shall not be required to participate in the defense of any action, proceeding or claim to be indemnified under this Agreement (except as otherwise expressly set forth in this Agreement), unless such disclosure or participation is required or reasonably necessary in the defense of any action, proceeding or claim to be indemnified under this Agreement, in which case the indemnified party shall be fully reimbursed for the reasonable costs of such participation.

(vi) From the date of this Agreement, each party agrees that, except as provided below, it shall retain all Documents with respect to all material matters pertaining to the Company (except to the extent that such Documents in the possession of Seller at the Closing and relating to the Company may be transferred at the Closing to the possession of Purchaser or the Company). Before disposing of or otherwise destroying any such Documents, the possessor thereof shall give reasonable notice to such effect and deliver to the other party, at the other party's expense and upon its request, a copy of any such Documents. In addition, each party to this Agreement agrees to use its best efforts to cause its employees (and in the case of Purchaser, the employees of the Company) to cooperate with and assist the other party in connection with any claim, action or proceeding for which indemnity is sought under this Agreement or with respect to which either party has elected to participate in the defense.

(vii) Following payment by an indemnified party of any amount for which it is entitled to indemnity, the indemnified party may demand in writing that the Indemnitor reimburse the indemnified party for such payment. Such written demand shall set forth the basis and amount of such payment in reasonable detail and include a copy of any supporting invoice, demand(s) against which payment(s) were made and all supporting documentation. If reimbursement is not made by the Indemnitor within 30 calendar days of receipt by the Indemnitor of such demand for which the parties agree the Indemnitor is liable, interest shall thereafter accrue and be payable on the amount to which the indemnified party is entitled at a rate equal to 6% per annum until paid; provided however, if the Indemnitor disputes the amount demanded or the basis for indemnification or disputes that the party seeking indemnification is entitled thereto, and fails to pay all amounts due within 30 days after a final determination is made in favor of the indemnified party, interest shall be payable from and after the 31st day after such final determination at a rate equal to 10% per annum. If an amount paid by the Indemnitor pursuant to this Section 5.4 is finally determined not to have been due from the Indemnitor, the indemnified party shall return the amount so paid together with interest at a rate of 6% per annum from the date payment was made by the Indemnitor until the 30th day after such final determination, and at a rate of 10% per annum thereafter, until the date such payment is received by the Indemnitor.

(f) (i) Notwithstanding anything in this Agreement to the contrary, for purposes of the indemnification provisions set forth in this Article V, all Material Adverse Effect, materiality and correlative qualifications included in any of the representations and warranties contained in this Agreement shall be disregarded (including for purposes of determining whether a breach has occurred and for purposes of

determining the amount of Purchaser Losses or Seller Losses, as the case may be, associated with a breach).

(ii) Subject to Section 5.4(f)(iii) below, Parent shall not be required to make any indemnification payment pursuant to Section 5.4(c)(iii) for any breach of any of the representations or warranties made by Seller or Parent until such time as the total amount of the Purchaser Losses (including the Purchaser Losses arising from such breach and all other Purchaser Losses arising from any other breaches of the same representation or warranty or any other representation or warranty) that have been suffered or incurred by the Purchaser Indemnitees exceeds \$50,000 in the aggregate. At such time as the total amount of such Purchaser Losses exceeds \$50,000 in the aggregate, the Purchaser Indemnitees shall be entitled to be indemnified against the full amount of such Purchaser Losses (and not merely the portion of such Purchaser Losses exceeding \$50,000).

(iii) The limitation on Parent's indemnification obligations that is set forth in Section 5.4(f)(ii) above shall not apply to any breach of any of the representation and warranties set forth in Section 3.3 (Capital Stock of the Company), Section 3.4 (Interests in Securities of the Company), Section 3.7 (Tax Returns and Reports), Section 3.12 (Form of Capital and Surplus), Section 3.15 (Employee Matters) and Section 3.18 (Brokers and Finders).

(iv) Subject to Section 5.4(f)(v) below, Purchaser shall not be required to make any indemnification payment pursuant to Section 5.4(d)(ii) for any breach of any of the representations or warranties made by Purchaser until such time as the total amount of the Seller Losses (including the Seller Losses arising from such breach and all other Seller Losses arising from any other breaches of the same representation or warranty or any other representation or warranty) that have been suffered or incurred by the Seller Indemnitees exceeds \$50,000 in the aggregate. At such time as the total amount of such Seller Losses exceeds \$50,000 in the aggregate, the Seller Indemnitees shall be entitled to be indemnified against the full amount of such Seller Losses (and not merely the portion of such Seller Losses exceeding \$50,000).

(v) The limitation on Purchaser's indemnification obligations that is set forth in Section 5.4(f)(iv) above shall not apply to any breach of the representations and warranties set forth in Section 4.6 (Brokers and Finders).

(g) All representations, warranties and covenants, including without limitation any indemnity obligations, of the parties hereto which are contained in this Agreement, together with the certificates delivered pursuant hereto, shall survive the Closing and remain operative and in full force and effect, regardless of any investigation heretofore or hereafter made by or on behalf of the parties hereto, except that the representations and warranties set forth in Section 3.7 shall survive the Closing and remain in full force and effect only until thirty (30) days following the expiration of the applicable statutes of limitation.

5.5 Closing Date Statement of Assets and Closing Date Balance Sheet.

(a) Seller and Purchaser shall cooperate in the preparation of the Closing Date Statement of Assets. The Closing Date Statement of Assets shall be prepared as of the close of business on the business day immediately prior to the Closing Date and shall set forth the value of all tangible assets of the Company (other than deferred Tax assets). Assets included on the Closing Date Statement of Assets shall be valued as follows: (i) cash and cash equivalents shall be valued at face value and (ii) investment securities traded in a recognized public market shall be valued at their closing composite price as reported by Bloomberg LP or, if such values are not reported by Bloomberg LP, for the preceding business day as reported by the Wall Street Journal (if there is no closing price, then the average bid and asked prices shall be used); provided, however, that if the investment security is quoted only on a yield or discount rate basis, then such security shall be valued at the price calculated in accordance with generally accepted financial practice for the mean of the quoted bid and asked yield or rate. Seller shall prepare the Closing Date Balance Sheet reflecting the Closing Date Shareholder's Equity based upon the Closing Date Statement of Assets, and shall deliver the Closing Date Statement of Assets and the Closing Date Balance Sheet reflecting the Closing Date Shareholder's Equity to Purchaser no later than 6:00 p.m. on the business day immediately prior to the Closing Date.

(b) The parties agree that Filing Fees for the year ending December 31, 2004 ("2004 Filing Fees") shall be allocated between the Seller and Purchaser in accordance with this Section 5.5(b) and that such allocation shall be binding on the parties for purposes of calculating the Purchase Price regardless of the actual amount of the 2004 Filing Fees and regardless of when such 2004 Filing Fees are actually paid. First, the parties hereto stipulate and agree that the total amount used to calculate 2004 Filing Fees for purposes of this Section 5.5(b) shall be the aggregate amount of 2003 Filing fees as shown on Schedule 3.8(b). Next, it is agreed that one-fourth of such Filing Fee shall be chargeable to the Seller and three-fourths of such Filing Fees shall be chargeable to the Purchaser as follows: From the amount equal to one-fourth of the 2004 Filing Fees shall be deducted all amounts actually paid by the Company prior to the Closing Date. If the resulting balance is less than zero, such negative balance shall be considered a prepaid expense and shall be shown as an asset on the Closing Date Balance Sheet. If the resulting balance is positive, such amount shall be shown as an accrued unpaid expense on the Closing Date Balance Sheet. No other accrued unpaid or prepaid expense shall be shown on the Closing Date Balance Sheet for 2004 Filing Fees. The foregoing adjustments shall constitute complete settlement and discharge amount the parties with respect to the 2004 Filing Fees and the indemnification obligation set forth in Section 5.4 shall not apply with regard to any 2004 Filing Fees, provided, nothing in this Section 5.5(b) shall relieve Seller from any obligation as otherwise set forth in this Agreement resulting from a breach of the representations and warranties set forth in Section 3.8(b).

5.6 Transfer Taxes. Seller shall cause all appropriate stock transfer Tax stamps to be affixed to the certificate or certificates representing the Stock. Seller, the Company and Purchaser shall cooperate in the preparation, execution and filing of all returns, applications or other documents regarding any real property transfer, transfer gains or other similar transfer Taxes that become payable in connection with the sale of the Stock (other than the stock transfer taxes mentioned above) pursuant to this Agreement (collectively, "Transfer Taxes"). Any Transfer Taxes shown as due on such returns shall be borne equally by Seller and Purchaser.

5.7 Conduct of Business by Purchaser. Purchaser covenants that it shall not, and it shall not permit the Company to, take any action that would cause the Company to incur any liability whatsoever until the day following the Closing Date including, without limitation, the commencement of operations by the Company, the hiring of employees or insurance agents for the Company, the writing of any insurance business by the Company or engaging in any reinsurance or other business by the Company, amending or modifying any governing document of the Company or the taking of any other action whatsoever which obligates the Company to act or omit to act.

5.8 Change of Name. As promptly as practicable after the Closing, the Company shall change its name so that the Company does not have the word "Aegis" in its name, and the Company shall cease using the word "Aegis" in any of its business dealings.

5.9 Disclosure of Confidential Information. Seller shall not, and shall cause its Affiliates and its and their respective officers and directors not to, disclose any Confidential Information after the date hereof to any third party, unless compelled to disclose by judicial or administrative process or, in the opinion of its counsel, by other requirements of law. It is acknowledged and agreed that unauthorized use of any Confidential Information would cause irreparable injury constituting the proper subject of injunctive relief and specific performance, in addition to providing Purchaser an action for damages.

5.10 Compliance with Delaware Insurance Laws. During the period from the date hereof to the Closing Date, Seller shall, or shall cause the Company to, comply with all of the requirements of Delaware insurance laws.

5.11 Notification of Changes.

(a) Seller and/or Parent, as the case may be, shall, after the first notice or occurrence thereof but not later than the Closing Date, promptly notify Purchaser in writing of any event or the existence of any state of facts that would (i) make any of its representations and warranties in this Agreement untrue or (ii) reasonably be likely to constitute a Material Adverse Effect.

(b) Purchaser shall, after the first notice or occurrence thereof but not later than the Closing Date, promptly notify Seller in writing of any event or the existence of any state of facts that would (i) make any of its representations and warranties in this Agreement untrue or (ii) materially impair the ability of Purchaser to execute, deliver and perform its obligations under this Agreement.

5.12 Acquisition Proposals. From the date hereof through the Closing Date, neither Seller nor Parent shall, nor shall Seller or Parent permit any of their respective Affiliates or any of the officers, directors, employees, representative or agents of Seller, Parent or any of such Affiliates, directly or indirectly, to solicit, initiate or participate in any way in discussions or negotiations with, or provide any information or assistance to, or enter into any agreement with, any person or group of persons (other than Purchaser) concerning any acquisition of a substantial equity interest in, or in a merger, consolidation, liquidation, dissolution, or disposition of assets of the Company, or any disposition of any of the securities of the Company (other than sales of

investment securities in its investment portfolio with the prior written consent of Purchaser) (each, an "Acquisition Proposal"), or assist or participate in, facilitate or encourage any effort or attempt by any other person to do or seek to do any of the foregoing. Seller and/or Parent, as the case may be, shall promptly communicate to Purchaser the terms of any Acquisition Proposal which it or any such other person may receive.

5.13 Assignment. On or prior to the Closing Date, Parent shall, and shall cause the Company to, execute and deliver the Assignment.

5.14 Commutation Agreement. On or prior to the Closing Date, Parent shall, and shall cause the Company to, execute and deliver the Commutation Agreement.

5.15 Payment of Brokers' or Finders' Fees. At the Closing,

(i) Purchaser will pay the finder's fee due to Merger & Acquisition Services, Inc., and (ii) Seller will reimburse Purchaser for one-half of the finder's fee payable to Merger & Acquisition Services, Inc.; provided, however, that the amount of such reimbursement payment by Seller shall not exceed \$50,000.

5.16 Preparation of Statutory Financial Statements. With respect to any period ending on or prior to the Closing Date for which Statutory Financial Statements are required to be filed, Seller shall prepare, on a basis consistent with past practices, all Statutory Financial Statements of the Company, and Seller shall promptly provide to Purchaser, at least fifteen (15) business days prior to the due date, including any extensions, for the filing thereof, such Statutory Financial Statements together with such other information reasonably relevant to such Statutory Financial Statements, including schedules and work papers. Following receipt of any Statutory Financial Statements prepared by Seller, Purchaser shall promptly notify Seller if it disputes any of the information contained in such Statutory Financial Statements. The parties shall cooperate to promptly resolve any such dispute. During a transitional period not to exceed six months following the Closing Date, Seller shall provide Purchaser with such assistance in the preparation of Statutory Financial Statements of the Company as may reasonably be requested by Purchaser or the Company.

ARTICLE VI

CONDITIONS TO CLOSING; ABANDONMENT OF THE TRANSACTION

6.1 Conditions to the Obligations of Purchaser. Except to the extent waived by Purchaser in writing, the obligations of Purchaser to consummate the transactions contemplated herein and to purchase the Stock shall be subject to the satisfaction of each of the following conditions:

(a) The representations and warranties made by each of Seller and Parent contained in this Agreement shall be true and correct in all material respects at and as of the Closing, as if and to the same effect as though made at and as of the Closing Date. Each of Seller and Parent shall have performed all of its obligations and complied in all material respects with all covenants and conditions required by this Agreement to be performed or complied with by it at or prior to the Closing. Each of Seller and Parent shall have delivered to Purchaser a

certificate, in form and substance satisfactory to Purchaser, dated the date of the Closing and signed on its behalf by its Chairman, a Vice Chairman, its President, Vice President, Controller or Treasurer, in his or her respective representative capacity, and not individually, to all such effects and certifying to the satisfaction of the conditions to be performed by Seller, Parent, or the Company (prior to the Closing) set forth in this Section 6.1.

(b) No action or proceeding shall have been instituted and remain pending before a court or other governmental body (foreign or domestic) to restrain, prohibit or otherwise challenge the transactions contemplated by this Agreement, the sale of the Stock to Purchaser or the performance of the material obligations of the parties to this Agreement; nor shall any governmental agency or body have notified any party to this Agreement or the Company that the consummation of the transactions contemplated by this Agreement would constitute a violation of the laws of the United States (or in the case of Parent, the laws of Bermuda) or the laws of the State of Delaware to which Purchaser or the Company is subject and that it intends to commence proceedings to restrain consummation of such transactions, to force divestiture if such transactions are consummated or to materially modify the terms or the results of such transactions, unless such agency or body shall have withdrawn such notice prior to the Closing Date.

(c) All authorizations, consents and approvals of the Delaware Commissioner required to be obtained in order to permit the consummation by Seller of the transactions contemplated by this Agreement shall have been obtained.

(d) Parent and the Company shall have entered into the Assignment, a fully executed original of which shall have been delivered to Purchaser.

(e) Parent and the Company shall have entered into the Commutation Agreement, a fully executed original of which shall have been delivered to Purchaser.

(f) Purchaser shall have received from LeBoeuf, Lamb, Greene & MacRae, LLP, an opinion addressed to Purchaser dated the Closing Date and substantially in the form attached as Exhibit B hereto. In addition, Purchaser shall have received from Appleby Spurling & Kempe an opinion addressed to Purchaser dated the Closing Date as to matters of Bermuda law with regard to Parent and substantially in the form of Exhibit C hereto. Purchaser shall also have received an opinion of in-house counsel to Seller dated the Closing Date, in form and substance reasonably satisfactory to Purchaser, as to matters of corporate laws of the State of Delaware with regard to Seller and as to matters of corporate and insurance laws of the State of Delaware with regard to the Company, which opinion shall be to the effect that:

(i) Each of Seller and the Company is duly organized, validly existing and in good standing under the laws of its respective jurisdiction;

(ii) the Company is duly qualified as a foreign corporation and is in good standing in each jurisdiction set forth in Schedule 3.1(b), except as noted in such Schedule;

- (iii) the authorized capital stock of the Company consists of 10,000,000 shares of common stock, \$1.00 par value per share, 3,500,000 shares of which have been duly authorized and validly issued and are outstanding and are fully paid and non-assessable;
- (iv) to the knowledge of such counsel after due inquiry, except for this Agreement, the Company is not a party to or bound by any outstanding convertible or exchangeable securities or any option, warrant or other document granting the right to subscribe for or purchase from Seller or the Company, or any plans, contracts or commitments providing for the issuance of, or granting of rights to acquire, any capital stock or other ownership interests in the Company, including the Stock, or any securities convertible into or exchangeable for any such capital stock or ownership interests in the Company;
- (v) all of the Stock is owned of record and, to the knowledge of such counsel after due inquiry, beneficially by Seller, and upon the transfer of the Stock to Purchaser pursuant to the terms hereof, Purchaser will be vested with good and valid title thereto, free and clear of all liens, claims and encumbrances, assuming that Purchaser acquires the Stock without notice of any adverse claim;
- (vi) (A) Seller has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement, (B) all action required on the part of Seller to authorize the execution, delivery and performance of this Agreement has been taken, and (C) Seller has the power to perform its obligations hereunder;
- (vii) (A) the Company has all requisite corporate power and authority to execute, deliver and perform its obligations under the Assignment and the Commutation Agreement, (B) all actions required on the part of the Company to authorize the execution, delivery, and performance of the Assignment and of the Commutation Agreement have been taken, and (C) the Company has the power to perform its obligations thereunder;
- (viii) this Agreement has been duly executed and delivered by Seller and constitutes the valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, subject to the Bankruptcy Exception;
- (ix) each of the Assignment and the Commutation Agreement has been duly executed and delivered by the Company and constitutes the valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to the Bankruptcy Exception;
- (x) the Commutation Agreement fully extinguishes all liabilities and obligations of the Company pursuant to the Company Reinsurance Agreements and the Parent Reinsurance Agreement;
- (xi) there are no actions, suits or administrative, arbitration or other proceedings pending or, to the knowledge of such counsel, threatened, against or affecting Seller or the Company at law or in equity, or before or by any federal, state, or

other government department, commission, court, board, bureau, agency or instrumentality;

(xii) to the best knowledge of counsel, all authorizations, consents and approvals of all governmental agencies and authorities of the United States, of any state or any local jurisdiction required in order to permit consummation by Seller of the transactions contemplated by this Agreement have been obtained;

(xiii) neither the execution and delivery by Seller of this Agreement, nor the execution and delivery of the Assignment and the Commutation Agreement by the Company, nor the compliance by any of them with the terms and provisions hereof and thereof will (x) conflict with, or result in a breach of, any of the terms, conditions or provisions of: (A) the articles of incorporation or by-laws (or comparable organizational documents) of Seller or the Company, (B) any statute, law, regulation, and, to the best knowledge of such counsel, any judgment, order, injunction, decree or ruling of any Governmental Entity to which Seller or the Company is subject, or (C) any agreement, contract or commitment to which Seller or the Company is a party or is subject, except in the case of clauses (B) and (C) only, for such conflicts or breaches that (1) would not have a Material Adverse Effect, (2) would not materially impair the ability of Seller to execute, deliver or perform its obligations under this Agreement, (3) would not materially impair the ability of the Company to execute, deliver and perform its obligations under the Assignment or the Commutation Agreement, and (4) would not impair the validity of any Insurance Permit or (y) result in the creation or imposition of any Lien or Restriction on any of the Properties or assets of the Company; and

(xiv) such counsel is not aware of any facts (other than the pending change in control of the Company or the current limited business activity of the Company) that could result in the Insurance Permits listed on Schedule 3.1(b) not to be in full force and effect.

In rendering such opinion, such counsel may rely, to the extent such counsel deems such reliance necessary or appropriate: (A) upon opinions of local counsel as to matters of law other than that of the federal laws of the United States (provided such local counsel's opinions are received from counsel reasonably satisfactory to Purchaser and its counsel and are addressed to Purchaser) and (B) as to matters of fact, upon certificates of state officials and of any officer or officers of Seller or the Company, provided in all such cases that the extent of any such reliance is specified in such opinion.

(g) Purchaser shall have received copies of all Insurance Permits identified on Schedule 3.1(b), certified by Seller as being in full force and effect.

(h) At the Closing, Seller shall deliver to Purchaser resignations of all officers and directors of the Company, effective upon the Closing.

(i) Purchaser shall have received fully executed originals of the Company Agreements, or copies thereof certified by Seller.

(j) All contracts listed on Schedule 3.14(a) shall have been terminated.

(k) Purchaser shall have received a certificate of Seller satisfying the requirements of Treasury Regulation Section 1.1445-2(b)(2).

6.2 Conditions to the Obligations of Parent and Seller. Except to the extent waived by Parent and Seller in writing, the obligations of Parent and Seller to consummate the transactions contemplated herein and to sell the Stock shall be subject to the satisfaction of each of the following conditions:

(a) The representations and warranties of Purchaser contained in this Agreement shall be true and correct in all material respects at and as of the Closing, as if and to the same effect as though made at and as of the Closing Date. Purchaser shall have performed all of its obligations and complied in all material respects with all covenants and conditions required by this Agreement to be performed or complied with by it at or prior to the Closing. Purchaser shall have delivered to Seller certificates of Purchaser, in form and substance satisfactory to Seller, dated the date of the Closing and signed on behalf of Purchaser by its President or a Vice President in his or her respective representative capacity, and not individually, to all such effects and certifying to the satisfaction of the conditions to be performed by Purchaser set forth in this Section 6.2.

(b) No action or proceeding shall have been instituted and remain pending before a court or other governmental body (domestic or foreign) to restrain, prohibit or otherwise challenge the transactions contemplated by this Agreement, the sale of the Stock by Seller or the performance of the material obligations of the parties to this Agreement; nor shall any governmental agency or body have notified either party to this Agreement or the Company that the consummation of the transactions contemplated by this Agreement would constitute a violation of the laws of the United States (or, in the case of Parent, the laws of Bermuda) or the laws of the State of Delaware to which Seller or the Company is subject and that it intends to commence proceedings to restrain the consummation of such transactions, to force divestiture if such transactions are consummated, or to materially modify the terms or the results of such transactions, unless such agency or body shall have withdrawn such notice prior to the Closing Date.

(c) All authorizations, consents and approvals of the Delaware Commissioner required to be obtained in order to permit the consummation of the transactions contemplated by this Agreement shall have been obtained.

(d) Seller shall have received from counsel(s) to Purchaser, which counsel shall be reasonably satisfactory to Seller and Parent, one or more opinions, dated the date of the Closing, in form and substance reasonably satisfactory to Seller and Parent, which opinions shall address the laws of the State of Delaware and taken together shall be to the effect that:

(i) Purchaser is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware;

(ii) all action required on the part of Purchaser to authorize the execution, delivery and performance of this Agreement by Purchaser has been taken, and Purchaser has the power to perform its obligations hereunder; and

(iii) this Agreement has been duly executed and delivered by Purchaser and constitutes the valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms, subject to the Bankruptcy Exception.

In rendering such opinions such counsel may rely, to the extent such counsel deems such reliance necessary or appropriate: (A) upon opinions of local counsel as to matters of law other than that of the federal laws of the United States (provided such local counsel's opinions are received from counsel reasonably satisfactory to Seller and Parent and to counsel to Seller and Parent and are addressed to Seller and Parent); and (B) as to matters of fact, upon certificates of state officials and of any officer or officers of Purchaser, provided in all such cases the extent of any such reliance is specified in such opinion.

(e) At the Closing, Purchaser shall elect successor directors for resigning directors of the Company, and such successor directors shall elect successor officers of the Company.

6.3 Termination of Agreement and Abandonment of Transactions. Notwithstanding anything in this Agreement to the contrary, this Agreement and the transactions contemplated hereby may be terminated in any of the following ways at any time before the Closing and in no other manner:

(a) By mutual written consent of Parent, Seller and Purchaser executed on behalf of each by its respective president, any vice president, or chief financial officer;

(b) By Purchaser, if the conditions set forth in Section 6.1 shall not have been met on or before April 30, 2004; or

(c) By Parent and Seller, if the conditions set forth in Section 6.2 shall not have been met on or before April 30, 2004.

In the event of termination of this Agreement pursuant hereto, no party hereto shall have any liability or obligation to any other party hereto in respect of this Agreement, except that the provisions of Section 5.1(a)(ii), Article VII and Section 8.3 shall survive any such termination, and except that nothing herein shall relieve any party from liability for any breach of any of its covenants or agreements or willful breach of its representations and warranties contained in this Agreement prior to termination of this Agreement or any obligations hereunder.

ARTICLE VII

TERMINATION OF OBLIGATIONS AND WAIVER OF CONDITIONS; PAYMENT OF EXPENSES

In the event that this Agreement shall be terminated pursuant to Section 6.3(a) of this Agreement, all further obligations of the parties under this Agreement shall terminate without further liability of either Parent and Seller, on the one hand, or Purchaser, on the other hand, to the other, and each party will pay all of its own costs and expenses incident to the negotiation and preparation of this Agreement and to its performance of, and compliance with,

all agreements and conditions contained in this Agreement on its part to be performed or complied with, including the fees, expenses and disbursements of counsel, provided that the obligations of the parties under Section 8.3 and the obligations of Purchaser under Section 5.1(a)(ii) shall survive any such termination. Termination of this Agreement pursuant to Section 6.3(b) or Section 6.3(c) shall be without prejudice to the rights and remedies available to each of Parent and Seller, on the one hand, or Purchaser, on the other hand, under applicable law, including the right to recover all expenses, costs and other damages, but no party shall be entitled to incidental or consequential damages including loss of anticipated profits. If any of the conditions specified in Section 6.1 have not been satisfied, Purchaser may, nevertheless, at its election waive such conditions in writing and proceed with the transactions contemplated by this Agreement. If any of the conditions specified in Section 6.2 have not been satisfied, Parent and Seller may, nevertheless, at their election waive such conditions in writing and proceed with the transactions contemplated by this Agreement. In the event that the transactions contemplated by this Agreement are consummated, each party will pay all of its own costs and expenses in connection therewith.

ARTICLE VIII

GENERAL

8.1 Amendment and Waiver. This Agreement may not be amended, modified or supplemented except upon execution and delivery of a written agreement executed by the parties hereto. Any of the terms, covenants, representations, warranties or conditions hereof may be waived in writing at any time by or on behalf of the party which is entitled to the benefits thereof. Any waiver of any of the provisions of this Agreement by any party hereto shall be binding only if set forth in an instrument in writing signed on behalf of such party. No failure to enforce any provision of this Agreement shall be deemed to or shall constitute a waiver of such provision, and no waiver of any of the provisions of this Agreement shall be deemed to or shall constitute a waiver of any other provision hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

8.2 Integrated Contract. This Agreement and the Schedules and Exhibits to this Agreement (which constitute part of this Agreement) and the other documents and writings referred to herein or delivered pursuant hereto (including, without limitation, the Company Agreements, the Assignment and the Commutation Agreement) contain the entire understanding of the parties with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof and thereof. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns.

8.3 Publicity. From the date hereof until the Closing Date, the parties will consult with each other and will mutually agree by written consent upon any publication or press release of any nature with respect to this Agreement or the transactions contemplated hereby (such agreement not to be unreasonably withheld) and shall not issue any such publication or press release prior to such consultation and agreement, except as may be required by applicable law or by obligations pursuant to any listing agreement with any securities exchange or any securities exchange regulation, in which case the party proposing to issue such publication or

press release shall use reasonable efforts to consult in good faith with the other party before issuing any such publication or press release.

8.4 Governing Law. This Agreement and the legal relations between the parties shall be governed by and construed in accordance with the laws of the State of New York, without regard to the principles regarding the choice of law.

8.5 Jurisdiction. (a) The parties hereto hereby consent and agree that they shall commence any action with respect to any claims or disputes between or among the parties hereto pertaining to this Agreement, the Company Agreements, the Assignment or the Commutation Agreement or to any matter arising out of or related to such agreements in the United States District Court for the Southern District of New York, so long as the action falls within the subject matter jurisdiction of such court; in the event any such action shall be determined by the court to be outside its subject matter jurisdiction, then the parties agree to commence any such action in the state courts of New York located in New York County. The parties hereto expressly submit and consent in advance to such jurisdiction in any action or suit commenced in any such court, and hereby waive any objection which it may have based upon lack of personal jurisdiction, improper venue or forum non conveniens and hereby consent to the granting for such legal or equitable relief as is deemed appropriate by such court. Each party hereto irrevocably consents to the service of process by registered or certified mail, postage prepaid, to it at its address given pursuant to Section 8.6 hereof. Subject to the foregoing, nothing in this Agreement shall be deemed or operate to affect the right of Purchaser, Seller or Parent to serve legal process in any other manner permitted by law, or to preclude the enforcement by Purchaser, Seller or Parent of any judgment or order obtained in the forum specified in this subsection or the taking of any action under this Agreement, the Company Agreements, the Assignment or the Commutation Agreement to enforce the same in any other appropriate forum or jurisdiction.

(b) To the extent that Purchaser, Seller or Parent has or may hereafter acquire any immunity from the jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to such party or such party's property, Purchaser, Seller and Parent hereby irrevocably waive such immunity in respect of their respective obligations under this Agreement, the Company Agreements, the Assignment and the Commutation Agreement.

8.6 Notices. All notices, requests, claims, demands and other communications required or permitted under this Agreement shall be in writing and sufficiently given, upon receipt or three days after deposit in the United States mail (registered or certified, postage prepaid, return receipt requested) or by telex, facsimile or other written form of electronic communication, to the respective parties as follows:

If to Parent, to:

Associated Electric & Gas Insurance Services Limited c/o AEGIS Insurance Services, Inc. 10 Exchange Place
13th Floor
Jersey City, New Jersey 07302 Attn: Mary Ellen Lenahan, Esq.

Facsimile: (201) 521-9548

with a copy to:

LeBoeuf, Lamb, Greene & MacRae, LLP
125 W. 55th Street
New York, New York 10019

Attn: John S. Pruitt, Esq.

Facsimile: (212) 424-8500

If to Seller, to:

Aegis Holding Inc.

c/o AEGIS Insurance Services, Inc. 10 Exchange Place, 13th Floor Jersey City, New Jersey 07302 Attn: Mary Ellen Lenahan, Esq.

Facsimile: (201) 521-9548

with a copy to:

LeBoeuf, Lamb, Greene & MacRae, LLP
125 W. 55th Street
New York, New York 10019

Attn: John S. Pruitt, Esq.

Facsimile: (212) 424-8500

If to Purchaser, to:

Alleghany Insurance Holdings LLC
375 Park Avenue
New York, New York 10152

Attn: Robert M. Hart, Esq.

Facsimile: (212) 759-3295

with a copy to:

Dewey Ballantine LLP

1301 Avenue of the Americas New York, New York 10019 Attn: Aileen C. Meehan, Esq.

Facsimile: (212) 259-6333

or to such other address or person as either party hereto may, from time to time, designate in a written notice given in like manner (except that a notice of change of address shall not be deemed to have been given until received by the addressee).

8.7 No Assignment. Neither this Agreement nor any rights, interests or obligations hereunder may be assigned by any party hereto without the prior written consent of all other parties party hereto; provided, however, that Purchaser may assign its rights, interests and obligations hereunder to a wholly or majority owned subsidiary of Purchaser without the prior written consent of Seller or Parent. Any permitted assignment by Purchaser (including any assignment permitted by the proviso to the preceding sentence) shall not release Purchaser from its obligations and responsibilities hereunder.

8.8 Headings. The headings contained in this Agreement are for reference only and shall not affect in any way the meaning or interpretation of this Agreement.

8.9 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and each of which shall be deemed an original.

8.10 Severability. Any provision of this Agreement which is invalid, illegal or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability, without affecting in any way the remaining provisions hereof in such jurisdiction or rendering that or any other provision of this Agreement invalid, illegal or unenforceable in any other jurisdiction.

8.11 Third Parties. Nothing herein expressed or implied is intended or shall be construed to confer upon or give to any Person, other than the parties hereto, any rights or remedies under or by reason of this Agreement, except as provided in Section 5.4 hereof.

8.12 Further Assurances. Each of Seller and Parent, on the one hand, and Purchaser, on the other hand, will, whenever and as often as reasonably requested to do so by the other party or its successors, do any and all such other and further acts, and execute, acknowledge and deliver any and all such other and further assignments, transfers and instruments of further assurances, approvals and consents as are necessary or proper in order to complete, ensure and perfect the transactions contemplated by this Agreement.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed on its behalf by its officers or representatives thereunto duly authorized, all as of the day and year first above written.

(Purchaser) ALLEGHANY INSURANCE HOLDINGS LLC

By: /s/ James P. Slattery

Name: James P. Slattery
Title: President

(Seller) AEGIS HOLDING INC.

By: /s/ John J. Denman Jr.

Name: John J. Denman Jr.
Title: Controller

(Parent) ASSOCIATED ELECTRIC & GAS
INSURANCE SERVICES LIMITED

By: /s/ John J. Denman Jr.

Name: John J. Denman Jr.
Title: Controller and Treasurer

List of Contents of Exhibits and Schedules
to the Aegis Stock Purchase Agreement

Exhibits	Description
Exhibit A	Assignment
Exhibit B	Form of Opinion of LeBoeuf, Lamb, Greene & MacRae, L.L.P.
Exhibit C	Form of Opinion of Appleby Spurling & Kempe
Schedules	Description
Schedule 3.1(b)	Insurance Permits and Jurisdictions
Schedule 3.1(c)	Officers and Directors/Articles and Bylaws
Schedule 3.7	Tax Matters
Schedule 3.8(b)	2003 Filing Fees
Schedule 3.9(b)	Governmental Approvals/Litigation
Schedule 3.11	Bank Accounts
Schedule 3.12	Capital and Surplus
Schedule 3.13	Liabilities

Schedule 3.14(a) Contracts and Commitments to be Terminated at Closing Schedule 3.16 Powers of Attorney

To Our Stockholders

We are pleased to report that Alleghany's common stockholders' equity per share at year end 2003 was \$208.53 per share, an increase of 12.0 percent over year end 2002. The increase primarily reflects the earnings contribution from the operations of our new insurance subsidiary, RSUI Group, Inc., and favorable returns on our investments.

Our objective in 2004 and forward is to create stockholder value by increasing our stockholders' equity per share at double digit rates over the long-term, but only if we can do so without taking excessive risk. We aim to achieve this objective by managing our insurance and investment operations for superior risk-adjusted returns and taking advantage of the market opportunities provided by the short-term orientation of many of our competitors. With respect to our insurance operations, our strategy is based on a philosophy of emphasizing underwriting profitability over revenue growth. With respect to investments, our strategy is to buy assets we consider undervalued and hold them until they become, in our opinion, fairly priced. By combining strong underwriting results and superior investment results, we believe we can achieve our goal of double digit growth in common stockholders' equity per share over time.

Reviewing the events of 2003, our most significant development was the acquisition of Resurgens Specialty, an Atlanta-based specialty wholesale underwriting agency, and the separate acquisition and capitalization of two insurance companies to support Resurgens Specialty's underwriting activities. The purchase price for Resurgens Specialty, acquired on July 1, 2003 from Royal & SunAlliance Insurance Group plc, was approximately \$116.0 million, and the two insurance companies were capitalized by Alleghany in an aggregate amount of approximately \$520.0 million. As part of the Resurgens Specialty acquisition, we acquired Resurgens Specialty's net unearned premium portfolio of \$320.8 million, but we did not acquire or assume any loss reserves associated with business previously underwritten by Resurgens Specialty for Royal & SunAlliance. For the period from July 1, 2003 to year end, RSUI Group, Inc., our holding company for these new operations, reported net premiums earned of \$293.8 million and pre-tax underwriting profits of \$91.8 million. The absence of significant catastrophe losses was a major factor in this impressive start.

The RSUI team, led by Jim Dixon, Chairman and Chief Executive Officer, and E.G. Lassiter, President, has a demonstrated long-term record of serving the wholesale insurance markets through which they underwrite while producing consistent underwriting profits. We are pleased to have the opportunity to join with Jim, E.G. and their colleagues, and we welcome them to the Alleghany group.

We expect RSUI to have a number of effects on Alleghany's results. For one, our results may be more volatile in future years due to the exposure of RSUI's commercial property business to catastrophe losses. Also, we expect that RSUI will produce an

irregular pattern of revenue growth year-to-year, as we expect it to write more business when prices are high and less business when prices are inadequate. Moreover, irregular patterns of revenue growth will lead to periods where RSUI has more capital than required for the level of business written, placing a premium on Alleghany's allocation of capital and investment of insurance company assets to ensure the achievement of our common stockholders' equity per share growth objectives. We do, however, expect RSUI to continue its past record of delivering above average profitability over the property casualty insurance cycle.

Capitol Transamerica Corporation continued to strengthen its operations and balance sheet during 2003. This included the further strengthening of loss reserves during 2003 by \$21.9 million pre-tax in respect of assumed reinsurance treaties written between 1969 and 1976 by its subsidiary, Capitol Indemnity Corporation, as discussed in more detail beginning on page 17. Capitol Transamerica's underwriting results for business earned during 2002 and 2003 showed improvement.

During 2003, we also established a new specialty liability insurance underwriting operation, Darwin Professional Underwriters, Inc., together with Stephen J. Sills, former Chief Executive Officer of Executive Risk Inc. Darwin is 80 percent owned by Alleghany Insurance Holdings and 20 percent owned by certain members of Darwin's management through participation in a restricted stock plan. Pending the establishment of a separate insurance carrier for Darwin's business, Darwin writes specialty liability insurance as an underwriting manager for Platte River and certain subsidiaries of Capitol Transamerica. Darwin has done a remarkable job this year of building a strong management and underwriting team, obtaining substantial reinsurance support and generating \$24.2 of gross premiums written for the period from May 2003 through year end.

With respect to our non-insurance operations, World Minerals' 2003 results primarily reflect the favorable impact of the strengthening of the euro against the U.S. dollar and a modest increase in net sales, offset by continued competitive pricing pressures both in the U.S. and export markets for World Minerals' U.S.-produced products, increased labor and benefit costs and an impairment charge in connection with an announced closing of a plant in the United Kingdom. Results at World Minerals' European, Latin American and Asian operations in 2003 reflect modest increases in tonnage shipped over 2002. In 2003, World Minerals' financial position and cash flow continued the strong trend evidenced in past years, and it paid \$35.4 million in cash dividends to Alleghany in 2003. In addition to its reported earnings, World Minerals contributed to our growth in common stockholders' equity due to the fact that a portion of its net assets is denominated in foreign currencies, such as the euro, which strengthened against the U.S. dollar during the year.

Heads & Threads incurred a loss in 2003 due to inventory reserve charges, increases in the cost of materials and costs associated with 2003 restructuring initiatives. As part of such restructuring initiatives, Gregory Brown was appointed as President and Chief

Executive Officer in April 2003 and Heads & Threads' headquarters were moved to Bloomingdale, Illinois from Sayreville, New Jersey in mid-2003.

Finally, Alleghany Properties continued its exceptional performance with 2003 sales being the second highest in its history.

We are pleased with our ability during 2003 to invest a substantial part of our financial resources. During 2004, we will continue our task of finding acquisitions and investment opportunities offering low risk and high reward. We are hopeful that 2004 will bring us further success.

Bar Chart Showing

Annual Percentage Change*		
Year	In Common Stockholders' Equity Per Share of Alleghany**	In S&P 500 with dividends included
99	(10.4)	20.9
00	10.9	(9.0)
01	19.5	(11.9)
02	0.0	(22.0)
03	12.0	28.4

*The S&P 500 figures are shown on a pre-tax basis whereas the Alleghany figures are presented on an after-tax basis.

**Adjusted for Alleghany's 2% stock dividends paid in every year.

<i>Yours sincerely,</i>	
<i>/s/ John J. Burns, Jr.</i>	<i>/s/ F.M. Kirby</i>
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<i>President</i>	<i>Chairman</i>

February 25, 2004

CONSOLIDATED RESULTS OF OPERATION

Financial Results

For the year 2003, our net earnings were \$162.4 million, or \$21.79 basic earnings per share, compared with \$54.8 million, or \$7.36 per share, in 2002. Our net earnings include the results of operations of RSUI Group, Inc. commencing July 1, 2003 and net gains on investment transactions after taxes of \$98.7 million, or \$13.24 per share, primarily resulting from an after-tax gain of \$89.5 million on the disposition of 8.0 million shares of common stock of Burlington Northern Santa Fe Corporation. Such disposition generated \$222.9 million of aggregate cash proceeds, \$118.6 million of which was generated at Alleghany's insurance operating units for the purpose of diversifying their investment portfolios.

Our 2002 results include net gains on investment transactions after taxes of \$23.6 million, or approximately \$3.17 basic earnings per share, primarily resulting from a \$23.3 million gain on the disposition of 1.9 million shares of common stock of Burlington Northern Santa Fe. In addition, 2002 results include a net credit of \$18.1 million in the provision for income taxes reflecting an adjustment of Alleghany's estimated state and federal tax liabilities.

The comparative contributions to earnings before taxes made by Alleghany's subsidiaries Alleghany Insurance Holdings LLC (a holding company for Alleghany's insurance operations, consisting principally of RSUI Group, Inc., Capitol Transamerica Corporation and Darwin Professional Underwriters, Inc.), and World Minerals Inc. (industrial minerals business), as well as by Alleghany's parent company and other operations, were as follows (in millions):

	Year Ended December 31		Quarter Ended December 31	
	2003	2002	2003	2002
Alleghany Insurance Holdings	\$ 134.8	\$ (20.1)	\$ 52.2	\$ (8.8)
World Minerals	25.7	23.5	7.4	5.5
Corporate activities	79.2	54.0	52.7	2.9
Earnings (losses) before income taxes	240.4	57.4	112.3	(0.4)
Net earnings (loss)	\$ 162.4	\$ 54.8	\$ 73.8	\$ (1.6)

The results of operations of our subsidiaries are discussed in more detail on the following pages.

Alleghany had previously announced that it may purchase shares of its common stock in open market transactions from time to time. In 2003, Alleghany purchased an aggregate of 1,326 shares of its common stock for approximately \$0.3 million, at an average cost of approximately \$226.24 per share. As of December 31, 2003, Alleghany had 7,494,345 shares of its common stock outstanding.

CRITICAL ACCOUNTING POLICIES

Alleghany's insurance operations establish reserves on their balance sheets for unpaid losses and loss adjustment expenses related to their property and casualty insurance and fidelity and surety contracts. As of any balance sheet date, there are claims that have not yet been reported, and some claims may not be reported for many years after the date a loss occurs. As a result, the liability for unpaid losses and loss adjustment expenses includes significant estimates for claims incurred but not yet reported. Additionally, reported claims are in various stages of the settlement process. Each claim is settled individually based upon its merits, and certain claims may take years to settle, especially if legal action is involved. As a result, the liabilities for unpaid losses and loss adjustment expenses include significant judgments, assumptions and estimates made by management relating to the ultimate losses that will arise from the claims. Due to the inherent uncertainties in the process of establishing these liabilities, the actual ultimate loss from a claim is likely to differ, perhaps significantly, from the liability initially recorded. The accounting policies used in connection with the establishment of these liabilities are considered to be Alleghany's critical accounting policies.

Alleghany's insurance operations use a variety of techniques that employ significant judgments and assumptions to establish the liabilities for unpaid losses and loss adjustment expenses recorded at the balance sheet date. These techniques include detailed statistical analysis of past claim reporting, settlement activity, claim frequency, internal loss experience, changes in pricing or coverages and severity data when sufficient information exists to lend statistical credibility to the analysis. More subjective techniques are used when statistical data is insufficient or unavailable. These liabilities also reflect implicit or explicit assumptions regarding the potential effects of future inflation, judicial decisions, changes in laws and recent trends in such factors.

Alleghany's insurance operations establish liabilities for unpaid losses and loss adjustment expenses by considering a range of estimates and recording their best estimate within that range. Alleghany's insurance operations continually evaluate the potential for changes, both positive and negative, in their estimates of such liabilities and use the results of these evaluations to adjust both recorded liabilities and underwriting criteria. With respect to liabilities for unpaid losses and loss adjustment expenses established in prior years, such liabilities are periodically analyzed and their expected ultimate cost adjusted, where necessary, to reflect positive or negative development in loss experience and new information, including, for certain catastrophic events, revised industry

estimates of the magnitude of a catastrophe. Adjustments to previously recorded liabilities for unpaid losses and loss adjustment expenses, both positive and negative, are reflected in Alleghany's financial results in the periods in which such adjustments are made and are referred to as prior year reserve development. A small percentage change in an estimate can result in a material effect on reported earnings. Alleghany's Consolidated Balance Sheet at December 31, 2003 includes liabilities for unpaid losses and loss adjustment expenses from property and casualty insurance and fidelity and surety contracts of \$454.7 million. Because of the high level of uncertainty regarding the setting of liabilities for unpaid losses and loss adjustment expenses, it is the practice of each of Alleghany's insurance operations to engage an outside actuary to evaluate on a periodic basis the adequacy of these liabilities.

Receivables recorded with respect to claims ceded by Alleghany's insurance operations to other reinsurers under reinsurance contracts are estimated in a manner similar to liabilities for unpaid losses and, therefore, are also subject to a significant degree of uncertainty. In addition to the factors cited above, reinsurance receivables may prove uncollectible if the reinsurer is unable to perform under the contract. Reinsurance contracts purchased by Alleghany's insurance operations do not relieve them of their obligations to their own policyholders.

The liabilities for unpaid losses and loss adjustment expenses and reinsurance receivables recorded on Alleghany's Consolidated Balance Sheet at December 31, 2003 include \$92.0 million of liabilities of Platte River Insurance Company which existed at the time of its acquisition by Alleghany Insurance Holdings on January 4, 2002 but were contractually retained by the seller of Platte River and \$37.3 million of liabilities of Landmark American Insurance Company ("Landmark") which existed at the time of its acquisition by RSUI Indemnity Company on September 2, 2003 but were contractually retained by the seller of Landmark.

Information regarding Alleghany's other accounting policies is described in Note 1 to the Consolidated Financial Statements. In addition to the accounting policies described above, the accounting policies described in Note 1 require Alleghany to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, Alleghany evaluates its estimates, including those related to the value of goodwill and intangible assets, long-lived assets, inventories, bad debts, pension benefits, income taxes and contingencies and litigation. Alleghany's estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

ALLEGHANY INSURANCE HOLDINGS LLC

AIHL OPERATIONS

OVERVIEW. Alleghany Insurance Holdings LLC ("AIHL") is a holding company for Alleghany's insurance operations, which are conducted primarily through its subsidiaries RSUI Group, Inc. ("RSUI"), headquartered in Atlanta, Georgia, Capitol Transamerica Corporation ("CATA"), headquartered in Madison, Wisconsin and Darwin Professional Underwriters, Inc. ("Darwin"), headquartered in Farmington, Connecticut.

AIHL completed the acquisition of Resurgens Specialty Underwriting, Inc. ("Resurgens Specialty") from Royal Group, Inc., a subsidiary of Royal & SunAlliance Insurance Group plc ("R&SA") on July 1, 2003 for cash consideration of approximately \$116.0 million. Resurgens Specialty became a subsidiary of RSUI. In connection with the acquisition of Resurgens Specialty, on June 30, 2003, RSUI acquired RSUI Indemnity Company ("RIC") to write admitted business underwritten by Resurgens Specialty, from Swiss Re America Holding Corporation for cash consideration of approximately \$19.7 million, \$13.2 million of which represented consideration for RIC's investment portfolio. On September 2, 2003, RIC purchased Landmark American Insurance Company ("Landmark") to write non-admitted business underwritten by Resurgens Specialty, from R&SA for cash consideration of \$33.9 million, \$30.4 million of which represented consideration for Landmark's investment portfolio. R&SA contractually retained all of the loss and loss adjustment expenses liabilities of Landmark that existed at the time of the sale.

During 2003, Alleghany also established a new specialty liability insurance underwriting operation, Darwin Professional Underwriters, Inc. Darwin is 80% owned by Alleghany Insurance Holdings and 20% owned by certain members of Darwin's management. Pending the establishment of a separate insurance carrier for Darwin's business, Darwin writes specialty liability insurance as an underwriting manager for certain subsidiaries of CATA.

AIHL recorded pre-tax earnings of \$134.8 million on revenues of \$511.5 million in 2003, compared with a pre-tax loss of \$20.1 million on revenues of \$128.1 million in 2002. AIHL's 2003 net earnings include pre-tax investment income of \$25.7 million and a realized pre-tax net gain on investment transactions of \$54.9 million, compared with pre-tax investment income of \$13.4 million and a realized pre-tax net loss on investment transactions of \$10.9 million in 2002. AIHL's 2003 pre-tax investment income reflects a larger invested asset base, principally due to capital contributions by Alleghany and the acquisition of RSUI. AIHL's 2003 pre-tax net gain on investment transactions primarily reflects the disposition of 4.3 million shares of common stock of Burlington Northern Santa Fe Corporation for aggregate cash proceeds of \$118.6 million for the purpose of diversifying the investment portfolios of the insurance operating units.

CATASTROPHE RISK MANAGEMENT. AIHL's operating units, particularly RSUI, expose AIHL to losses on claims arising out of natural or man-made catastrophes. Catastrophes can be caused by various events, but losses are principally driven by hurricanes, earthquakes and tornadoes. The incidence and severity of catastrophes are inherently unpredictable and may materially reduce AIHL's profitability or produce losses in a given period. The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the affected area and the severity of the event. Most catastrophes are restricted to small geographic areas; however, hurricanes, earthquakes and windstorms may produce significant damage, especially in areas that are heavily populated. The geographic distribution of AIHL's insurance operations subjects it to catastrophe exposure principally from hurricanes in Florida and the Mid-Atlantic, Northeast, and Gulf coast regions, earthquakes in California, the Pacific Northwest region and along the New Madrid fault line in the Midwest region, and windstorms in the Midwest and Southern regions.

AIHL's operating units use underwriting controls and systems, including catastrophe modeling, in an effort to ensure that the aggregate amount of catastrophe exposures conform to established risk tolerances and fit within the existing exposure portfolio. In addition, RSUI relies on reinsurance to limit its exposure to catastrophes. Actual results may vary from the expectations developed in catastrophe modeling, and such variances could negatively impact reinsurers of AIHL's operating units and the related reinsurance receivables.

REINSURANCE. AIHL's operating units reinsure a portion of the risks they underwrite in order to control their exposure to losses, manage capacity, stabilize earnings and protect capital resources. In general, the operating units obtain reinsurance on a treaty and facultative basis. Treaty reinsurance is based on a contract between a primary insurer or "cedent" and a reinsurer and covers certain class of risk specified in such treaty. Under most treaties, the cedent is obligated to offer, and the reinsurer is obligated to accept, a specified portion of a class of risk underwritten by the cedent. Alternatively, facultative reinsurance is the reinsurance of individual risks, whereby a reinsurer separately rates and underwrites each risk and is free to accept or reject each risk offered by the cedent. Facultative reinsurance is normally purchased for risks not otherwise covered or covered only in part by reinsurance treaties, and for unusual risks. Treaty and facultative reinsurance can be written on both a quota share or excess of loss basis. Under a quota share reinsurance treaty, the cedent and reinsurer share the premiums as well as the losses and expenses of any single risk, or an entire group of risks. Under excess of loss reinsurance contracts, a reinsurer agrees to reimburse the cedent for all or part of any losses in excess of a predetermined amount (commonly referred to as the cedent's "retention"), generally up to a predetermined limit, at which point the risk of loss is assumed by another reinsurer or reverts to the cedent.

RSUI utilizes reinsurance on an extensive basis in order to build stable capacity and provide protection against the accumulation of catastrophic risk. RSUI ceded 33 percent of its gross premium written for the period from July 1, 2003 through December 31, 2003 to reinsurers through quota share reinsurance treaties and facultative placements. To manage risks it retains after application of its quota share reinsurance treaties, RSUI uses excess of loss and facultative reinsurance. In general, RSUI retains a maximum net exposure limit of exposure of \$5.0 million for any single risk for each of its property, umbrella/excess, general liability, directors and officers liability and professional liability coverages. For RSUI's property line, excess of loss reinsurance coverage is in place that protects RSUI for loss amounts in excess of \$5.0 million up to \$100.0 million on a per risk basis. To protect against multiple losses due to catastrophes, RSUI maintains excess of loss reinsurance coverage in an amount estimated by RSUI to be its exposure from a one-in 250 year catastrophic event for aggregate losses from a single event. In addition, RSUI uses facultative reinsurance in instances when RSUI wants greater coverage than provided by a treaty.

In general, Capitol Transamerica reinsures individual risks in excess of \$1.25 million with various reinsurers in each of its lines of business, except that its commercial surety line is reinsured for individual losses above \$1.0 million with a 10 percent participation above that limit, as well as a 20 % quota share reinsurance agreement with a sliding scale ceded commission based upon the loss ratio of the commercial surety business. In addition, Capitol Transamerica purchases facultative reinsurance coverage for risks in excess of \$6.0 million on property and casualty, \$7.0 million on contract surety and \$10 million on commercial surety. Business underwritten by Darwin is generally reinsured on a treaty basis for individual losses in excess of \$3.0 million for directors and officers liability, in excess of \$0.5 million for medical malpractice liability insurance for physicians and in excess of \$1.0 million for medical malpractice liability for medical facilities. The reinsurance treaties contain swing-rated premiums that will vary, within a range, depending upon the profitability of the underlying premium subject to the treaty. In addition, Darwin obtains facultative reinsurance for certain business.

The reinsurance purchased by AIHL's operating units does not relieve them from their obligations to their own policyholders, and therefore, the financial strength of their reinsurers is important. Excluding the reinsurance receivables acquired as part of the acquisition of Landmark, approximately 99 percent of AIHL's reinsurance receivables balance at December 31, 2003 was with reinsurance companies having financial strength ratings of A or higher by A.M. Best Company, Inc. ("A.M. Best"), an independent organization that analyzes the insurance industry. AIHL had no allowance for uncollectible reinsurance as of December 31, 2003. AIHL's Reinsurance Risk Committee, which includes certain Allegheny officers and the chief financial officers of each of AIHL's operating units, meets to track, analyze and manage the use of reinsurance by AIHL's operating units. The Reinsurance Risk Committee considers the limits on the maximum amount of unsecured reinsurance receivables that can be

outstanding from any particular reinsurer, the lines of business that can be ceded to a particular reinsurer and, where applicable, the types of collateral that should be posted by reinsurers.

AIHL OPERATING UNIT PRE-TAX RESULTS

2003	Years Ended December 31			
	(in thousands, except ratios)			
	RSUI(1)	CATA(2)	Darwin(3)	Total
Gross premiums written	\$ 931,321(4)	\$ 162,718	\$ 24,166	\$1,118,205
Net premiums earned	\$ 293,830	\$ 132,969	\$ 4,115	\$ 430,914
Loss and loss adjustment expenses	150,070	97,629	2,503	250,202
Underwriting expenses	51,982	56,764	4,942	113,688
Underwriting profit (loss) (5)	\$ 91,778	\$ (21,424)	\$ (3,330)	\$67,024
	=====	=====	=====	=====
Loss ratio (6)	51.1%	73.4%	60.8%	58.1%
Expense ratio (7)	17.7%	42.7%	120.1%	26.4%
Combined ratio (8)	68.8%	116.1%	180.9%	84.5%
2002				
Gross premiums written	--	\$ 148,506	--	\$ 148,506
Net premiums earned	--	\$ 125,649	--	\$ 125,649
Loss and loss adjustment expenses	--	100,508	--	100,508
Underwriting expenses	--	45,349	--	45,349
Underwriting profit (loss) (5)	--	\$ (20,208)	--	\$ (20,208)
	=====	=====	=====	=====
Loss ratio (6)	--	80.0%	--	80.0%
Expense ratio (7)	--	36.1%	--	36.1%
Combined ratio (8)	--	116.1%	--	116.1%

(1) Since July 1, 2003.

(2) Includes the results of Platte River Insurance Company.

(3) Since May 2003. Although Darwin is an underwriting manager for certain subsidiaries of CATA, its results have been separated from CATA's results for purposes of this table.

(4) Includes \$320.0 million of unearned premiums which were acquired with RSUI in July 2003.

(5) Represents net premiums earned less loss and loss adjustment expenses and underwriting expenses, all as determined in accordance with generally accepted accounting principles ("GAAP"), and does not include income derived from investments. Underwriting profit (loss) does not replace net income (loss) determined in accordance with GAAP as a measure of profitability; rather, it provides a basis for management to evaluate the underwriting performance of its insurance operating units.

(6) Loss and loss adjustment expenses divided by net premiums earned, all as determined in accordance with GAAP.

(7) Underwriting expenses divided by net premiums earned, all as determined in accordance with GAAP.

(8) The sum of the loss ratio and expense ratio, all as determined in accordance with GAAP, representing the percentage of each premium dollar an insurance company is required to spend on losses (including loss adjustment expenses) and underwriting expenses.

RSUI GROUP, INC.

RSUI, which includes the operations of Resurgens Specialty, RIC and Landmark, underwrites specialty insurance coverages in the property, umbrella/excess, general liability, directors and officers liability and professional liability lines and distributes its products exclusively through over 170 wholesale insurance brokers located throughout the United States and two managing general agents.

RSUI's 2003 gross premiums written include \$320.8 million of unearned premiums which were acquired with RSUI in July 2003, as well as \$610.5 million of gross premiums written since acquisition, reflecting continued strong markets in its lines of business. In addition, RSUI's 2003 results reflect aggregate pre-tax catastrophe losses of approximately \$16.6 million due to the East Coast blackout in August 2003, Hurricane Isabel in September 2003 and the California wildfires in October 2003. Although RSUI's 2003 results reflect its continued ability to achieve rate increases across its casualty lines of business, rates have increased at a slower pace. In addition, rates have declined in RSUI's property lines of business.

As discussed above, in connection with the acquisition of Resurgens Specialty, AIHL also acquired RIC to write business on an admitted basis, and RIC acquired Landmark to write business on an approved, non-admitted basis. In order to be able to write admitted business in a state, a company must be licensed by the state and become subject to the state's form and rate regulations. It is anticipated that it will take through 2004 for RIC to obtain all necessary licenses to be able to write business on an admitted basis in most states, while Landmark (which, as a non-admitted company, is not subject to state form and rate regulations and thus has more flexibility in its rates and coverages for specialized or hard-to-place risks) is currently approved to write business on a non-admitted basis in 48 states. Although R&SA agreed to provide policy issuance services to RIC through June 2004 to cover this regulatory transition period, the major rating agencies downgraded the ratings of R&SA's issuing carriers in 2003 to levels that agents, brokers, and insureds of RSUI may find unacceptable. As an alternative, RSUI has been offering coverage written by Landmark on a non-admitted basis for classes of business predominantly written on an admitted basis. This may reduce RSUI's premium volume for those classes of business, including the umbrella/excess liability and directors and officers liability.

RSUI's subsidiaries RIC and Landmark are rated A (Excellent) by A.M. Best.

CAPITOL TRANSAMERICA CORPORATION

CATA, primarily through its wholly owned subsidiaries Capitol Indemnity Corporation ("Capitol Indemnity") and Capitol Specialty Insurance Company ("CSIC"), operates in 37 states with a geographic concentration in the Midwestern and Plains states. Capitol Indemnity and CSIC write primarily property and casualty insurance for certain types of businesses or activities, including barber and beauty shops, bowling alleys, contractors, restaurants and taverns. Capitol Indemnity conducts its business on an admitted basis, and CSIC conducts its business on an approved, non-admitted basis, through independent and general insurance agents. As a non-admitted company, CSIC is not subject to state form and rate regulations and thus has more flexibility in its rates and coverages for specialized or hard-to-place property and casualty risks than Capitol Indemnity. Capitol Indemnity also writes fidelity and surety bonds and specialty insurance coverage, including contractors' performance and payment bonds, license/permit bonds, fiduciary bonds, judicial bonds and commercial fidelity bonds. Contemporaneous with the acquisition of CATA in January 2002, AIHL acquired Platte River Insurance Company ("Platte River"). Platte River is licensed in 50 states and operates in conjunction with Capitol Indemnity. Capitol Indemnity and Platte River are parties to a pooling agreement whereby Capitol Indemnity is liable for 90 percent of the shared aggregate insurance risks and Platte River is liable for 10 percent.

CATA's 2003 results primarily reflect \$21.9 million of loss reserve strengthening related to assumed reinsurance treaties written by Capitol Indemnity between 1969 and 1976. Such assumed reinsurance treaties primarily relate to asbestos and environmental exposures. Promptly after its acquisition by Alleghany in January 2002, CATA's management commenced a program to settle, or position for commutation, Capitol Indemnity's assumed reinsurance treaties and make appropriate payments on a timely basis when deemed necessary. Since January 2002, Capitol Indemnity has experienced an increase in paid losses on its assumed reinsurance, which was initially attributed to a change in CATA's settlement philosophy. Upon completion in 2003 of an actuarial study undertaken by management, it was determined that the increase in paid losses related to the treaties reflected developments in the underlying claims environment, particularly with respect to asbestos related claims, and, accordingly, CATA strengthened its reserves related to such assumed reinsurance coverages in the amount of \$21.9 million.

For the year ended December 31, 2003, the aggregate net loss and loss adjustment expense payments for asbestos and environmental impairment claims of CATA were \$3.6 million, compared with \$0.8 million in 2002. As of December 31, 2003, reserves of CATA totaled approximately \$24.8 million for asbestos liabilities and approximately \$3.3 million for environmental impairment liabilities resulting in aggregate asbestos and environmental reserves of \$28.1 million. Such aggregate reserves are approximately 17.5 times the average paid claims for the prior three-year period..

CATA's 2002 results primarily reflect \$17.3 million of loss reserve strengthening for 2001 and prior years following independent actuarial reviews, and \$10.0 million in pre-tax net losses on investment transactions resulting from the restructuring of CATA's investment portfolio.

Capitol Indemnity, CSIC and Platte River are rated A+ (Superior) by A.M. Best.

DARWIN PROFESSIONAL UNDERWRITERS, INC.

Darwin underwrites specialty liability insurance coverages in the directors and officers liability, errors and omissions liability and medical malpractice liability areas as an underwriting manager for Platte River and certain subsidiaries of CATA, pending the establishment of a separate insurance carrier for Darwin business. Darwin distributes its products primarily through wholesale insurance brokers located throughout the United States as well as other retail insurance brokers. Although the significant part of 2003 was dedicated to building a strong management team and other organizational, regulatory and administrative matters, Darwin recorded gross premiums written of \$24.2 million for the period from May 2003 through year-end.

AIHL INVESTMENTS

OVERVIEW. In 2003, AIHL recorded pre-tax investment income of \$25.7 million, compared with pre-tax investment income of \$13.4 million in 2002, reflecting a larger invested asset base principally due to capital contributions by Alleghany and the acquisition of RSUI in 2003. In addition, AIHL realized a pre-tax net gain on investment transactions of \$54.9 million in 2003, compared with realized pre-tax net losses on investment transactions of \$10.9 million in 2002. AIHL's 2003 pre-tax net gain on investment transactions primarily reflects the disposition of 4.3 million shares of common stock of Burlington Northern Santa Fe for aggregate cash proceeds of \$118.6 million for the purpose of diversifying the investment portfolios of its operating units. AIHL's 2002 pre-tax net loss on investment transactions primarily reflects \$10.0 million in realized investment loss recognized as part of CATA's restructuring of its investment portfolio.

AIHL's investment strategy is to provide sufficient cash flow to meet its obligations while maximizing its risk-adjusted, after-tax rate of return. Securities may be sold from time to time to take advantage of investment opportunities created by changing interest rates, prepayments, tax and credit considerations or other factors. AIHL's fixed maturity portfolio has been designed to enable management to react to such opportunities or to circumstances that could result in a mismatch between the duration of such portfolio assets and the duration of liabilities and, as such, is classified as available for sale. AIHL's recent strategy with respect to its fixed maturity portfolio has been to focus on short- to intermediate-term, high quality fixed maturity holdings, reflecting

management's belief that current credit spreads and interest rate term structure do not offer sufficient compensation for taking risk..

The following table summarizes the investments of AIHL and its subsidiaries on a consolidated basis, excluding cash, as of December 31, 2003, with all investments carried at fair value (in thousands, except for percentages):

	Investments			
	Amortized Cost or Cost		Fair Value	
	Amount	Percentage	Amount	Percentage
Short-term investments.....	\$ 42,342	3.6%	\$ 42,342	3.3%
Corporate bonds.....	199,816	16.8	202,040	15.9
United States government and government agency bonds.....	230,710	19.5	230,139	18.1
Mortgage- and asset-backed securities.....	67,209	5.7	67,217	5.3
Municipal bonds.....	396,436	33.4	401,751	31.6
Equity securities	249,539	21.0%	327,701	25.8%
Total.....	<u>\$ 1,186,052</u>	<u>100.0%</u>	<u>\$1,271,190</u>	<u>100.0%</u>

AIHL continually monitors the difference between cost and the estimated fair value of its investments, which involves uncertainty as to whether declines in value are temporary in nature. If AIHL believes a decline in the value of a particular investment is temporary, it records the decline as an unrealized loss in shareholder's equity. If the decline is believed to be "other than temporary," it is written down to the carrying value of the investment and a realized loss is recorded on AIHL's statement of operations. Management's assessment of a decline in value includes, among other things, its current judgment as to the financial position and future prospects of the entity that issued the investment security. If that judgment changes in the future, AIHL may ultimately record a realized loss after having originally concluded that the decline in value was temporary.

The following table summarizes, for all securities in an unrealized loss position at December 31, 2003, the aggregate fair value and gross unrealized loss by length of time those securities have been continuously in an unrealized loss position (in thousands):

Securities in an Unrealized Loss Position

	Fair Value -----	Gross Unrealized Loss -----
Fixed maturities:		
0 - 6 months.....	\$ 294,861	\$ 2,567
7 - 12 months.....	3,851	225
Over 12 months.....	243	45
	-----	-----
Total.....	\$ 298,955	\$ 2,837
	=====	=====
Equities:		
0 - 6 months.....	\$ 2,272	\$ 13
7 - 12 months.....	--	--
Over 12 months.....	--	--
	-----	-----
Total.....	\$ 2,272	\$ 13
	=====	=====

FIXED MATURITY PORTFOLIO. The following table reflects investment results for the fixed maturity portfolio of AIHL and its subsidiaries, on a consolidated basis, for the years ended December 31, 2003 and 2002 (in thousands, except for percentages):

Investment Results

Period -----	Average Investments(1) -----	Net Pre-Tax Investment Income(2) -----	Net After-Tax Investment Income(3) -----	Pre-Tax Realized Gains (Losses) -----	Effective Yield(4) -----	After- Tax Yield(5) -----
Year Ended December 31, 2003	\$ 486,894	\$ 13,609	\$ 9,877	\$ (28)	2.80%	2.03%
Year Ended December 31, 2002	\$ 155,857	\$ 7,619	\$ 5,905	\$ (470)	4.89%	3.79%

(1) Average of amortized cost of fixed maturities portfolio at beginning and end of period.

(2) After investment expenses, excluding realized gains or losses from sale of investments.

(3) Net pre-tax investment income less appropriate income taxes.

(4) Net pre-tax investment income for the period divided by average investments for the same period.

(5) Net after-tax investment income for the period divided by average investments for the same period.

The following table indicates the composition of the long-term fixed maturity portfolio by Moody's rating as of December 31, 2003 (in thousands, except for percentages):

Long-Term Fixed Maturity Portfolio by Moody's Rating

	Fair Value	Percentage
Aaa.....	\$ 583,157	64.71%
Aa.....	106,928	11.87%
A.....	136,121	15.11%
Baa.....	68,777	7.63%
Non-rated.....	6,164	0.68%
	-----	-----
Total.....	\$ 901,147	100.0%
	=====	=====

The following table indicates the composition of the long-term fixed maturity portfolio by years until contractual maturity as of December 31, 2003 (in thousands, except for percentages):

Long-Term Fixed Maturity Portfolio by Years Until Maturity

	Amortized Cost	Fair Value	Percentage
One year or less.....	\$ 122,471	\$ 122,459	13.6%
Over one through five years.....	332,804	335,398	37.2%
Over five through ten years.....	194,023	195,816	21.7%
Over ten years.....	177,664	180,257	20.0%
	-----	-----	-----
Mortgage- and asset-backed securities.....	67,209	67,217	7.5%
	-----	-----	-----
Total.....	\$ 894,171	\$ 901,147	100.0%
	=====	=====	=====

EQUITY PORTFOLIO. As of December 31, 2003, the equity portfolio of AIHL and its subsidiaries, on a consolidated basis, was carried at a fair value of approximately \$327.7 million with an original cost of approximately \$249.5 million. In 2003, AIHL had dividend income on its portfolio of \$7.8 million, compared with \$4.4 million in 2002. AIHL and its operating units may, from time to time, make significant investments in the common stock of a public company, subject to limitations imposed by applicable regulations.

REGULATION. Investments of AIHL's insurance subsidiaries must comply with the insurance laws of the states in which they are domiciled which include Wisconsin, Delaware, New Hampshire, Oklahoma and Nebraska, as well as the insurance laws of other states in which they are licensed. These laws prescribe the kind, quality and concentration of investments which may be made by insurance companies. In general, these laws permit investments, within specified limits and subject to certain qualifications, in federal, state and municipal obligations, corporate bonds, preferred and common stocks, and real estate mortgages.

WORLD MINERALS INC.

World Minerals, headquartered in Santa Barbara, California, conducts a worldwide industrial minerals business through its own operations and those of its subsidiaries, Celite Corporation and Harborlite Corporation. Celite is believed to be the world's largest producer of filter-aid grade diatomite, a silica-based mineral consisting of the fossilized remains of microscopic freshwater or marine plants. Diatomite is used as a filter aid in the production of beer, fruit juice, wine, water, sweeteners, fats and oils, pharmaceuticals, chemicals, lubricants and petroleum; it is also used as a filler, mainly in paints, and as an anti-block agent in plastic film. Celite is also a producer of calcium and magnesium silicate products, which are used to convert liquid, semi-solid and sticky ingredients into dry, free-flowing powders in the production of rubber, sweeteners, flavorings and pesticides.

Harborlite is believed to be the world's largest producer of perlite filter aids and, as a seller of perlite ore, is one of the world's largest merchant producers of perlite ore. Perlite ore is a volcanic rock containing a small amount of water that causes the ore to "pop" when heated, expanding it up to twenty times its original volume. Harborlite sells perlite ore to companies that expand it for use primarily in the manufacture of roofing board, formed pipe insulation, acoustical ceiling tile and filter aids. Harborlite also expands perlite in its own expansion plants in the United States, Europe and Latin America. Most of this expanded perlite is sold as a filter aid to companies in the brewing, food, wine, sweetener, pharmaceutical, chemical and lubricant industries or as a filler and insulating medium to companies in the construction industry.

World Minerals recorded pre-tax earnings of \$25.7 million on revenues of \$266.3 million in 2003, compared with \$23.5 million on revenues of \$251.2 million in 2002 and \$19.7 million on revenues of \$248.5 million in 2001. The 2003 results primarily reflect the favorable impact of the strengthening of the euro against the dollar (had foreign exchange rates remained constant with those of 2002, World Minerals' revenues would have been approximately flat) and a modest increase in net sales offset by lower margins due to competitive pricing pressures and increased labor and benefit costs. An impairment charge in connection with an announced closing of a plant in the United Kingdom and expenses related to staff reductions negatively impacted results by approximately \$2.0 million in 2003. The strengthening of the euro against the U.S. dollar has a positive impact on World Minerals' results as revenues from its European operations are higher when converted into U.S. dollars and exports of World Minerals' U.S.-produced products to Europe are more price competitive with products produced in Europe.

World Minerals' 2002 results reflect the impact of businesses acquired in 2001 and 2002, increases in net sales from World Minerals' operations in Europe, Latin America and Asia, including China, higher profit margins due to net reductions of

approximately \$5.0 million in energy costs, primarily natural gas, at U.S. and Latin American plants, cost control efforts, and net reductions of \$1.7 million in interest expense and \$1.7 million in amortization expense. Such positive factors more than offset a decline in net sales in the United States and in the European and Asian export markets for World Minerals' U.S.-produced products due to continued sluggish demand and competitive pressures and charges of approximately \$2.6 million, primarily reflecting impairment charges taken with respect to United Kingdom operations, a write-off of certain product development costs and expenses incurred in connection with staff reductions.

World Minerals' 2001 results reflect an increase in net sales, primarily from its European operations, and an energy surcharge in place for much of the year in the U.S., offset by high North American energy costs, particularly in California, and a lower level of production in the U.S. due to the softening U.S. economy. High North American energy costs, including unprecedented increases in the cost of natural gas and electricity, and temporary shutdowns as a result of electricity shortages experienced in California, adversely affected World Minerals' 2001 operating costs by approximately \$7.5 million, which, net of fuel surcharges on certain sales, negatively impacted pre-tax earnings by approximately \$4.1 million.

World Minerals focuses on customer and technical service. Its Research and Development group uses state-of-the-art analytical instrumentation and techniques to seek ways to put the unique properties of its industrial minerals to work in new applications, as well as to refine minerals processing methods to yield higher purity and more consistent finished products. The Technical Services group helps identify the best grade of industrial minerals for each customer application and assists in optimizing the customer's manufacturing process to achieve the highest possible value from World Minerals' products. World Minerals conducts its business on a worldwide basis, with mining or processing operations in 11 countries.

Although World Minerals believes that the international scope of its operations gives it some competitive advantages, international operations can be subject to additional risks, such as currency fluctuations, changes in foreign legal requirements and political instability. World Minerals seeks to minimize its exposure to these risks by closely monitoring its methods of operating in each country and by adopting strategies responsive to changing economic and political environments. World Minerals minimizes its exposure to the risk of foreign currency fluctuations by, among other things, requiring its non-European subsidiaries to invoice their export customers in U.S. dollars and causing all of its subsidiaries to declare and pay dividends whenever feasible.

Revenues (dollars in millions):

03	266.3
02	251.2
01	248.5
00	240.0
99	241.8

Pre-Tax Earnings (dollars in millions):

03	25.7
02	23.5
01	19.7
00	2.7
99	24.0

HEADS & THREADS INTERNATIONAL LLC

Heads & Threads, headquartered in Bloomingdale, Illinois, is believed to be one of the nation's leading importers and distributors of steel fasteners. Alleghany's Heads & Threads division (owned by Alleghany since 1974) was reorganized in 1999 as a wholly owned subsidiary of Alleghany called Heads & Threads International LLC.

Heads & Threads imports and sells commercial fasteners - nuts, bolts, screws, washers, sockets, and anchors - for resale through distributors and packagers serving original equipment manufacturers, maintenance and repair operators and construction and retail customers. Heads & Threads' operations are divided into three businesses - stock, direct from mill/stock for release, and packaged. Through its stock business, product is purchased by Heads & Threads in anticipation of demand, routed through its five distribution centers and warehoused in its seven warehouse facilities throughout the United States. Customer purchases tend to be of relatively small quantities for same day or next day delivery. The direct from mill/stock for release business involves large quantities of standard or specialty product purchased by Heads & Threads specifically for a customer order, which is shipped directly from the manufacturer to the customer (direct from mill) or warehoused in a Heads & Threads facility and shipped to the customer over time, with a definitive end date (stock for release). The packaged business comprises small packaged quantities sold to distributors and mill supply houses.

Results in 2003 were affected by sluggish demand in the U.S. economy, increases in the cost of materials, inventory reserve charges and write-offs relating to its computer system and relocation of its headquarters from Sayreville, New Jersey to Bloomingdale, Illinois and related personnel costs.

ALLEGHANY PROPERTIES, INC.

Headquartered in Sacramento, California, Alleghany Properties owns and manages properties in the Sacramento region of California. Such properties include improved and unimproved commercial land and commercial and residential lots. The majority of these properties is located in North Natomas. A considerable amount of activity from developers has occurred in the North Natomas area since 1998, including the construction of more than 8,900 single family homes, 3,100 apartment units, office buildings and several fully-leased regional retail shopping centers. Participating in this growth, Alleghany Properties has sold over 360 acres of residential land and 50 acres of commercial property.

Selected Financial Data

Alleghany Corporation and Subsidiaries

(in thousands, except for share and per share amounts)

	Years Ended December 31,				
	2003	2002	2001	2000	1999
OPERATING DATA					
Revenues from continuing operations	\$1,018,233	\$ 576,857	\$ 958,851	\$ 564,675	\$ 416,149
Earnings from continuing operations	\$ 162,378	\$ 54,813	\$ 430,563	\$ 147,052	\$ 51,658
(Losses) earnings from discontinued operations	-	-	(206,333)	(78,195)	48,447
Net earnings	\$ 162,378	\$ 54,813	\$ 224,230	\$ 68,857	\$ 100,105
Basic earnings (losses) per share of common stock:*					
Continuing operations	\$ 21.79	\$ 7.36	\$ 57.25	\$ 18.95	\$ 6.52
Discontinued operations	-	-	(27.44)	(10.08)	6.10
Net earnings	\$ 21.79	\$ 7.36	\$ 29.81	\$ 8.87	\$ 12.62
Average number of shares of common stock*	7,450,625	7,448,058	7,519,032	7,757,595	7,934,865

	Years Ended December 31,				
	2003	2002	2001	2000	1999
BALANCE SHEET					
Total assets	\$3,568,040	\$2,216,035	\$1,953,916	\$1,694,113	\$1,567,503
Debt	\$ 167,050	\$ 152,507	\$ 181,856	\$ 228,178	\$ 210,010
Common stockholders' equity	\$1,562,822	\$1,379,342	\$1,390,582	\$1,165,074	\$1,107,897
Common stockholders' equity per share of common stock*	\$ 208.53	\$ 186.16	\$ 185.49	\$ 155.28	\$ 139.96

Alleghany sold Underwriters Re Group in May 2000. Underwriters Re Group has been classified as discontinued operations for each of the two years ended in 2000. Alleghany sold Alleghany Asset Management in February 2001. Alleghany Asset Management has been classified as discontinued operations for each of the three years ended in 2001. Alleghany sold Alleghany Underwriting in November 2001. Alleghany Underwriting has been classified as discontinued operations for each of the three years ended in 2001.

*Amounts reflect subsequent common stock dividends.

DIVIDENDS, MARKET PRICES AND RELATED SECURITY HOLDER MATTERS

As of December 31, 2003, there were 1,366 holders of record of Alleghany common stock. The following table indicates quarterly high and low prices of the common stock in 2003 and 2002 on the New York Stock Exchange. Alleghany's ticker symbol is Y.

QUARTER ENDED	2003		2002	
-----	-----		-----	
	HIGH	LOW	High	Low
	-----	-----	-----	-----
March 31	\$ 175.49	\$ 152.94	\$ 187.43	\$ 174.82
June 30	206.25	163.50	187.26	179.36
September 30	201.86	189.69	188.73	178.39
December 31	\$ 224.25	\$ 195.75	\$ 186.98	\$ 169.85

In 2004, 2003, and 2002, Alleghany's Board of Directors declared, as Alleghany's dividend on its common stock for that year, a stock dividend consisting of one share of Alleghany common stock for every fifty shares outstanding.

Alleghany's ability to pay cash dividends is restricted by the terms of its loan agreements. At December 31, 2003, these agreements permitted the payment of cash dividends aggregating approximately \$274.6 million.

FINANCIAL CONDITION

In recent years, Alleghany has followed a policy of maintaining a relatively liquid financial condition at the parent company in the form of cash, marketable securities, available credit lines and minimal amounts of debt. This has permitted Alleghany to expand its operations through internal growth at its subsidiaries and through acquisitions of, or substantial investments in, operating companies. At December 31, 2003, Alleghany held approximately \$392.2 million of marketable securities and cash at the parent company and had no debt outstanding under its credit facilities.

On July 1, 2003, Alleghany Insurance Holdings LLC ("AIHL") completed the acquisition of Resurgens Specialty Underwriting, Inc. ("Resurgens Specialty"), a wholesale specialty underwriting agency, from Royal Group, Inc., a subsidiary of Royal & Sun Alliance Insurance Group plc ("R&SA"), for cash consideration, including capitalized expenditures, of approximately \$116.0 million. Resurgens Specialty became a subsidiary of RSUI Group, Inc. ("RSUI"). In connection with the acquisition of Resurgens Specialty, on June 30, 2003, RSUI acquired RSUI Indemnity Company ("RIC"), to write admitted business underwritten by Resurgens Specialty, from Swiss Re America Holding Corporation for consideration of approximately \$19.7 million, \$13.2 million of which represented consideration for RIC's investment portfolio. On September 2, 2003, RIC purchased Landmark American Insurance Company ("Landmark"), a non-admitted insurance company, to write non-admitted business underwritten by Resurgens Specialty, from R&SA for cash consideration of \$33.9 million, \$30.4 million of which represented consideration for Landmark's investment portfolio. RIC and Landmark were capitalized by Alleghany in an aggregate amount of approximately \$520.0 million.

On January 4, 2002, AIHL completed the acquisition of Capitol Transamerica Corporation ("Capitol Transamerica"). The total purchase price was approximately \$182.0 million. Contemporaneous with the acquisition of Capitol Transamerica, AIHL purchased Platte River Insurance Company ("Platte River"), a Nebraska-domiciled insurance company, for approximately \$40.0 million. The seller contractually retained all of the loss and loss adjustment expenses liabilities of Platte River that existed at the time of the sale.

The above acquisitions were funded from internal cash resources.

On November 5, 2001, AIHL completed the disposition of Alleghany Underwriting Holdings Ltd. ("Alleghany Underwriting") to Talbot Holdings Ltd. ("Talbot"), a new Bermuda holding company formed by certain principals of the Black Diamond Group and the senior management of Alleghany Underwriting. AIHL recorded an after-tax loss of \$50.5 million on the disposition of this Lloyd's of London insurance

operation. Consideration for the sale included a warrant which entitled AIHL to recover a portion of any residual capital of Alleghany Underwriting as determined upon the closure of the 2001 Lloyd's year of account. A nominal value was ascribed to the warrant in computing the loss on the sale of Alleghany Underwriting. In connection with the sale, AIHL provided a \$25.0 million letter of credit to support business written by a new Talbot syndicate for the 2002 Lloyd's year of account while Talbot sought new capital. AIHL subsequently agreed that the capital provided by its letter of credit would also support business written by the syndicate for the 2003 and 2004 Lloyd's years of account, in exchange for reductions in the amount of the letter of credit to \$15.0 million in January 2003 and \$10.0 million in December 2003 as a result of the infusion of new capital into the syndicate. Pursuant to AIHL's agreement with the syndicate, the syndicate will use its best efforts to extinguish AIHL's commitment under the reduced letter of credit no later than June 30, 2006.

On February 1, 2001, Alleghany's wholly owned subsidiary, Alleghany Asset Management, Inc., merged into a wholly owned subsidiary of ABN AMRO North America Holding Company. Alleghany received cash proceeds of \$825.0 million and recorded an after-tax gain of about \$474.8 million, or approximately \$63.14 per share, excluding certain expenses relating to the closing of the sale. In light of the merger, Alleghany Asset Management, Inc. is no longer a source of dividends to Alleghany.

Alleghany has declared stock dividends in lieu of cash dividends every year since 1987 except 1998 when Chicago Title Corporation was spun off to Alleghany stockholders. These stock dividends have helped to conserve Alleghany's financial strength and, in particular, the liquid assets available to finance internal growth and operating company acquisitions and investments. On April 23, 2004, as its dividend on its common stock for 2004, Alleghany will pay to stockholders of record on April 1, 2004 a dividend of one share of Alleghany common stock for every 50 shares outstanding.

In addition to its liquid assets, Alleghany entered into a three-year credit agreement and a 364-day revolving credit agreement with a bank syndicate in June 2002. These credit facilities, amended in June 2003, provide commitments for revolving credit loans in an aggregate principal amount of \$200.0 million. The 364-day revolving credit agreement expires on June 14, 2004 and the three-year credit agreement expires on June 14, 2005. Alleghany's practice is to repay borrowings under its credit agreements promptly in order to keep the facilities available for future acquisitions. No borrowings were outstanding under either of Alleghany's credit agreements at 2003 year-end.

From time to time, Alleghany makes capital contributions to its subsidiaries when third-party financing may not be attractive or available. In 2003, Alleghany made capital contributions of approximately \$636.6 million to AIHL for the purposes of acquiring and capitalizing Resurgens Specialty, RIC and Landmark, providing reserves for the needs of Capitol Transamerica, diversifying AIHL's investment portfolio and making future acquisitions. In 2002, Alleghany made capital

contributions of approximately \$232.7 million to AIHL for, among other things, acquisition purposes, business expansion and reserve strengthening. Also in 2002, Alleghany made a capital contribution of approximately \$1.5 million to Heads & Threads for the purpose of reducing amounts outstanding under Heads & Threads' credit agreement. Alleghany expects that it will continue to make such capital contributions to its subsidiaries in the future for similar or other purposes.

Alleghany has announced that it may purchase shares of its common stock in open market transactions from time to time. In 2003, Alleghany purchased an aggregate of 1,326 shares of its common stock for approximately \$0.3 million, at an average cost of \$222.24 per share. In 2002, Alleghany purchased an aggregate of 155,613 shares of its common stock for approximately \$28.7 million, at an average cost of approximately \$184.64 per share. In 2001, Alleghany purchased an aggregate of 66,692 shares of its common stock for approximately \$12.7 million, at an average cost of approximately \$190.01 per share.

At December 31, 2003, about \$304.8 million of the equity of Alleghany's subsidiaries was available for dividends or advances to Alleghany. At that date, approximately \$1.26 billion of \$1.56 billion of Alleghany's equity was unavailable for dividends or advances to Alleghany from its subsidiaries, due to limitations imposed by statutes and agreements with lenders to which those subsidiaries are subject. In particular, Alleghany's insurance subsidiaries are subject to various regulatory restrictions that limit the maximum amount of dividends available to be paid to their parent without prior approval of insurance regulatory authorities. A maximum of \$57.9 million was available for dividends without prior approval of the applicable insurance regulatory authorities at 2003 year-end.

These limitations have not affected Alleghany's ability to meet its obligations.

Alleghany has certain obligations to make future payments under contracts and credit-related financial instruments and commitments. At December 31, 2003, certain long-term aggregate contractual obligations and credit-related financial commitments were as follows (in thousands):

(in thousands)

CONTRACTUAL OBLIGATIONS -----	TOTAL -----	1 YEAR -----	1-3 YEARS -----	3-5 YEARS -----	5 YEARS -----
Long-Term Debt Obligations	\$167,050	\$11,850	\$ 18,362	\$ 136,348	\$ 490
Capital Lease Obligations	2	2	--	--	--
Operating Lease Obligations	57,657	12,403	23,133	14,607	7,514
Purchase Obligations	3,996	2,417	884	695	--
Other Long-Term Liabilities Reflected on Alleghany Consolidated Balance Sheet under GAAP*	45,693	3,411	6,788	8,356	27,138
TOTAL	\$274,398	\$30,083	\$ 49,167	\$ 160,006	\$ 35,142

*Other long-term liabilities primarily reflect pension and long-term incentive obligations.

Alleghany management believes that Alleghany and its subsidiaries have and will have adequate internally generated funds, cash resources and unused credit facilities to provide for the currently foreseeable needs of its and their businesses. Alleghany and its subsidiaries have no material commitments for capital expenditures.

Financial strength is also a high priority of Alleghany's subsidiaries, whose assets stand behind their financial commitments to their customers and vendors.

Alleghany Insurance Holdings LLC

The obligations and cash outflow of AIHL's insurance operations include claim settlements, administrative expenses and purchases of investments. In addition to premium collections, cash inflow is obtained from interest and dividend income and maturities and sales of investments. Because cash inflow from premiums is received in advance of cash outflow required to settle claims, AIHL's insurance operations accumulate funds which they invest pending the need for liquidity. As of December 31, 2003, investments represented 49 percent of AIHL's insurance operations' assets.

As an insurance company's cash needs can be unpredictable due to the uncertainty of the claims settlement process, the portfolios of AIHL's insurance operations are composed primarily of short-term investments to ensure the availability of funds and avoid a forced sale of fixed maturity securities.

As of December 31, 2003, AIHL's investment portfolio had a fair market value of \$1.3 billion and consisted primarily of high quality fixed maturity securities with an average maturity of 4.4 years and an effective duration of 3.35 years. Effective duration measures a portfolio's sensitivity to change in interest rates; a change within a range of plus or minus 1 percent in interest rates would be expected to result in an inverse change of approximately 3.4 percent in the value of the portfolio of AIHL. The overall fixed maturity portfolio quality is maintained at a Moody's rating of Aa1, with over 98 percent of all securities rated investment grade by Moody's as of December 31, 2003. AIHL's investment portfolio also included approximately 3.0 million shares of CIGNA common stock with a fair market value of \$173.2 million as of December 31, 2003. AIHL's investment portfolio contains no investments of a derivative nature.

World Minerals Inc.

In March 2003, World Minerals entered into a credit agreement (the "New Credit Agreement") with several banks providing for a commitment for revolving credit loans and/or letters of credit in an aggregate principal amount of \$100.0 million which expires in 2007. World Minerals used amounts available to it under the New Credit Agreement to pay all outstanding indebtedness under its former credit agreement. As of December 31, 2003, \$56.0 million of indebtedness and no letters of credit were outstanding under the New Credit Agreement, leaving \$44.0 million unused and available for borrowing and/or letters of credit. An additional \$3.6 million of short-term debt and \$1.3 million of long-term debt from local foreign loans and \$0.6 million of letters of credit which are permitted under the New Credit Agreement were outstanding as of December 31, 2003.

World Minerals paid cash dividends to Alleghany of \$35.4 million in 2003 and \$2.6 million in 2002.

Heads & Threads International LLC

On April 30, 2003, Heads & Threads entered into a credit agreement with a bank providing for up to \$30.0 million of revolving credit loans. As of December 31, 2003, \$18.1 million of indebtedness was outstanding under Heads & Threads' credit agreement.

Alleghany Properties, Inc.

As part of Alleghany's sale of Sacramento Savings Bank in 1994, Alleghany, through its wholly owned subsidiary Alleghany Properties, purchased the real estate and real estate-related assets of Sacramento Savings. Alleghany Properties is Alleghany's only subsidiary holding substantial real estate investments.

As of December 31, 2003, Alleghany Properties held properties having a total book value of approximately \$32.2 million, as compared with properties having a total book value of approximately \$36.3 million as of December 31, 2002, and properties and loans having a total book value of approximately \$90.1 million as of October 31, 1994 (the date the assets were purchased by Alleghany Properties).

On December 11, 1998, Alleghany Properties issued \$40.0 million aggregate principal amount of 6.83 percent senior notes due 2004. The notes are being repaid in five equal annual principal amortization payments beginning on the second anniversary of their issuance. The proceeds from the sale of the notes were used to pay a dividend of \$39.5 million to Alleghany in 1998 and to cover the expenses of the issuance. On December 11, 2003, Alleghany Properties made its fourth principal payment on the notes,

including accrued interest thereon, in the amount of \$8.5 million, reducing the outstanding principal to \$8.0 million.

The capital needs of Alleghany Properties consist primarily of various development costs relating to its owned properties. Adequate funds to provide for the currently foreseeable needs of its business are expected to be generated by sales and reimbursements of tax benefits and, if needed, capital contributions by Alleghany.

Alleghany Properties paid cash dividends to Alleghany totalling \$10.0 million in 2003.

MATERIAL OFF-BALANCE SHEET ARRANGEMENTS

Alleghany did not enter into any material off-balance sheet arrangements during 2003 or 2002, nor did it have any material off-balance sheet arrangements outstanding at December 31, 2003 or 2002.

QUANTITATIVE AND QUALITATIVE MARKET RISK DISCLOSURE

Market risk is the risk of loss from adverse changes in market prices and rates, such as interest rates, foreign currency exchange rates and commodity prices. The primary market risk related to Alleghany's non-trading financial instruments is the risk of loss associated with adverse changes in interest rates.

Alleghany and its subsidiaries invest in equity securities. Equity securities are subject to fluctuations in market value. Alleghany and its subsidiaries also purchase debt securities with fixed maturities that exposes them to risk related to adverse changes in interest rates.

Alleghany holds its equity securities and debt securities as available for sale. Any changes in the fair value in these securities, net of tax, would be reflected in Alleghany's comprehensive income as a component of stockholders' equity.

The primary market risk for the long-term debt of Alleghany and its subsidiaries is interest rate risk at the time of refinancing. Alleghany and its subsidiaries monitor the interest rate environment to evaluate refinancing opportunities. For additional information regarding the long-term debt of Alleghany and its subsidiaries, see "Financial Condition."

Other than one interest rate swap, Alleghany currently does not use derivatives to manage market and interest rate risks. In respect of the interest rate swap, Alleghany is exposed to a credit risk in the unlikely event of nonperformance by the swap counterparty.

Alleghany, through World Minerals and Heads & Threads, conducts certain business activities in foreign countries. World Minerals minimizes its exposure to the risk of foreign currency fluctuation by, among other things, requiring its non-European subsidiaries to invoice their export customers in U.S. dollars and causing its subsidiaries, whenever feasible, to declare and pay dividends to repatriate profits back to the U.S. in U.S. dollars. Heads & Threads imports virtually all of its fasteners, the costs of which are therefore subject to fluctuations in foreign currency and import duties. Alleghany does not believe that the operations of World Minerals and Heads & Threads subject Alleghany to a material risk from foreign currency fluctuation.

The table below presents a sensitivity analysis of Alleghany's debt securities and insurance company subsidiary debt that are sensitive to changes in interest rates. Sensitivity analysis is defined as the measurement of potential change in future earnings, fair values or cash flows of market sensitive instruments resulting from one or more selected hypothetical changes in interest rates over a selected time. In this sensitivity analysis model, Alleghany uses fair values to measure its potential change, and a +/- 200 basis point range of change in interest rates to measure the hypothetical change in fair value of the financial instruments included in the analysis.

The change in fair value is determined by calculating hypothetical December 31, 2003 ending prices based on yields adjusted to reflect a +/- 200 basis point range of change in interest rates, comparing such hypothetical ending prices to actual ending prices, and multiplying the difference by the par outstanding.

SENSITIVITY ANALYSIS

December 31, 2003
(in millions)

INTEREST RATE SHIFTS -----	-200 ----	-100 ----	0 ---	100 ---	200 ---
ASSETS					
Debt securities	\$ 979.2	\$ 948.0	\$917.3	\$ 887.1	\$ 857.9
Estimated change in value	\$ 61.9	\$ 30.7	\$ --	\$ (30.2)	\$ (59.4)
LIABILITIES					
Subsidiaries' debt fair value	\$ 167.3	\$ 166.7	\$167.4	\$ 168.7	\$ 168.7
Estimated change in value	\$ (0.1)	\$ (0.7)	\$ --	\$ 0.6	\$ 1.3

FORWARD-LOOKING STATEMENTS

"Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Quantitative and Qualitative Disclosures About Market Risk" contain disclosures which are forward-looking statements. Forward-looking statements include all statements that do not relate solely to historical or current facts, and can be identified by the use of words such as "may," "will," "expect," "project," "estimate," "anticipate," "plan" or "continue." These forward-looking statements are based upon Alleghany's current plans or expectations and are subject to a number of uncertainties and risks that could significantly affect current plans, anticipated actions and Alleghany's future financial condition and results. These statements are not guarantees of future performance, and Alleghany has no specific intention to update these statements. The uncertainties and risks include, but are not limited to, those relating to conducting operations in a competitive environment and conducting operations in foreign countries, effects of acquisition and disposition activities, adverse loss development for events insured by Alleghany's insurance operations in either the current year or prior years, general economic and political conditions, including the effects of a prolonged U.S. or global economic downturn or recession, changes in costs, including changes in labor costs, energy costs and raw material prices, variations in political, economic or other factors such as currency exchange rates, inflation rates or recessionary or expansive trends, changes in market prices of Alleghany's significant equity investments, tax, legal and regulatory changes, extended labor disruptions, significant weather-related or other natural or human-made disasters, especially with respect to their impact on losses at Alleghany's insurance subsidiaries, civil unrest or other external factors over which Alleghany has no control, and changes in Alleghany's plans, strategies, objectives, expectations or intentions, which may happen at any time at Alleghany's discretion. As a consequence, current plans, anticipated actions and future financial condition and results may differ from those expressed in any forward-looking statements made by or on behalf of Alleghany.

CONSOLIDATED BALANCE SHEETS

Alleghany Corporation and Subsidiaries

December 31, 2003 and 2002 (in thousands, except share amounts)	2003	2002
-----	-----	-----
ASSETS		
Available for sale securities at fair value:		
Equity securities (cost: 2003, \$370,982; 2002, \$239,669)	\$ 620,754	\$ 486,353
Debt securities (cost: 2003, \$910,307; 2002, \$570,973)	917,270	580,606
Short-term investments	135,079	237,698
	-----	-----
	1,673,103	1,304,657
	-----	-----
Cash	231,583	27,423
Notes receivable	92,082	92,358
Accounts receivable, net	112,808	60,431
Premium balances receivable	279,682	25,279
Reinsurance receivables	190,769	147,479
Ceded unearned premium reserves	264,038	2,775
Deferred acquisition costs	47,282	22,547
Property and equipment at cost, net of accumulated depreciation and amortization	177,708	173,539
Inventory	84,612	81,978
Goodwill and other intangibles, net of amortization	233,739	112,858
Deferred tax assets	85,736	81,653
Other assets	94,898	83,058
	-----	-----
	\$3,568,040	\$2,216,035
	=====	=====
 LIABILITIES AND COMMON STOCKHOLDERS' EQUITY		
Current taxes payable	\$ 49,605	\$ 28,372
Losses and loss adjustment expenses	454,664	258,471
Other liabilities	211,000	145,715
Reinsurance payable	255,117	1,696
Unearned premiums	676,940	64,115
Subsidiaries' debt	167,050	152,507
Deferred tax liabilities	190,842	185,817
	-----	-----
Total liabilities	2,005,218	836,693
Preferred stock		
(preferred shares authorized: 2003 and 2002 - 8,000,000; preferred shares issued and outstanding: none)	-	-
Common stockholders' equity:		
(common shares authorized: 2003 and 2002 - 22,000,000; common shares issued and outstanding 2003 - 7,494,345; 2002 - 7,409,282)	1,562,822	1,379,342
	-----	-----
	\$3,568,040	\$2,216,035
	=====	=====

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF EARNINGS

Alleghany Corporation and Subsidiaries

Years ended December 31, (in thousands, except per share amounts)	2003	2002	2001
REVENUES			
Net fastener sales	\$ 113,277	\$ 110,408	\$ 119,038
Interest, dividend and other income	56,064	53,064	58,098
Net premiums earned	430,914	125,649	-
Net mineral and filtration sales	266,136	251,361	247,329
Net gain on sale of subsidiaries	-	-	522,422
Net gain on investment transactions	151,842	36,375	11,964
Total revenues	1,018,233	576,857	958,851
COSTS AND EXPENSES			
Commissions and brokerage expenses	113,688	45,349	-
Salaries, administrative and other operating expenses	86,473	74,504	80,197
Loss and loss adjustment expenses	250,202	100,508	-
Cost of goods sold-fasteners	88,163	82,162	96,472
Cost of mineral and filtration sales	199,148	184,685	187,022
Interest expense	5,514	6,545	13,790
Corporate administration	34,678	25,700	46,991
Total costs and expenses	777,866	519,453	424,472
Earnings from continuing operations, before income taxes	240,367	57,404	534,379
Income taxes	77,989	2,591	103,816
Earnings from continuing operations	162,378	54,813	430,563
DISCONTINUED OPERATIONS			
(Losses) from discontinued operations, net of tax benefit	-	-	(206,333)
Net earnings	\$ 162,378	\$ 54,813	\$ 224,230
BASIC EARNINGS PER SHARE OF COMMON STOCK:*			
Continuing operations	\$ 21.79	\$ 7.36	\$ 57.26
Discontinued operations	-	-	(27.44)
Basic net earnings per share	\$ 21.79	\$ 7.36	\$ 29.82
DILUTED EARNINGS PER SHARE OF COMMON STOCK:*			
Continuing operations	\$ 21.72	\$ 7.30	\$ 56.73
Discontinued operations	-	-	(27.19)
Diluted net earnings per share	\$ 21.72	\$ 7.30	\$ 29.54

*Amounts reflect subsequent common stock dividends.

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN COMMON STOCKHOLDERS' EQUITY

Alleghany Corporation and Subsidiaries

Three Years Ended December 31, 2003

(in thousands, except share amounts)	Common Stock	Contributed Capital	Accumulated Other Comprehensive Income	Treasury Stock	Retained Earnings	Total Stockholders' Equity
BALANCE AT DECEMBER 31, 2000 (7,956,643 shares of common stock issued; 453,464 in treasury)*	\$ 7,497	\$ 489,647	\$ 180,481	(\$ 78,210)	\$ 565,659	\$ 1,165,074
ADD (DEDUCT):						
Net earnings	-	-	-	-	224,330	224,330
Other comprehensive income, net of tax:						
Translation loss	-	-	(2,437)	-	-	(2,437)
Minimum pension liability	-	-	(105)	-	-	(105)
Change in unrealized appreciation of investments, net	-	-	5,777	-	-	5,777
Comprehensive income	-	-	3,235	-	224,330	227,565
Common stock dividend	-	2,479	-	26,036	(28,618)	(103)
Other, net	17	3,211	-	(5,182)	-	(1,954)
BALANCE AT DECEMBER 31, 2001 (7,817,199 shares of common stock issued; 320,193 in treasury)	7,514	495,337	183,716	(57,356)	761,371	1,390,582
ADD (DEDUCT):						
Net earnings	-	-	-	-	54,813	54,813
Other comprehensive loss, net of tax:						
Translation gain	-	-	5,790	-	-	5,790
Minimum pension liability	-	-	(3,888)	-	-	(3,888)
Change in unrealized appreciation of investments, net	-	-	(44,384)	-	-	(44,384)
Comprehensive income	-	-	(42,482)	-	54,813	12,331
Common stock dividend	-	238	-	26,355	(26,685)	(92)
Other, net	-	(1,520)	-	(21,959)	-	(23,479)
BALANCE AT DECEMBER 31, 2002 (7,663,921 shares of common stock issued; 254,639 in treasury)	7,514	494,055	141,234	(52,960)	789,499	1,379,342
ADD (DEDUCT):						
Net earnings	-	-	-	-	162,378	162,378
Other comprehensive income, net of tax:						
Translation gain	-	-	12,679	-	-	12,679
Minimum pension liability	-	-	(108)	-	-	(108)
Change in unrealized appreciation of investments, net	-	-	(628)	-	-	(628)
Comprehensive income	-	-	11,943	-	162,378	174,321
Common stock dividend	-	(2,125)	-	26,685	(24,639)	(79)
Other, net	-	(6,366)	-	15,604	-	9,238
BALANCE AT DECEMBER 31, 2003 (7,513,648 shares of common stock issued; 19,303 in treasury)	\$ 7,514	\$ 485,564	\$ 153,177	\$ (10,671)	\$ 927,238	\$ 1,562,822
	=====	=====	=====	=====	=====	=====

*Amounts reflect subsequent common stock dividends.

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Alleghany Corporation and Subsidiaries

Years Ended December 31

(in thousands)	2003	2002	2001
-----	-----	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES			
Earnings from continuing operations	\$ 162,378	\$ 54,813	\$ 430,563
Adjustments to reconcile net earnings to cash provided by (used in) operations:			
Depreciation and amortization	29,886	18,545	19,742
Net gain on investment transactions and sales of subsidiaries	(151,842)	(36,375)	(234,284)
Tax benefit on stock options exercised	4,267	1,188	816
Other changes, net	(47,432)	21,974	(4,869)
Decrease (increase) in accounts receivable	1,417	(28,549)	12,137
(Increase) decrease in inventories	(147)	10,809	31,235
Decrease (increase) in other assets including goodwill	612	(4,912)	7,198
Increase in reinsurance receivable	76,264	34,727	-
Increase in premiums receivable	(271,008)	-	-
Increase in ceded unearned premium reserves	(308,843)	266	-
Increase in deferred acquisition costs	(30,601)	-	-
Increase (decrease) in other liabilities and current taxes	100,839	(31,537)	78,804
Increase in unearned premiums	657,406	6,141	-
Increase in losses and loss adjustment expenses	199,987	(8,215)	-
-----	-----	-----	-----
Net adjustments	263,805	(15,938)	(89,221)
-----	-----	-----	-----
Net cash provided by operations	426,183	38,875	341,342
-----	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(1,451,746)	(885,410)	(93,784)
Sales of investments	756,517	503,652	110,303
Purchases of property and equipment	(13,990)	(13,851)	(12,034)
Net change in short-term investments	493,321	581,315	(448,385)
Other, net	94,189	65,811	(6,941)
Acquisition of insurance companies, net of cash acquired	(109,244)	(221,056)	-
Proceeds from the sale of subsidiaries, net of cash disposed	-	-	529,116
-----	-----	-----	-----
Net cash provided by (used in) investing activities	(230,953)	30,461	78,275
-----	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal payments on long-term debt	(49,104)	(43,124)	(77,296)
Proceeds of long-term debt	63,943	13,775	29,723
Treasury stock acquisitions	(287)	(28,731)	(12,576)
Net cash provided to discontinued operations	-	-	(344,915)
Other, net	(5,622)	450	(9,083)
-----	-----	-----	-----
Net cash provided by (used in) financing activities	8,930	(57,630)	(414,147)
-----	-----	-----	-----
Net increase in cash	204,160	11,706	5,470
Cash at beginning of year	27,423	15,717	10,247
-----	-----	-----	-----
Cash at end of year	\$ 231,583	\$ 27,423	\$ 15,717
=====	=====	=====	=====

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for:

Interest	\$	4,408	\$	3,914	\$	13,920
Income taxes	\$	41,886	\$	46,529	\$	5,343
		=====		=====		=====

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Alleghany Corporation and Subsidiaries

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

a. PRINCIPLES OF FINANCIAL STATEMENT PRESENTATION.

Alleghany Corporation, a Delaware corporation ("Alleghany", or together with its subsidiaries, the "Company"), owns Alleghany Funding Corporation ("Alleghany Funding"); World Minerals Inc. ("World Minerals"); Alleghany Properties, Inc. ("API"); Alleghany Insurance Holdings LLC ("AIHL") and Heads & Threads International LLC ("H&T"). Alleghany also owned Underwriters Re Group, Inc. ("Underwriters Re Group") until May 10, 2000, Alleghany Asset Management, Inc. ("Alleghany Asset Management") until February 1, 2001, Alleghany Underwriting Holdings Ltd ("Alleghany Underwriting") until November 5, 2001.

On May 10, 2000, Alleghany completed the sale of Underwriters Re Group to Swiss Re America Holding Corporation. AIHL retained Underwriters Re Group's subsidiary Alleghany Underwriting at the time of the sale of Underwriters Re Group. On November 5, 2001, AIHL completed the sale of Alleghany Underwriting to Talbot Holdings Ltd. Underwriters Re Group and Alleghany Underwriting have been classified as discontinued operations for all periods presented.

On February 1, 2001, Alleghany Asset Management merged into a wholly owned subsidiary of ABN AMRO North America Holding Company. Alleghany Asset Management has been classified as discontinued operations for all periods presented.

On January 4, 2002, Alleghany completed the acquisition of Capitol Transamerica Corporation ("Capitol Transamerica") for a total purchase price of approximately \$182.0 million, of which \$23.3 million was allocated to goodwill and \$26.3 million was allocated to intangibles. Contemporaneous with the acquisition of Capitol Transamerica, Alleghany purchased Platte River Insurance Company ("Platte River") for a total purchase price of approximately \$40.0 million, of which \$8.3 million was allocated to intangibles.

On July 1, 2003, AIHL completed the acquisition of Resurgens Specialty Underwriting, Inc. ("Resurgens Specialty"), a specialty wholesale underwriting agency, from Royal Group, Inc., a subsidiary of Royal & Sun Alliance Insurance Group plc ("R&SA"), for cash consideration, including capitalized expenditures, of approximately \$116.0 million. In connection with the acquisition of Resurgens Specialty, on June 30, 2003, RSUI Group, Inc. acquired RSUI Indemnity Company ("RIC") to write admitted business underwritten by Resurgens Specialty, from Swiss Re America Holding Corporation for cash consideration of approximately \$19.7 million. On September 2, 2003, RIC purchased Landmark American Insurance Company to write non-admitted business underwritten by Resurgens Specialty, from R&SA for cash consideration of \$33.9 million. As a result of these acquisitions, AIHL allocated \$21.9 million to goodwill and \$102.9 million to intangible assets. AIHL's results of operations include Resurgens Specialty's results from July 1, 2003.

In March 2003, AIHL established a new specialty liability insurance underwriting company, Darwin Professional Underwriters, Inc. ("Darwin"). AIHL owns 80 percent of the currently outstanding shares of common stock of Darwin. The remaining 20 percent of the shares of common stock of Darwin were awarded to members of Darwin's management under a restricted stock plan.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include the accounts of the Company. All significant inter-company items have been eliminated in consolidation.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those reported results to the extent that those estimates and assumptions prove to be inaccurate.

b. INVESTMENTS.

Investment securities consist of equity securities, debt securities and short-term investments. The Company classifies its marketable equity securities and debt securities as available for sale. Debt securities consist of securities with an initial maturity of more than one year. Such securities include U.S. Treasury, Federal National Mortgage and Federal Home Loan Mortgage notes. Short-term investments include commercial paper, certificates of deposit, money market instruments and any fixed maturity with an initial maturity of one year or less.

At December 31, 2003 and 2002, available for sale securities are recorded at fair value. Unrealized gains and losses, net of the related tax effect applicable to available-for-sale securities, are excluded from earnings and reported in comprehensive income and reported as a separate component of common stockholders' equity until realized. A decline in the fair value of an available for sale security below its cost that is deemed other-than-temporary is charged to earnings.

Realized gains and losses on investments are determined on the specific identification method.

At December 31, 2003 and 2002, the Company had concentrations of market risk in its holdings of the equity securities of the Burlington Northern Santa Fe Corporation of \$258.8 million and \$411.8 million, respectively, and of CIGNA Corporation of \$207.4 million and \$0.0 million, respectively.

c. PROPERTY AND EQUIPMENT.

Depreciation of buildings and equipment and amortization of leasehold improvements are principally calculated using the straight-line method over the estimated useful life of the respective assets or the life of the lease, whichever is less.

d. DERIVATIVE FINANCIAL INSTRUMENTS.

The Company has only limited involvement with derivative financial instruments and does not use them for trading purposes. The Company enters into interest rate swaps for purposes of converting variable interest rate exposure to a fixed rate and to match interest expense with interest income. Interest rate swaps are accounted for as a hedge of the obligation. Interest expense is recorded using the revised interest rate.

e. DEFERRED ACQUISITION COSTS.

Acquisition costs related to unearned premiums that vary with, and are directly related to, the production of such premiums (principally commissions, premium taxes, compensation and certain underwriting expenses) are deferred. Deferred acquisition costs are amortized to expense as the related premiums are earned. Deferred acquisition costs are periodically reviewed to determine their recoverability from future income, including investment income, and if any such costs are determined to be not recoverable they are charged to expense. Deferred acquisition costs amortized to expense in 2003 and 2002 were \$43.0 and \$6.2 million, respectively.

f. PREMIUMS.

Premiums are recognized as revenue on a pro-rata basis over the term of an insurance policy. Unearned premiums represent the portion of premiums written which are applicable to the unexpired terms of insurance policies in force.

Premium balances receivable are reported net of an allowance for estimated uncollectible premium amounts. Ceded premiums are charged to income over the applicable term of the various reinsurance contracts with third party reinsurers.

g. LOSS RESERVES.

The reserves for losses and loss adjustment expenses represent management's best estimate of the ultimate cost of all reported and unreported losses incurred through the balance sheet date and include: (i) the accumulation of individual estimates for claims reported on direct business prior to the close of an accounting period; (ii) estimates received from reinsurers with respect to reported claims which have been reinsured; (iii) estimates for incurred but not reported claims based on past experience modified for current trends; and (iv) estimates of expenses for investigating and settling claims based on past experience. The reserves recorded are based on estimates resulting from the review process, and differences between estimates and ultimate payments are reflected as an expense in the statement of earnings in the period in which the estimates are revised.

h. REINSURANCE.

AIHL follows the customary practice of reinsuring with other companies the loss exposures on business its insurance operators have written. This practice allows AIHL's insurance operations to diversify their business and write larger policies, while limiting the extent of its primary maximum net loss. Reinsuring loss exposures does not relieve AIHL's insurance operations from their obligations to policyholders. AIHL's insurance operations remains liable to their policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the reinsurance agreements. To minimize its exposure to losses from a reinsurer's inability to pay, AIHL and its insurance operations periodically evaluate the financial condition of their reinsurers.

In connection with the Company's acquisitions of Platte River in 2002 and Landmark in 2003, the sellers contractually retained through reinsurance agreements the obligation to pay all of the losses and loss adjustment expenses of Platte River and Landmark in existence at the date of acquisition. Accordingly, AIHL recorded both a reinsurance receivable and a loss reserve

liability in the amount of \$181.3 million at the time it acquired Platte River and approximately \$15.0 million at the time it acquired Landmark. Such reinsurance receivables and loss reserve liabilities may change when losses are reported but are expected to decline over time as losses are paid. Such amounts were \$92.0 million for Platte River and \$37.3 for Landmark at December 31, 2003. At December 31, 2002 the amount for Platte River was \$142.5 million.

Reinsurance receivables (including amounts related to claims incurred but not reported) and prepaid reinsurance premiums are reported as assets. Ceded premiums are charged to income over the applicable terms of the various reinsurance contracts with third party reinsurer. Reinsurance contracts that do not result in a reasonable possibility that the reinsurer may realize a significant loss from the insurance risk assumed and that do not provide for the transfer of significant insurance risk generally do not meet the conditions for reinsurance accounting and are accounted for as deposits.

i. INCOME TAXES.

The Company files a consolidated federal income tax return with its domestic subsidiaries. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

j. ACCOUNTS RECEIVABLE.

Accounts receivable consist of receivables, net of allowances.

k. INVENTORY.

Inventories are stated at the lower of cost or market. Cost is computed using either the last in, first out (LIFO) method, the first in, first out (FIFO) method or the average cost.

l. REVENUE RECOGNITION.

Revenue is recognized either upon shipment or upon receipt of goods by the customer depending upon whether the contractual sales terms are Freight-on-board ("FOB") shipping point or FOB destination, respectively.

m. CASH.

For purposes of the consolidated statements of cash flows, cash includes only funds on deposit which are available for immediate withdrawal.

n. NET EARNINGS PER SHARE OF COMMON STOCK.

Net earnings per share of common stock are based on the average number of shares of Alleghany common stock outstanding during the years ended December 31, 2003, 2002, and 2001, respectively, as adjusted for stock dividends. The average number of shares of common stock outstanding, as adjusted for stock dividends, was 7,450,625 in 2003, 7,448,058 in 2002, and 7,519,032 in 2001.

o. STOCK OPTION PLANS.

The Company follows Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock-Based Compensation Transition and Disclosure." SFAS 123 establishes accounting and reporting standards for stock-based employee compensation plan, and allows companies to choose between the "fair value based method of accounting" as defined in SFAS 123 and the "intrinsic value based method of accounting" as prescribed by Accounting Principles Board Opinion No.

25 (APB 25), "Accounting for Stocks Issued to Employees." The Company has elected to continue to follow the "intrinsic value based method of accounting" for awards granted prior to 2003 and accordingly no expense is recognized on stock option grants. Effective January 1, 2003, the Company adopted the "fair value based method of accounting" of SFAS 123, using the prospective transition method for awards granted after January 1, 2003.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: no cash dividend yield for all years; expected volatility of 18 percent for all years; risk-free interest rates ranging from 2.58 to 3.72 percent; and expected lives of seven years.

Had compensation cost for the Company's two stock-based compensation plans been determined based on the fair value at the grant date for awards under those plans consistent with the method of SFAS 123, the Company's net earnings and earnings per share would have changed to the pro forma amounts indicated as follows:

		2003	2002	2001
Net earnings	As reported	\$162,378	\$54,813	\$224,230
	Pro forma	\$161,905	\$53,109	\$225,927
Basic earnings per share	As reported	\$ 21.79	\$ 7.36	\$ 29.82
	Pro forma	\$ 21.73	\$ 7.13	\$ 30.05

p. GOODWILL AND OTHER INTANGIBLE ASSETS.

Effective January 1, 2002, the Company adopted FASB Statements of Financial Accounting Standards No. 141 (SFAS 141), "Business Combinations," and No. 142 (SFAS 142), "Goodwill and Other Intangible Assets." Upon adoption, the Company stopped amortizing goodwill and certain intangible assets with an indefinite useful life created by business combinations accounted for using the purchase method of accounting. Instead, goodwill and intangible assets deemed to have an indefinite useful life are subject to an annual review for impairment. Other intangible assets that are not deemed to have an indefinite useful life will continue to be amortized over their useful lives.

q. RECLASSIFICATION.

Certain prior year amounts have been reclassified to conform to the 2003 presentation.

r. RECLAMATION COSTS.

On January 1, 2003, the Company adopted Statement of Financial Accounting Standards No. 143 (SFAS 143), "Accounting for Asset Retirement Obligations." SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and amortized over its useful life. In addition, the retirement obligation is discounted and accretion expense is recognized. As such, a provision has been established for the present value of estimated future costs of site reclamation relating to final reclamation at each site. The provision is based on engineering estimates of the anticipated method and extent of site reclamation required to meet regulatory requirements. The provision for reclamation costs is subject to review by management on a regular basis and is revised periodically for changes in future estimated costs and/or regulatory requirements. The provision for reclamation costs is subject to review by management on a regular basis and is revised periodically changes in future estimated costs and/or regulatory requirements. The adoption of SFAS 143 did not have a material impact on the Company's consolidated financial condition or results of operations.

s. RECENTLY ADOPTED ACCOUNTING STANDARDS.

In December 2003, FASB Statement No. 132 (revised), "Employers' Disclosures about Pensions and Other Postretirement Benefits," was issued. Statement 132 (revised) prescribes employers' disclosures about pension plans and other postretirement benefit plans; it does not change the measurement or recognition of those plans. The Statement retains and revises the disclosure requirements contained in the original Statement 132. It also requires additional disclosures about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other postretirement benefit plans. The Statement generally is effective for fiscal years ending after December 15, 2003. The Company's disclosures in note 11 incorporate the requirements of Statement 132 (revised).

In December 2003, the Financial Accounting Standards Board (FASB) issued Revised Interpretation No. 46 (FIN 46R), "Consolidation of Variable Interest Entities." FIN 46R clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. FIN 46R separates entities into two groups: (1) those for which voting interests are used to determine consolidation and (2) those for which variable interests are used to determine consolidation. FIN 46R clarifies how to identify a variable interest entity (VIE) and how to determine when a business enterprise should include the assets, liabilities, non-controlling interests and results of activities of a VIE in its consolidated financial statements. A company that absorbs a majority of a VIE's expected losses, receives a majority of a VIE's expected residual returns, or both, is the primary beneficiary and is required to consolidate the VIE into its financial statements. FIN 46R also requires disclosure of certain information where the reporting company is the primary beneficiary or holds a significant variable interest in a VIE (but is not the primary beneficiary).

FIN 46R is effective for public companies that have interests in variable interest entities ("VIEs") or potential VIEs (commonly referred to as special-

purpose entities) for periods ending after December 15, 2003. Application by public companies for all other types of entities is required for periods ending after March 15, 2004. The Company has chosen to adopt FIN 46R effective December 31, 2003.

The adoption of FIN 46R did not have a material impact on the Company's consolidated financial condition or results of operations as there were no VIEs identified which required consolidation. The Company holds interests in hedge fund investments totaling \$11.1 million that are accounted for under the equity method of accounting and are included in debt securities in the consolidated balance sheet. The Company does not have any unfunded commitments associated with these hedge fund investments, and its exposure to loss is limited to the investment carrying amounts reported in the consolidated balance sheet.

Effective December 31, 2003, the Company adopted EITF Issue 03-01 (EITF 03-01), "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments." EITF 03-01 requires that certain quantitative and qualitative disclosures be made for debt and marketable equity securities classified as available-for-sale that are impaired at the balance sheet date but for which an other-than-temporary impairment has not been recognized. The Company has added the applicable disclosure information in note 2.

As discussed in note p (Goodwill and Other Intangible Assets), the Company adopted SFAS 142 in 2002 and, accordingly, stopped amortizing goodwill on January 1, 2002. Net income and earnings per share adjusted to exclude goodwill amortization expense for the year ended December 31, 2001 is as follows:

	2001

Net earnings	\$224,230
Amortization of goodwill (net of tax)	6,825
Adjusted net earnings	\$231,055
Basic Earnings per share as reported	\$ 29.82
Basic Earnings per share pro forma	\$ 30.73
Diluted Earnings per share as reported	\$ 29.54
Diluted Earnings per share pro forma	\$ 30.44

During 2003, the Company performed the impairment tests using the fair value approach required by SFAS 142. Based on these tests, there was no impairment to goodwill or intangible asset values during 2003.

t. STATUTORY ACCOUNTING PRACTICES.

The Company's insurance subsidiaries, domiciled principally in the States of New Hampshire, Delaware and Wisconsin, prepare statutory financial statements in accordance with the accounting practices prescribed or permitted by the insurance departments of the states of domicile. Prescribed statutory accounting practices are those practices that are incorporated directly or by reference in state laws, regulations, and general administrative rules applicable to all insurance enterprises domiciled in a particular state. Permitted statutory accounting practices include practices not prescribed by the domiciliary state, but allowed by the domiciliary state regulatory authority. The impact of any permitted accounting practices on statutory surplus of the Company is not material.

u. IMPAIRMENT OF LONG-LIVED ASSETS AND LONG-LIVED ASSETS TO BE DISPOSED OF.

Statement of Financial Accounting Standards No. 144 (SFAS 144), "Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of" provides a single accounting model for long-lived assets to be disposed of. SFAS 144 also changes the criteria for classifying an asset as held for sale, broadens the scope of businesses to be disposed of that qualify for reporting as discontinued operations and changes the timing of recognizing losses on such operations. The Company adopted SFAS 144 on January 1, 2002. As a result of the Company's analysis, certain assets were written down by \$0.9 million in 2003 and \$1.2 million in 2002 to their fair value.

Prior to the adoption of SFAS 144, the Company accounted for long-lived assets in accordance with SFAS 121, "Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of."

2. INVESTMENTS

Available for sale securities at December 31, 2003 and 2002 are summarized as follows (in thousands):

2003

CONSOLIDATED	Amortized Cost or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Equity securities	\$ 370,982	\$ 249,785	\$ (13)	\$ 620,754
Debt securities	910,307	9,808	(2,845)	917,270
Short-term investments	135,079	-	-	135,079
	<u>\$1,416,368</u>	<u>\$ 259,593</u>	<u>\$ (2,858)</u>	<u>\$1,673,103</u>
INDUSTRY SEGMENT				
Property and				
casualty insurance	\$1,186,052	\$ 87,983	\$ (2,845)	\$1,271,190
Mining and filtration	1,234	-	-	1,234
Corporate activities	229,082	171,610	(13)	400,679
	<u>\$1,416,368</u>	<u>\$ 259,593</u>	<u>\$ (2,858)</u>	<u>\$1,673,103</u>

2002

Consolidated	Amortized Cost or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Equity securities	\$ 239,669	\$ 249,328	\$ (2,644)	\$ 486,353
Debt securities	570,973	10,468	(835)	580,606
Short-term investments	237,698	-	-	237,698
	<u>\$1,048,340</u>	<u>\$ 259,796</u>	<u>\$ (3,479)</u>	<u>\$1,304,657</u>
INDUSTRY SEGMENT				
Property and				
casualty insurance	\$ 306,715	\$ 55,327	\$ (3,393)	\$ 358,649
Mining and filtration	1,345	-	-	1,345
Corporate activities	740,280	204,469	(86)	944,663
	<u>\$1,048,340</u>	<u>\$ 259,796</u>	<u>\$ (3,479)</u>	<u>\$1,304,657</u>

The amortized cost and estimated fair value of debt securities at December 31, 2003 by contractual maturity are shown below (in thousands). Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Short-term investments due in one year or less	\$ 135,079	\$ 135,079
Mortgage-backed securities	67,209	67,217
Debt securities		
due within one year	127,493	127,468
due one through five years	343,918	346,513
due five through ten years	194,023	195,816
due after ten years	177,664	180,256
Equity securities	\$ 370,982	620,754
	\$1,416,368	\$1,673,103
	=====	=====

The proceeds from sales of available-for-sale securities were \$756.5 million, \$503.7 million, and \$110.3 million in 2003, 2002, and 2001, respectively. Gross realized gains and gross realized losses of available-for-sale securities were \$159.4 million and \$7.5 million, \$48.1 million and \$11.7 million, and \$14.6 million and \$2.6 million in 2003, 2002, and 2001, respectively.

Interest, dividend and other income is comprised as follows (in thousands):

	2003	2002	2001
Interest	\$22,549	\$24,691	\$43,511
Dividends	14,522	10,944	8,968
Other	18,993	17,429	5,619
	\$56,064	\$53,064	\$58,098
	=====	=====	=====

During 2003, 2002, and 2001, Alleghany had available-for-sale securities that were trading below cost. The Company determined that these declines were other-than-temporary and, accordingly, recorded a loss provision of approximately \$0.4 million, \$1.5 million, and \$2.6 millions respectively, for these investments.

An investment in a debt or equity security is impaired if its fair value falls below its book value and the decline is considered to be other-than-temporary. Factors considered in determining whether a decline is other-than-temporary include the length of time and the extent to which fair value has been below cost; the financial condition and near-term prospects of the issuer; and the Company's ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery. A debt security is impaired if it is probable that the Company will not be able to collect all amounts due under the security's contractual terms. Equity investments are impaired when it becomes apparent that the Company will not recover its cost over the expected holding period. Further, for securities expected to be sold, an other-than-temporary impairment charge is recognized if the Company does not expect the fair value of a security to recover the cost prior to the expected date of sale.

The gross unrealized investment losses and related fair value for fixed maturities and equity securities at December 31, 2003 were as follows:

(in millions)	Fair Value	Gross Unrealized Losses
-----	-----	-----
Fixed maturities		
US GOVERNMENT OBLIGATIONS		
Less than 12 months	\$139,252	\$ (1,595)
More than 12 months	\$ -	\$ -
MORTGAGE-BACKED SECURITIES-		
Less than 12 months	\$ 18,938	\$ (276)
More than 12 months	\$ -	\$ -
STATE MUNICIPALS AND		
POLITICAL SUBDIVISIONS		
Less than 12 months	\$103,774	\$ (607)
More than 12 months	\$ 221	\$ (44)
CORPORATE BONDS AND OTHER		
Less than 12 months	\$ 46,757	\$ (322)
More than 12 months	\$ 22	\$ (1)
-----	-----	-----
TOTAL FIXED MATURITIES		
Less than 12 months	\$308,721	\$ (2,800)
More than 12 months	\$ 243	\$ (45)
-----	-----	-----
EQUITY SECURITIES		
Less than 12 months	\$ 2,272	\$ (13)
-----	-----	-----
More than 12 months	\$ -	\$ -
TOTAL TEMPORARILY IMPAIRED		
SECURITIES		
Less than 12 months	\$310,993	\$ (2,813)
More than 12 months	\$ 243	\$ (45)
=====	=====	=====
Total	\$311,236	\$ (2,858)
=====	=====	=====

At December 31, 2003, the cost of 109 investments in fixed maturity securities exceeded fair value. There were no individual securities with material unrealized losses at December 31, 2003.

3. NOTES RECEIVABLE

Notes receivable are primarily comprised of a \$91.5 million note due January 2007 bearing interest at a rate equal to the 30-day commercial paper rate plus 0.0625 percent.

4. INVENTORY

Inventories at December 31, 2003 and 2002 are summarized as follows (in thousands):

	2003	2002
-----	-----	-----
Finished goods	\$65,937	\$64,719
Work in process	5,509	4,638
Raw material	13,166	12,621
-----	-----	-----
	\$84,612	\$81,978
=====	=====	=====

5. REINSURANCE

In the ordinary course of business, AIHL cedes reinsurance for purposes of risk diversification and limiting maximum loss exposure to catastrophic events. If

the assuming reinsurers are unable to meet the obligations assumed under these agreements, AIHL would remain liable. Reinsurance receivables at December 31, 2003 and 2002 consist of the following (in thousands):

	2003	2002
	-----	-----
Reinsurance recoverable on paid losses	\$ 12,067	\$ 2,713
Ceded outstanding losses and loss adjustment expenses	\$178,702	\$144,766

The following table indicates property and casualty premiums written and earned for the years ended December 31, 2003 and 2002 (in thousands):

2003	Written	Earned
-----	-----	-----
Premiums direct	\$742,436	\$262,045
Premiums assumed	\$432,091	\$275,911
Premiums ceded	\$402,052	\$107,042

2002	Written	Earned
-----	-----	-----
Premiums direct	\$145,497	\$140,340
Premiums assumed	\$ 3,009	\$ 2,025
Premiums ceded	\$ 16,982	\$ 16,716

The Company has geographic exposure to catastrophe losses in certain areas of the country. Catastrophes can be caused by various natural and man-made events including hurricanes, earthquakes, and tornados. The incidence and severity of catastrophes are inherently unpredictable. The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. Most catastrophes are restricted to small geographic areas; however, hurricanes, earthquakes, and windstorms may produce significant damage in heavily populated areas. The Company generally seeks to reduce its exposure to catastrophes through individual risk selection and the purchase of catastrophe reinsurance.

The Terrorism Risk Insurance Act of 2002 was signed into law in November 2002. This temporary legislation remains in effect until December 31, 2004, and requires insurers to offer coverage for certain types of terrorist acts in their commercial property and liability insurance policies, and establishes a federal program to reimburse insurers for a portion of losses so insured.

6. LIABILITY FOR LOSSES AND LOSS ADJUSTMENT EXPENSES

Activity in the liability for losses and loss adjustment expenses in 2003 and 2002 is summarized as follows (in thousands):

	2003	2002
	-----	-----
Balance at January 1	\$258,471	\$ -
Reserves acquired	14,573	266,688
Less reinsurance receivables	159,766	179,512
Net balance	113,278	87,176
Incurred related to:		
Current year	229,519	82,639
Prior years	20,683	17,869

Total incurred	250,202	100,508
	-----	-----
Paid related to:		
Current year	40,122	28,562
Prior years	47,396	45,417
	=====	=====
Total paid	87,518	73,979
	-----	-----
Net balance at December 31	275,962	113,705
Plus reinsurance recoverables	178,702	144,766
	-----	-----
Balance at December 31	\$454,664	\$258,471
	=====	=====

The increase in liability for loss and loss adjustment expenses in 2003 was primarily due to the acquisition of Resurgens Speciality, RIC and Landmark.

The estimated loss and loss adjustment expenses for claims arising in prior years was a net unfavorable development of \$20.6 million primarily due to the strengthening of Capital Transamerica's reserves in connection with assumed reinsurance treaty business written by one of its subsidiaries between 1969 and 1976.

7. DEBT

Total debt at December 31, 2003 and 2002 is summarized as follows (in thousands):

	2003	2002
	-----	-----
LONG-TERM DEBT		
ALLEGHANY PROPERTIES		
Senior notes at 6.83%, due through 2004	\$ -	\$8,000
ALLEGHANY FUNDING		
Notes payable at 2.1% to 2.8% due 2007	80,000	80,000
WORLD MINERALS		
Revolving credit line at		
LIBOR + 1% to 1.25% due through 2003	-	39,000
Revolving credit line at		
LIBOR + 1.5% to 2.0% due through 2007	56,000	-
Other loans at 4.80% to 7.0%,		
due through 2011	1,287	1,305
HEADS & THREADS		
Bankers acceptance at 7.37% to 8.15%		
due through 2003	-	12,253
Revolving credit line at		
prime less 0.5% due 2006	18,050	-
Capital lease obligations	-	8
	-----	-----
	155,337	140,566
	-----	-----
SHORT-TERM DEBT		
ALLEGHANY PROPERTIES		
Senior notes at 6.83%, due through 2004	\$ 8,000	8,000
WORLD MINERALS		
Bank of China term loan at 6.37% due 2004	2,356	2,356
Other loans due through 2004	93	317
Industrial & Commercial		
Bank of China 6.37% due 2004	1,262	1,268
Head & Threads		
Capital lease obligations	2	-
	11,713	\$ 11,941
	-----	-----
	\$167,050	\$152,507
	-----	-----

Upon cancellation in June 2002 of its five-year and 364-day revolving credit agreements with a bank entered into in November 2000, Alleghany entered into three-year and 364-day revolving credit agreements with a bank syndicate which provide commitments for revolving credit loans in an aggregate principal amount of \$200.0 million. In June 2003, the 364-day revolving credit agreements was amended and renewed and the three-day credit agreement was renewed.

At Alleghany's option, borrowings under the revolving credit agreements bear interest at a rate based on the prevailing rates for dollar deposits in the London interbank market or the greater of the federal funds rate and the administrative agent bank's prime rate plus applicable margins. No amounts were outstanding at 2003 and 2002 year end. A commitment fee of 1/4 of 1 percent per annum of the unused commitment is charged. The revolving credit agreements require Alleghany, among other things, to maintain tangible net worth not less than \$1.09 billion, limit the amount of certain other indebtedness, and maintain certain levels of unrestricted liquid assets. Such agreements also contain restrictions with respect to mortgaging or pledging any of Alleghany's assets and the consolidation or merger with any other corporation. At December 31, 2003 the Company was in full compliance with these requirements and restrictions.

On December 11, 1998, Alleghany Properties issued \$40 million of 6.83 percent senior notes due through 2004. The notes are being repaid in five equal annual principal amortization payments.

Alleghany Funding's notes are primarily secured by a \$91.5 million installment note receivable. Alleghany Funding has entered into a related interest rate swap agreement with a notional amount of \$86.2 million for the purpose of matching interest expense with interest income. This swap is pay variable, receive variable. Alleghany Funding pays a variable rate equal to the one month commercial paper rate plus 0.0625 percent and receives a variable rate equal to the three month LIBOR rate plus 0.375 percent. The swap matures on January 22, 2007. Alleghany Funding is exposed to credit risk in the unlikely event of nonperformance by the swap counter-party. The Company monitors the credit rating of the swap counter-party.

In March 1999, World Minerals entered into a credit agreement with several banks which, as amended, provided for a commitment for revolving credit loans and/or letters of credit in an aggregate principal amount of \$120 million. Such credit agreement matured in March 2003 and was replaced by a new credit agreement providing \$100 million of credit. As of December 31, 2003, \$56.0 million of long term indebtedness was outstanding under World Minerals' credit facility. World Minerals also had \$0.6 million of letters of credit outstanding at December 31, 2003. The aggregate available long-term borrowing and letter of credit amount as of December 31, 2002 was \$80.6 million.

In December 2001, Heads & Threads entered into a credit agreement with two banks which provided a total of up to \$28.0 million of revolving credit loans. In April 2003, this credit agreement expired and was replaced by a new credit agreement with one bank providing for up to \$30.0 million of revolving credit loans. At December 31, 2003, \$18.1 million of revolving credit loans were outstanding. At December 31, 2002, \$12.3 million of revolving credit loans and capital leases were outstanding.

Regarding the Company's interest rate swaps, the impact of Alleghany's hedging activities has been to increase (decrease) its weighted average

borrowing rates by (0.7) percent, (4.3) percent, and (5.0) percent, and to increase (decrease) reported interest expense by \$(0.5) million, \$(2.1) million, and \$(1.9) million for the years ended 2003, 2002, and 2001, respectively.

Scheduled aggregate annual maturities of debt for each of the next five years and thereafter are as follows (in thousands):

2004	\$ 11,852
2005	150
2006	18,210
2007	136,168
2008	180
Thereafter	490

	\$167,050
	=====

8. INCOME TAXES

Income tax expense (benefit) from continuing operations consists of the following (in thousands):

	Federal	State	Foreign	Total
	-----	-----	-----	-----
2003				
Current	\$ 77,711	\$(3,017)	\$10,730	\$ 85,424
Deferred	(5,711)	(1,423)	(301)	(7,435)
	-----	-----	-----	-----
	\$ 72,000	(4,440)	10,429	77,989
	=====	=====	=====	=====
2002				
Current	\$(18,229)	\$(3,538)	\$ 9,259	\$(12,508)
Deferred	13,647	1,715	(263)	15,099
	-----	-----	-----	-----
	\$ (4,582)	\$(1,823)	\$ 8,996	\$ 2,591
	=====	=====	=====	=====
2001				
Current	\$ 30,130	\$50,434	\$ 7,640	\$ 88,204
Deferred	17,236	(1,421)	(203)	15,612
	-----	-----	-----	-----
	\$ 47,366	\$49,013	\$ 7,437	\$103,816
	=====	=====	=====	=====

Earnings from continuing operations, before income taxes, includes \$25.6 million, \$23.0 million, \$21.9 million from foreign operations in 2003, 2002, and 2001, respectively.

The difference between the federal income tax rate and the effective income tax rate on continuing operations is as follows:

	2003	2002	2001
	-----	-----	-----
Federal income tax rate	35.0%	35.0%	35.0%
Goodwill amortization	-	--	0.1
Income subject to			
dividends-received deduction	(1.2)	(4.2)	(0.4)
State taxes, net of federal tax benefit	(1.4)	(1.6)	5.9
Book tax basis adjustment	-	--	(22.0)
Adjustment of estimated tax liabilities	-	(26.8)	--
Other, net	-	2.1	0.4
	-----	-----	-----
	32.4%	4.5%	19.0%
	=====	=====	=====

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2003 and 2002 are as follows (in thousands):

	2003	2002
	-----	-----
DEFERRED TAX ASSETS		
Net operating loss carry forward		
and foreign tax credit	\$ 8,212	\$ 9,236
Reserves for impaired assets	5,220	3,844
Expenses deducted for		
tax purposes when paid	4,702	4,881
Securities valuation	507	1,144
Property and casualty		
loss reserves	12,539	6,477
Unearned premium reserves	29,250	5,879
Basis difference on BNSF shares	-	29,352
Performance shares	5,817	4,996
Compensation accruals	15,360	12,664
Other	6,404	5,341
	-----	-----
Deferred tax assets	88,011	83,814
	-----	-----
Valuation allowance	(2,275)	(2,161)
	-----	-----
Total deferred tax asset	85,736	81,653
	-----	-----
DEFERRED TAX LIABILITIES		
Unrealized gain on investments	90,215	89,692
Tax over book depreciation	26,647	27,126
Deferred income on installment note	31,974	31,974
BNSF redemption	11,311	14,881
Deferred acquisition costs	19,095	10,744
Purchase accounting adjustments	7,490	10,191
Other	4,110	1,209
Total deferred tax liabilities	190,842	185,817
	-----	-----
Net deferred tax liability	\$ (105,106)	\$(104,164)
	=====	=====

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. At December 31, 2003 and 2002, the Company established a valuation allowance of \$ 2.3 million and \$2.2 million, respectively, for certain deferred state tax assets which it believes may not be realized.

9. STOCKHOLDERS' EQUITY

The total number of shares of all classes of capital stock which Alleghany has authority to issue is 30,000,000, of which 8,000,000 shares are preferred stock, par value of \$1.00, and 22,000,000 shares are common stock, par value of \$1.00.

At December 31, 2003, \$179.3 million of World Minerals stockholders' equity was restricted as to dividend payments to Alleghany by a borrowing agreement.

AIHL's insurance subsidiaries are subject to various regulator restricts that limit the maximum amount of dividends available to be paid without prior approval of insurance regulatory authorities. In 2004, a maximum amount of \$56.6 million and \$1.3 million will be available without prior approval or the New Hampshire and Wisconsin insurance departments, respectively.

Additionally, payments of dividends (other than stock dividends) by Alleghany to its stockholders are limited by the terms of its revolving credit loan agreements which provide that Alleghany can pay dividends up to the sum of cumulative net earnings after December 31, 2001, proceeds from the issuance of stock after December 31, 2001, and \$50.0 million, provided that Alleghany maintains certain financial ratios as defined in the agreements. At December 31, 2003, approximately \$274.6 million of common stockholders' equity was available for dividends by Alleghany to its stockholders.

Alleghany provides, through its 1993 Long-Term Incentive Plan (under which awards were granted through 2001 year-end) and its 2002 Long-Term Incentive Plan, for incentive compensation of the types commonly known as restricted stock, stock options, stock appreciation rights, performance shares, performance units and phantom stock, as well as other types of incentive compensation. Awards may include, but are not limited to, cash and/or shares of Alleghany's common stock, rights to receive cash and/or shares of common stock and options to purchase shares of common stock including options intended to qualify as incentive stock options under the Internal Revenue Code and options not intended to qualify. The number of performance shares awarded under the incentive plans to employees of the Company were 26,930 in 2003, 30,659 in 2002, and 21,801 in 2001 (as adjusted for stock dividends).

Under the incentive plans, participants are entitled, at the end of a four-year award period, to the fair value of the number of shares of Alleghany's common stock equal to the number of performance shares issued to them based on market value on the payment date and normally payable half in cash and half in common stock, provided defined levels of performance are achieved. As of December 31, 2003 (for all award periods through the award period 2003), 120,156 performance shares were outstanding. Expense is recognized over the performance period on a pro rata basis.

Alleghany also provides, through its Amended and Restated Directors' Stock Option Plan (under which options were granted through May 1999) and its 2000 Directors' Stock Option Plan, for the automatic grant of non-qualified stock options to purchase 1,000 shares of common stock in each year after 1987 to each non-employee director. Options to purchase 7,000 shares at the then fair market value of \$170.54 were granted in 2003. At December 31, 2003, 85,564 options were outstanding, of which 71,376 options were vested at an average option price of \$140.53.

No options were granted to subsidiary directors in 2003. At December 31, 2003, 10,826 options were outstanding and fully vested to subsidiary directors at an average option price of \$189.62.

Compensation cost that has been charged against income for the Company's incentive and stock-based plans was \$7.7 million, \$0.2 million, and \$8.1 million in 2003, 2002, and 2001, respectively.

In October 1997, options outstanding under the 1993 Stock Option Plan of Underwriters Re Group were exchanged for Alleghany options under the Underwriters Re Group 1997 Stock Option Plan, which is still in effect. The stock options are not exercisable until one year from the date of grant when 25 percent are exercisable with an additional 25 percent becoming exercisable on each subsequent anniversary of the grant date. No options were issued in 2003. At December 31, 2003, 20,728 options were outstanding and vested at an average option price of \$104.17.

In connection with its purchase of Alleghany Underwriting in October 1998, Underwriters Re Group granted Alleghany options under the Underwriters Re Group 1998 Stock Option Plan in exchange for outstanding options and warrants to

purchase shares of Alleghany Underwriting stock. No options were issued in 2003. At December 31, 2003, 5,933 options were outstanding and vested at an average option price of \$69.50.

The Board of Directors has authorized the purchase from time to time of additional shares of common stock for the treasury. During 2003, 2002 and 2001, Alleghany repurchased 1,326, 155,613, and 66,692 shares of its common stock at a cost of \$.3 million, \$28.7 million, and \$12.7 million, respectively.

Statutory net income (loss) of the Company's insurance subsidiaries was \$9.8 million and \$(8.9) million for the years ended December 31, 2003 and 2002, respectively. Statutory capital and surplus of the Company's insurance subsidiaries was \$737.0 million and \$154.5 million at December 31, 2003 and 2002, respectively.

10. FIXED OPTION PLANS

A summary of the status of the Company's fixed option plans as of December 31, 2003, 2002, and 2001 and changes during the years ending on those dates is presented as follows:

	SHARES (000)	2003 WEIGHTED AVERAGE GRANT PRICE	Shares (000)	2002 Weighted Average Grant Price	Shares (000)	2001 Weighted Average Grant Price
FIXED OPTIONS						
outstanding,						
beginning	210	\$ 107	240	\$ 102	362	\$ 120
Granted	7	171	7	183	7	193
Exercised	(94)	68	(36)	92	(21)	81
Forfeited	-	-	(1)	214	(108)	172
	---	-----	---	-----	---	-----
Outstanding, ending	123	\$ 141	210	\$ 107	240	\$ 102
	===	=====	===	=====	===	=====
Options exercisable						
at year-end	109	-	193	--	219	--
	---	-----	---	-----	---	-----
Weighted-average						
fair value of						
options granted						
during the year	-	\$51.40	--	\$53.45	--	\$53.85
	---	=====	---	=====	---	=====

OPTIONS OUTSTANDING

Range of Exercise Prices	WEIGHTED AVERAGE NUMBER OUTSTANDING AT 12/31/03	Remaining Contractual Life (years)	Weighted Average Exercise Price
\$ 69 to 82	25	1.0	\$ 75
\$ 109 to 213	98	5.1	156
\$ 69 to 213	123	4.2	141
	===	===	====

OPTIONS EXERCISABLE

	NUMBER EXERCISABLE AT 12/31/03	Weighted Average Exercise Price
Range of Exercise Prices	-----	-----
\$ 69 to 82	25	\$ 75
\$ 109 to 213	84	152
\$ 69 to 213	109	135
=====	===	===

11. EMPLOYEE BENEFIT PLANS

The Company has several noncontributory defined benefit pension plans covering substantially all of its employees. The defined benefits are based on years of service and the employee's average annual base salary over a consecutive three-year period during the last ten years of employment plus one half of the highest average annual bonus over a consecutive five-year period during the last ten years of employment. The Company's funding policy is to contribute annually the amount necessary to satisfy the Internal Revenue Service's funding requirements. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

The following tables set forth the defined benefit plans' funded status at December 31, 2003 and 2002 (in millions, except percentages):

	2003	2002	
	-----	-----	
CHANGE IN PROJECTED BENEFIT OBLIGATIONS			
Projected benefit obligation			
at beginning of year	\$ 60.9	\$ 53.9	
Service cost	3.3	2.3	
Interest cost	4.1	3.7	
Amendments	1.8	0.1	
Actuarial (gain) loss	6.9	3.9	
Benefits paid	(3.3)	(3.0)	
	-----	-----	
Projected benefit obligation at end of year	\$ 73.7	\$ 60.9	
	=====	=====	
CHANGE IN PLAN ASSETS			
Fair value of plan assets			
at beginning of year	\$ 40.7	\$ 41.6	
Actual return on plan assets	6.9	(2.8)	
Company contributions	6.9	4.9	
Benefits paid	(3.3)	(3.0)	
	-----	-----	
Fair value of plan assets at end of year	\$ 51.2	\$ 40.7	
	=====	=====	
Funded status	\$ (22.5)	\$ (20.2)	
Unrecognized net loss	12.4	2.1	
Unrecognized prior service cost	5.6	13.5	
	-----	-----	
Pension liability included in other liabilities	\$ (4.5)	\$ (4.6)	
	=====	=====	
WEIGHTED AVERAGE ASSET ALLOCATIONS			
Equity securities	47%	49%	
Debt securities	53%	51%	
	-----	-----	
Total	100%	100%	
	-----	-----	
Accumulated benefit obligation	\$ 63.8	\$ 52.8	
	=====	=====	
	2003	2002	2001
	-----	-----	-----
NET PENSION COST INCLUDED THE FOLLOWING			
EXPENSE (INCOME) COMPONENTS			
Service cost -- benefits earned			
during the year	\$ 3.3	\$ 2.4	\$ 2.8
Interest cost on projected			
benefit obligation	4.1	3.6	3.4
Expected return on plan	(3.1)	(3.1)	(3.2)

Net amortization and deferral	2.6	1.7	1.9
Net periodic pension cost			
included in salaries, administration			
and other operating expenses	\$ 6.9	\$ 4.6	\$ 4.9
	=====	=====	=====
	2003	2002	2001
	----	-----	----
ASSUMPTIONS USED IN COMPUTING THE FUNDED			
STATUS OF THE PLANS ARE AS FOLLOWS			
Rates for increases in compensation levels	4-5%	4-5%	5.00%
Range of weighted average discount rates	6.00%	6.50-6.75%	7.00%
Range of expected long-term rates of return	4-8%	4-8%	4-8%
	=====	=====	=====

The Company's investment policy is to provide long-term growth combined with a steady income stream. The target allocation of 47 percent in equity security includes 34 percent in a low-cost S&P index fund, 9 percent in an aggressive growth fund of funds and 4 percent in an international fund of funds. The 53 percent for debt securities includes 36 percent in an intermediate bond fund and 17 percent in a stable value, mortgage backed securities, fund. All funds are rebalanced periodically. This mix of investments is intended to provide stability and an income stream sufficient to meet current obligations without the need to sell longer-term investments. The overall long-term, rate-of-return-on-assets assumptions are based on historical investments.

Contributions of \$7.3 million are expected to be paid to the plans during 2004.

The measurement date used to determine pension and other postretirement benefit plans is December 31, 2003.

The Company provides supplemental retirement benefits through deferred compensation programs and profit sharing plans for certain of its officers and employees for which earnings were charged \$4.9 million in 2003, \$3.3 million in 2002, and \$2.9 million in 2001.

The Company also provides certain healthcare and life insurance benefits for retired employees. The cost of these benefits is accrued during the period that employees render service. The accrued postretirement benefit obligation was \$3.4 million and \$2.9 million at December 31, 2003 and 2002, respectively. The postretirement healthcare and life insurance costs recognized were \$0.4 million and \$0.1 million for 2003 and 2001, respectively. The Company recognized no postretirement healthcare and life insurance costs on 2002.

12. COMPREHENSIVE INCOME

Comprehensive income requires that an enterprise (a) classify items of other comprehensive income by their nature in a financial statement and (b) display the accumulated balance of other comprehensive income separately in the equity section of the balance sheet. Accumulated other comprehensive income of the Company consists of net unrealized gains on investment securities, foreign exchange translation adjustments and minimum pension liability.

	Before Tax (000)	Tax Expense (000)	Net of Tax Amount (000)
-----	-----	-----	-----
2003			
Unrealized gains (losses) arising during year	\$(152,808)	53,483	(99,325)
Less: reclassification adjustments for gains realized in net income	151,842	(53,145)	98,697
-----	-----	-----	-----
Change in unrealized gain on investments	\$ (966)	338	(628)
=====	=====	=====	=====
2002			
Unrealized gains (losses) arising during year	\$(104,658)	\$ 36,630	\$(68,028)
Less: reclassification adjustments for gains realized in net income	36,375	(12,731)	23,644
-----	-----	-----	-----
Change in unrealized gain on investments	\$ (68,283)	\$ 23,899	\$(44,384)
=====	=====	=====	=====
2001			
Unrealized gains (losses) arising during year	\$ 18,251	\$ (6,387)	\$ 11,864
Less: reclassification adjustments for gains realized in net income	(9,364)	3,277	(6,087)
-----	-----	-----	-----
Change in unrealized loss on investments	\$ 8,887	\$ (3,110)	\$ 5,777
=====	=====	=====	=====

Following are the components of accumulated other comprehensive income as of December 31, (in thousands):

	2003	2002	2001
-----	-----	-----	-----
Unrealized appreciation on investments	\$165,978	\$166,606	\$210,990
Minimum pension liability	(3,863)	(3,755)	133
Translation adjustment	(8,938)	(21,617)	(27,407)
-----	-----	-----	-----
	\$153,177	\$ 141,234	\$183,716

13. EARNINGS PER SHARE

The following is a reconciliation of the income and share data used in the basic and diluted earnings per share computations for the years ended December 31 (in thousands, except share amounts):

	2003	2002	2001
-----	-----	-----	-----
Income from continuing operations	\$ 162,378	\$ 54,813	\$ 430,563
Discontinued operations	-	-	(206,333)
-----	-----	-----	-----
Income available to common stockholders	162,378	54,813	224,230
for basic earnings per share	-	-	-
Effect of dilutive securities	-	-	-
-----	-----	-----	-----
Income available to common stockholders			

for diluted earnings per share	\$ 162,378	\$ 54,813	\$ 224,230
Weighted average shares outstanding applicable to basic earnings per share	7,450,625	7,448,058	7,519,032
Effect of dilutive securities: Options	26,504	56,429	70,672
	-----	-----	-----
Adjusted weighted average shares outstanding applicable to diluted earnings per share	7,477,129	7,504,487	7,589,704
	=====	=====	=====

Contingently issuable shares of 39,085, 37,755, and 44,730, were potentially available during 2003, 2002, and 2001, respectively, but were not included in the computation of diluted earnings per share because the impact was anti-dilutive to the earnings per share calculation.

14. COMMITMENTS AND CONTINGENCIES

The Company leases certain facilities, furniture and equipment under long-term lease agreements. In addition, certain land, office space and equipment are leased under noncancelable operating leases which expire at various dates through 2011. Rent expense was \$10.1 million, \$8.0 million, and \$7.9 million, in 2003, 2002, and 2001, respectively.

The aggregate minimum payments under operating leases with initial or remaining terms of more than one year as of December 31, 2003 are \$12.4 million, \$10.7 million, \$9.6 million, \$8.4 million, \$7.5 million, and \$9.1 million in 2004, 2005, 2006, 2007, 2008 and thereafter, respectively.

Alleghany's subsidiaries are parties to pending litigation and claims in connection with the ordinary course of their businesses. Each such subsidiary makes provisions for estimated losses to be incurred in such litigation and claims, including legal costs. In the opinion of management, based in part on advice of counsel, such provisions are adequate.

Talbot Holdings Ltd., the new owners of Alleghany Underwriting, raised new capital in the Lloyd's insurance market. In January 2003, Alleghany agreed to provide a \$15.0 million letter of credit to support the business written by a new syndicate of Talbot Holdings Ltd. during 2003 and 2004. Such letter of credit was reduced to \$10.0 million in December 2003.

AIHL's reserve for unpaid losses and loss adjustment expenses includes \$28.1 million and \$7.3 million of gross and net reserves at December 31, 2003 and 2002, respectively, for various liability coverages related to asbestos and environmental impairment claims that arose from reinsurance of certain general liability and commercial multiple-peril coverages assumed by a subsidiary of Capitol Transamerica between 1969 and 1976. This subsidiary exited this business in 1976. Restrictive asbestos and environmental impairment exclusions were introduced in late 1986 on both insurance and reinsurance contracts, significantly reducing these exposures for incidents occurring after 1986. Reserves for asbestos and environmental impairment claims cannot be estimated with traditional loss reserving techniques because of uncertainties that are greater than those associated with other types of claims. Factors contributing to those uncertainties include a lack of historical data, the significant periods of time that often elapse between the occurrence of an insured loss and

the reporting of that loss to the ceding company and the reinsurer, uncertainty as to the number and identity of insureds with potential exposure to such risks, unresolved legal issues regarding policy coverage, and the extent and timing of any such contractual liability. Such uncertainties are not likely to be resolved in the near future and, therefore, management believes it is not possible at this time to determine the ultimate losses for such claims or develop a meaningful range of such losses.

For both asbestos and environmental excess of loss reinsurance claims, AIHL establishes case reserves by applying reinsurance contract terms to losses reported by ceding companies, analyzing from the first dollar of loss incurred by the primary insurer. In establishing the liability for claims for asbestos related liability and for environmental impairment claims, management considers facts currently known and the current state of the law and coverage litigation. Additionally, ceding companies often report potential losses on a precautionary basis to protect their rights under the reinsurance arrangement, which generally calls for prompt notice to the reinsurer. Ceding companies, at the time they report such potential losses, advise AIHL of the ceding companies' current estimate of the extent of such loss. AIHL's claims department reviews each of the precautionary claims notices and, based upon current information, assesses the likelihood of loss to AIHL. Such assessment is one of the factors used in determining the adequacy of the recorded asbestos and environmental reserves.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of the Company's financial instruments are as follows (in thousands):

	2003 CARRYING AMOUNT	2003 FAIR VALUE	2002 Carrying Amount	2002 Fair Value
ASSETS				
Investments	\$ 1,673,103	\$ 1,673,103	\$ 1,304,657	\$1,304,657
Notes receivable	\$ 92,082	\$ 92,082	\$ 92,358	\$ 91,536
Accounts receivable	\$ 112,808	\$ 112,808	\$ 60,431	\$ 60,431
Premium balances Receivable	\$ 279,682	\$ 279,682	\$ 25,279	\$ 25,279
Swap-hedging purposes	\$ 771	\$ 771	\$ 990	\$ 990
LIABILITIES				
Other liabilities	\$ 211,000	\$ 211,000	\$ 145,715	\$ 145,715
Reinsurance payable	\$ 255,117	\$ 255,117	\$ 1,696	\$ 1,696
Subsidiaries' debt	\$ 167,050	\$ 167,367	\$ 152,507	\$ 152,886

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate fair value:

INVESTMENTS: The fair value of equity securities and debt securities is based upon quoted market prices. The fair value of short-term investments approximates amortized cost.

NOTES RECEIVABLE: The carrying amount approximates fair value because interest rates approximate market rates.

ACCOUNTS RECEIVABLE: The carrying amount approximates fair value.

SWAP: The fair value of the swap is based on a valuation model.

OTHER LIABILITIES: The carrying amount approximates fair value.

SUBSIDIARIES' DEBT: The fair value of the Company's debt is estimated based on the quoted market prices for the same or similar issues or on current rates offered to the Company for debt with the same remaining maturities.

16. SEGMENTS OF BUSINESS

Information concerning the Company's continuing operations by industry segment as of and for the years ended December 31, 2003, 2002 and 2001 is summarized as follows (in thousands):

	2003	2002	2001
	-----	-----	-----
REVENUES FROM CONTINUING OPERATIONS			
Property and casualty insurance	\$ 511,531	\$ 128,091	\$ -
Mining and filtration	266,270	251,173	248,501
Corporate activities	240,432	197,593	710,350
	-----	-----	-----
Total	\$ 1,018,233	\$ 576,857	\$ 958,851
	=====	=====	=====
EARNINGS FROM CONTINUING OPERATIONS, BEFORE INCOME TAXES			
Property and casualty insurance	\$ 134,794	\$ (20,123)	\$ -
Mining and filtration	27,494	25,428	23,373
Corporate activities	118,271	84,344	571,787
	-----	-----	-----
	280,559	89,649	595,160
Interest expense	5,514	6,545	13,790
Corporate administration	34,678	25,700	46,991
	-----	-----	-----
Total	\$ 240,367	\$ 57,404	\$ 534,379
	=====	=====	=====
IDENTIFIABLE ASSETS AT DECEMBER 31			
Property and casualty insurance	\$ 2,606,955	\$ 682,693	\$ -
Mining and filtration	311,305	327,887	318,937
Corporate activities	629,780	1,205,455	1,634,979
	-----	-----	-----
Total	\$ 3,568,040	\$2,216,035	\$ 1,953,916
	=====	=====	=====
CAPITAL EXPENDITURES			
Property and casualty insurance	\$ 5,310	\$ 3,252	\$ -
Mining and filtration	7,953	9,797	11,153
Corporate activities	727	802	881
	-----	-----	-----
Total	\$ 13,990	\$ 13,851	\$ 12,034
	=====	=====	=====
DEPRECIATION AND AMORTIZATION			
Property and casualty insurance	\$ 11,819	\$ 1,680	\$ -
Mining and filtration	16,067	15,627	17,342
Corporate activities	2,000	1,238	2,400
	-----	-----	-----
Total	\$ 29,886	\$ 18,545	\$ 19,742
	=====	=====	=====

17. OTHER INFORMATION

a. The amount of goodwill included in the balance sheets at December 31, 2003 and 2002 is as follows (in thousands):

	2003	2002
	-----	-----
AIHL	\$ 45,161	\$ 23,265
World Minerals	42,134	45,116
Heads & Threads	6,144	6,144
	-----	-----
	\$ 93,439	\$ 74,525
	=====	=====

b. The amount of other intangible assets, net of amortization, included in the consolidated balance sheets at December 31, 2003 and 2002 is as follows (in thousands):

	2003	2002
	-----	-----
AIHL		
Agency relationships	\$ 13,892	\$ 14,496
Licenses	\$ 25,121	\$ 14,631
Trade name	\$ 35,500	\$ 4,900
Brokerage and reinsurance relations	\$ 32,674	\$ -
Renewals rights	\$ 21,727	\$ -
Other	\$ 3,614	\$ -
	-----	-----
	\$ 132,528	\$ 34,027
World Minerals	\$ 7,772	\$ 4,306
	-----	-----
	\$ 140,300	\$ 38,333
	=====	=====

The economical useful lives of intangible assets are as follows: agency relationships (15 years) state insurance licenses (indefinite), trade name (indefinite), broker and reinsurance relationships (15 years) and renewal rights (5.5 years).

c. Other assets shown in the consolidated balance sheets include the following amounts at December 31, 2003 and 2002 (in thousands):

	2003	2002
	-----	-----
Real estate properties	\$ 32,243	\$ 46,154
Prepaid expenses	6,348	7,824
Reinsurance deposit premiums	15,046	-
Other	41,261	29,080
	-----	-----
	\$ 94,898	\$ 83,058
	=====	=====

d. Property and equipment, net of accumulated depreciation and amortization, at December 31, 2003 and 2002 are as follows (in thousands):

	2003	2002	Depreciation Period
	-----	-----	-----
Land	\$ 16,665	\$ 15,095	--
Buildings and improvements	43,513	41,855	30-40 years
Furniture and equipment	169,954	156,960	3-20 years
Ore reserves	41,093	38,597	30 years
Leasehold improvements	2,560	1,215	Various
Mining equipment	28,992	27,636	5-7 years
Other	20,314	21,427	--
	-----	-----	-----
	323,091	302,785	
	-----	-----	-----
Less: accumulated depreciation and amortization	(145,383)	(129,246)	
	-----	-----	-----
	\$ 177,708	\$ 173,539	
	=====	=====	=====

e. Other liabilities shown in the consolidated balance sheets include the following amounts at December 31, 2002 and 2001 (in thousands):

	2003	2002
Accounts payable	\$ 67,963	\$ 28,474
Performance shares	17,501	15,000
Pension, retirement & incentive plans	41,285	13,074
Minority interest ownership in World Minerals	1,841	11,828
Accrued salaries and wages	11,050	9,844
Deferred compensation	4,544	12,723
Accrued expenses	14,197	14,356
Deferred revenue	9,810	7,919
Other	42,809	32,497
	<u>\$ 211,000</u>	<u>\$ 145,715</u>

18. RELATED PARTY TRANSACTIONS

During 2003, the Company made an investment totaling \$10.3 million in Broadfield Capital, L.P., an investment fund formed and managed by a limited liability company owned by Jefferson W. Kirby. This fund invests in small and mid-cap public equities, private equities and distressed debt. Mr. Kirby was a Vice President of Alleghany until June 30, 2003, and is a son of F.M. Kirby, Chairman of the Board of Alleghany.

19. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

Selected quarterly financial data for 2003 and 2002 are presented below (in thousands, except per share amounts):

	Quarters ended			
	March 31	June 30	September 30	December 31
2003				
Revenues	\$ 138,660	\$ 144,366	\$ 354,850	\$ 380,357
Net earnings	\$ 7,724	\$ 5,996	\$ 74,870	\$ 73,788
Basic earnings per share of common stock: *	\$ 1.04	\$.81	\$ 10.02	\$ 9.85
2002				
Revenues	\$ 157,998	\$ 141,774	\$ 143,431	\$ 133,654
Net earnings (loss)	\$ 25,809	\$ 8,895	\$ 21,720	\$ (1,611)
Basic earnings (loss) per share of common stock: *	\$ 3.44	\$ 1.19	\$ 2.93	\$ (0.22)

* Adjusted to reflect subsequent stock dividends.

Earnings per share by quarter may not equal the amount for the year due to the timing of share transactions and rounding.

INDEPENDENT AUDITORS' REPORT

Alleghany Corporation and Subsidiaries

KPMG

Certified Public Accountants
757 Third Avenue
New York, NY 10017

THE BOARD OF DIRECTORS AND STOCKHOLDERS OF ALLEGHANY CORPORATION:

We have audited the accompanying consolidated balance sheets of Alleghany Corporation and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of earnings, changes in common stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alleghany Corporation and subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

February 25, 2004

Exhibit 14

Alleghany Corporation Financial Personnel Code of Ethics

Adopted by the Board of Directors on September 16, 2003

The following code of ethics (the "Financial Code of Ethics") of Alleghany Corporation (the "Company") applies to the Company's chief executive officer, chief financial officer, chief accounting officer and vice president for tax matters (the "Financial Officers") and supplements the provisions of the Alleghany Code of Business Conduct and Ethics.

All Financial Officers shall:

- a. Act ethically and honestly, avoiding actual or apparent conflicts of interest between personal and professional relationships.
- b. Report to the General Counsel of the Company any proposed transaction or relationship that reasonably could be expected to give rise to such a conflict.
- c. Respect the confidentiality of non-public information about the Company or its subsidiaries obtained or created in connection with one's activities except when authorized or otherwise required by applicable law or regulation or legal or regulatory process.
- d. Provide full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with, or submits to, the Securities and Exchange Commission and in other public communications made by the Company.
- e. Comply with all applicable governmental laws, rules and regulations.
- f. Promptly report to the General Counsel or Chairman of the Company's Audit Committee (i) any significant deficiencies or material weaknesses in the design or operation of the Company's internal control over financial reporting which is reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information, and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

g. Promptly report any possible violation of this Financial Code of Ethics to the General Counsel of the Company or to the Chairman of the Company's Audit Committee.

Any violation of this Financial Code of Ethics may result in disciplinary action, up to and including termination of employment. Violations of this Code of Ethics may also constitute violations of law and may result in civil and criminal penalties for the Financial Officers involved and/or the Company.

Any questions regarding the best course of action in a particular situation should be directed to the General Counsel.

Exhibit 21
SUBSIDIARIES OF ALLEGHANY

Alleghany Capital Corporation (Delaware) Alleghany Consulting, Inc. (Delaware) Alleghany Funding Corporation (Delaware) Alleghany Investment Services, Inc. (Delaware) Alleghany Properties, Inc. (Delaware) Sacramento Properties Holdings, Inc. (California) Mineral Holdings Inc. (Delaware--98.44%) World Minerals Inc. (Delaware) Advanced Minerals Corporation (Delaware) World Minerals International, Inc. (Delaware) World Minerals Luxemborg (Luxemborg) Celite B.V. (Luxemborg) World Minerals Espanola S.L. (Spain) Celite Hispanica, S.A. (Spain) World Minerals Europe, S.A. (France) World Minerals (U.K.) Limited (United Kingdom) WM Canada Inc. (Canada) World Minerals do Brasil Ltda. (Brazil) World Minerals FSC, Inc. (Barbados) World Minerals Island, h.f. (Iceland) World Minerals Italiana, S.r.L. (Italy) Celite Corporation (Delaware) Celite Europe Corporation (Delaware) Celite France, S.A. (France) Celite Mexico S.A. de C.V. (Mexico) Almeria, S.A. de C.V. (Mexico) Diatomita San Nicolas, S.A. de C.V. (Mexico) Celite Pacific Limited (Hong Kong) Celite China Inc. (Delaware) Linjiang Celite Diatomite Company Ltd. (China-- 77.33%) Celite Shanghai International Trading Co., Ltd.

(China)

Celite Jilin, Inc. (Delaware)
Changbai Celite Diatomite Company Ltd. (China--
71.76%)
Celite Minerals China Corporation (Delaware)
Linjiang Lin-Lin Celite Diatomite Company Limited
(China--73.48%)

Celite Chile S.A. (Chile)
Sociedad Minera Celite del Peru, S.A. (Peru)
Peruco, Inc. (Delaware)
Celite Korea Ltd. (South Korea)

Harborlite Corporation (Delaware) Harborlite Chile, S.A. (Chile)

Perlite, Inc. (Delaware) Harborlite (U.K.) Limited (United Kingdom) Harborlite France, S.A. (France) Harborlite do Brasil Ltda. (Brazil) Substancias y Mineralas Navajas S.A. de C.V. (Mexico) Europerlite B.V. (Amsterdam, the Netherlands) Anadolu Perlit (Turkey) Europerlita Espanola, S.A. (Spain-50%) Europerlite Italiana, S.p.A. (Italy) Europerlita Espanola, S.A. (Spain--50%) Harborlite Aegean Endustri Mineralleri Sanayi a.s.

(Turkey)

Bibb Steel and Supply Company (Delaware) MSL Property Holdings, Inc. (Delaware) MSL Capital Recovery Corp. (Delaware) J & E Corporation (Tennessee) Alleghany Insurance Holdings LLC (Delaware) Capitol Transamerica Corporation (Wisconsin) Capitol Facilities Corporation (Wisconsin) Capitol Indemnity Corporation (Wisconsin) Capitol Specialty Insurance Corporation

(Wisconsin)

Darwin Group, Inc. (Delaware) Darwin Professional Underwriters, Inc. (Delaware--80%) Platte River Insurance Company (Nebraska) RSUI Group, Inc. (Delaware) Resurgens Specialty Underwriting, Inc. (Georgia) RSA Surplus Lines Insurance Services, Inc. (Delaware) RSUI Indemnity Company (New Hampshire) Landmark American Insurance Company

(Oklahoma)

Heads & Threads International LLC (Delaware) Heads and Threads (PA) LLC (Delaware)

Exhibit 23

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
Alleghany Corporation:

We consent to incorporation by reference in the Registration Statements Nos. 333-37237, 333-76159 and 333-76996 on Forms S-8 and Nos. 33-55707, 33-62477, 333-09881 and 333-13971 on Forms S-3 of our reports dated February 25, 2004, relating to the financial statements and related financial statement schedules of Alleghany Corporation and subsidiaries, which appear in, or are incorporated by reference in this Annual Report on Form 10-K of Alleghany Corporation for the fiscal year ended December 31, 2003. We also consent to the reference to our Firm in Registration Statement Nos. 333-37237, 333-76159 and 333-76996 and under the heading "Experts" in Registration Statement Nos. 33-55707, 33-62477, 333-09881 and 333-13971.

/s/ KPMG LLP

*New York, New York
February 25, 2004*

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John J. Burns, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Alleghany Corporation (the "Registrant");
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this annual report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and we have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervisions, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b. evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
 - c. disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's

auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: February 25, 2004

/s/ John J. Burns, Jr.

John. J. Burns, Jr.

President and chief executive officer

Exhibit 31.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David B. Cuming, certify that:

1. I have reviewed this annual report on Form 10-K of Alleghany Corporation (the "Registrant");
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this annual report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and we have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervisions, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b. evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
 - c. disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: February 25, 2004

/s/ David B. Cuming

David B. Cuming

Senior Vice President and chief financial officer

EXHIBIT 32.1

ALLEGHANY CORPORATION

CERTIFICATION

In connection with the annual report of Alleghany Corporation (the "Company") on Form 10-K for the year ended December 31, 2003, as filed with the Securities and Exchange Commission (the "Report"), I, John J. Burns, Jr., President and chief executive officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that:

(1) the Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification, which accompanies the Report, has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Date: February 25, 2004

By: /s/ John J. Burns, Jr.

John J. Burns, Jr.

President and chief executive officer

EXHIBIT 32.2

ALLEGHANY CORPORATION

CERTIFICATION

In connection with the annual report of Alleghany Corporation (the "Company") on Form 10-K for the period ended December 31, 2003, as filed with the Securities and Exchange Commission (the "Report"), I, David B. Cuming, Senior Vice President and chief financial officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that:

(1) the Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification, which accompanies the Report, has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Date: February 25, 2004

By: David B. Cuming

David B. Cuming.

Senior Vice President

and chief financial officer