

ACE LTD

FORM 10-Q (Quarterly Report)

Filed 11/14/01 for the Period Ending 09/30/01

Telephone	441 295 5200
CIK	0000896159
Symbol	ACE
SIC Code	6331 - Fire, Marine, and Casualty Insurance
Industry	Insurance (Prop. & Casualty)
Sector	Financial
Fiscal Year	12/31

ACE LTD

FORM 10-Q (Quarterly Report)

Filed 11/14/2001 For Period Ending 9/30/2001

Address	ACE BLDG 30 WOODBOURNE AVE HAMILTON HM 08 BERMU, 00000
Telephone	809-295-5200
CIK	0000896159
Industry	Insurance (Prop. & Casualty)
Sector	Financial
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(X) QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2001

OR

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

For the Transition Period from _____ to _____

Commission File No. 1-11778 I.R.S. Employer Identification No. 98-0091805

ACE LIMITED

(Incorporated in the Cayman Islands)

The ACE Building
30 Woodbourne Avenue
Hamilton HM 08
Bermuda

Telephone 441-295-5200

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 X NO

The number of registrant's Ordinary Shares (\$0.041666667 par value) outstanding as of November 8, 2001 was 259,522,646.

ACE LIMITED

INDEX TO FORM 10-Q

Part I. FINANCIAL INFORMATION	Page No.
Item 1. Financial Statements:	
Consolidated Balance Sheets September 30, 2001 (Unaudited) and December 31, 2000	3
Consolidated Statements of Operations (Unaudited) Three Months and Nine Months Ended September 30, 2001 and 2000	4
Consolidated Statements of Shareholders' Equity (Unaudited) Nine Months Ended September 30, 2001 and 2000	5
Consolidated Statements of Comprehensive Income (Unaudited) Nine Months Ended September 30, 2001 and 2000	6
Consolidated Statements of Cash Flows (Unaudited) Nine Months Ended September 30, 2001 and 2000	7
Notes to Interim Consolidated Financial Statements (Unaudited)	8
Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition	27
Part II. OTHER INFORMATION -----	
Item 5. Other Information	51
Item 6. Exhibits and Reports on Form 8-K	51

ACE LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	September 30 2001 ----	December 31 2000 ----
	(unaudited)	
Assets	(in thousands of U.S. dollars, except share and per share data)	
Investments and cash		
Fixed maturities available for sale, at fair value (amortized cost - \$11,051,756 and \$10,640,937)	\$ 11,375,713	\$ 10,721,309
Equity securities, at fair value (cost - \$525,325 and \$495,049)	427,929	532,046
Short-term investments, at fair value (amortized cost - \$1,439,235 and \$1,369,784)	1,439,235	1,369,784
Other investments, at fair value (cost - \$568,745 and \$518,130)	594,923	531,116
Cash	754,588	608,069
	-----	-----
Total investments and cash	14,592,388	13,762,324
Accrued investment income	200,159	183,011
Insurance and reinsurance balances receivable	2,456,780	2,095,573
Accounts and notes receivable	242,532	388,996
Reinsurance recoverable	10,701,733	8,994,940
Deferred policy acquisition costs	680,642	572,757
Prepaid reinsurance premiums	1,234,016	857,745
Goodwill	2,790,986	2,846,709
Deferred tax assets	1,178,418	1,144,261
Other assets	831,621	843,210
	-----	-----
Total assets	\$ 34,909,275	\$ 31,689,526
	=====	=====
Liabilities		
Unpaid losses and loss expenses	\$ 19,883,757	\$ 17,388,394
Unearned premiums	3,777,915	3,035,288
Premiums received in advance	57,980	63,123
Insurance and reinsurance balances payable	1,563,766	1,319,091
Contract holder deposit funds	106,460	139,056
Accounts payable, accrued expenses and other liabilities	1,402,136	1,316,449
Dividends payable	37,532	33,127
Short-term debt	451,470	364,509
Long-term debt	1,424,429	1,424,228
Trust preferred securities	875,000	875,000
	-----	-----
Total liabilities	29,580,445	25,958,265
	-----	-----
Commitments and contingencies		
Mezzanine equity	311,050	311,050
	-----	-----
Shareholders' equity		
Ordinary Shares (\$0.041666667 par value, 300,000,000 shares authorized; 226,390,282 and 232,346,579 shares issued and outstanding)	9,433	9,681
Additional paid-in capital	2,575,080	2,637,085
Unearned stock grant compensation	(40,129)	(29,642)
Retained earnings	2,320,704	2,733,633
Accumulated other comprehensive income	152,692	69,454
	-----	-----
Total shareholders' equity	5,017,780	5,420,211
	-----	-----
Total liabilities, mezzanine equity and shareholders' equity	\$ 34,909,275	\$ 31,689,526
	=====	=====

See accompanying notes to interim consolidated financial statements

ACE LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Three Months and Nine Months ended September 30, 2001 and 2000
(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2001 ----	2000 ----	2001 ----	2000 ----
	(in thousands of U.S. dollars, except per share data)			
Revenues				
Gross premiums written	\$ 2,502,371	\$ 1,999,816	\$ 7,466,670	\$ 5,946,843
Reinsurance premiums ceded	(1,197,304)	(803,012)	(2,955,840)	(2,079,132)
	-----	-----	-----	-----
Net premiums written	1,305,067	1,196,804	4,510,830	3,867,711
Change in unearned premiums	94,362	(22,022)	(357,098)	(420,287)
	-----	-----	-----	-----
Net premiums earned	1,399,429	1,174,782	4,153,732	3,447,424
Net investment income	192,909	197,584	593,606	561,548
Net realized gains (losses) on investments	(58,843)	(12,797)	(62,654)	13,899
	-----	-----	-----	-----
Total revenues	1,533,495	1,359,569	4,684,684	4,022,871
	-----	-----	-----	-----
Expenses				
Losses and loss expenses	1,571,333	772,887	3,506,272	2,256,481
Policy acquisition costs	204,666	168,258	558,996	482,628
Administrative expenses	207,389	177,912	607,788	554,784
Amortization of goodwill	19,912	19,919	59,664	58,889
Interest expense	49,130	55,408	153,094	166,544
	-----	-----	-----	-----
Total expenses	2,052,430	1,194,384	4,885,814	3,519,326
	-----	-----	-----	-----
Income (loss) before income tax and cumulative effect of adopting a new accounting standard	(518,935)	165,185	(201,130)	503,545
Income tax expense (benefit)	(76,345)	24,432	(31,121)	74,351
	-----	-----	-----	-----
Income (loss) before cumulative effect of adopting new accounting standard	(442,590)	140,753	(170,009)	429,194
Cumulative effect of adopting a new accounting standard (net of income tax)	-	-	(22,670)	-
	-----	-----	-----	-----
Net income (loss)	\$ (442,590)	\$ 140,753	\$ (192,679)	\$ 429,194
	=====	=====	=====	=====
Basic earnings (loss) per share before cumulative effect of adopting a new accounting standard	\$ (1.95)	\$ 0.60	\$ (0.82)	\$ 1.92
	=====	=====	=====	=====
Basic earnings (loss) per share	\$ (1.95)	\$ 0.60	\$ (0.92)	\$ 1.92
	=====	=====	=====	=====
Diluted earnings (loss) per share before cumulative effect of adopting a new accounting standard	\$ (1.95)	\$ 0.58	\$ (0.82)	\$ 1.88
	=====	=====	=====	=====
Diluted earnings (loss) per share	\$ (1.95)	\$ 0.58	\$ (0.92)	\$ 1.88
	=====	=====	=====	=====

See accompanying notes to interim consolidated financial statements

ACE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the Nine Months ended September 30, 2001 and 2000
(Unaudited)

	Nine Months Ended September 30	
	2001	2000
	-----	-----
	(in thousands of U.S. dollars)	
Ordinary Shares		
Balance - beginning of period	\$ 9,681	\$ 9,061
Shares issued	8	584
Exercise of stock options	41	41
Issued under Employee Stock Purchase Plan (ESPP)	9	2
Cancellation of Shares	(24)	(28)
Repurchase of Shares	(282)	-
	-----	-----
Balance - end of period	9,433	9,660
	-----	-----
Additional paid-in capital		
Balance - beginning of period	2,637,085	2,214,989
Ordinary Shares issued	3,206	434,178
Exercise of stock options	19,729	14,863
Issued under ESPP	7,054	1,232
Repurchase of Ordinary Shares	(76,849)	-
Cancellation of Ordinary Shares	(15,145)	(19,074)
Equity offering expenses	-	(7,196)
FELINE PRIDES issuance costs	-	(9,884)
	-----	-----
Balance - end of period	2,575,080	2,629,108
	-----	-----
Unearned stock grant compensation		
Balance - beginning of period	(29,642)	(28,908)
Stock grants awarded	(18,503)	(9,845)
Stock grants forfeited	813	-
Amortization	7,203	7,041
	-----	-----
Balance - end of period	(40,129)	(31,712)
	-----	-----
Retained earnings		
Balance - beginning of period	2,733,633	2,321,570
Net income (loss)	(192,679)	429,194
Dividends declared on Ordinary Shares	(98,756)	(82,294)
Dividends declared on FELINE PRIDES	(19,179)	(11,862)
Repurchase of Ordinary Shares	(102,315)	-
	-----	-----
Balance - end of period	2,320,704	2,656,608
	-----	-----
Accumulated other comprehensive income (loss)		
Net unrealized appreciation (depreciation) on investments		
Balance - beginning of period	102,335	(83,327)
Change in period, net of income tax	84,629	70,907
	-----	-----
Balance - end of period	186,964	(12,420)
	-----	-----
Cumulative translation adjustments		
Balance - beginning of period	(32,881)	17,175
Net adjustment for period, net of income tax	(1,391)	(27,914)
	-----	-----
Balance - end of period	(34,272)	(10,739)
	-----	-----
Accumulated other comprehensive income (loss)	152,692	(23,159)
	-----	-----
Total shareholders' equity	\$ 5,017,780	\$ 5,240,505
	=====	=====

See accompanying notes to interim consolidated financial statements

ACE LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Nine Months ended September 30, 2001 and 2000
(Unaudited)

	Nine Months Ended September 30	
	2001	2000
	-----	-----
	(in thousands of U.S. dollars)	
Net income (loss)	\$ (192,679)	\$ 429,194
Other comprehensive income (loss)		
Net unrealized appreciation on investments		
Unrealized appreciation on investments	137,718	115,880
Less: reclassification adjustment for net realized gains included in net income	(15,334)	(37,463)
	-----	-----
	122,384	78,417
Cumulative translation adjustments	(6,297)	(34,825)
	-----	-----
Other comprehensive income before income tax	116,087	43,592
Income tax expense related to other comprehensive income items	(32,849)	(599)
	-----	-----
Other comprehensive income	83,238	42,993
	-----	-----
Comprehensive income (loss)	\$ (109,441)	\$ 472,187
	=====	=====

See accompanying notes to interim consolidated financial statements

ACE LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Nine Months ended September 30, 2001 and 2000
(Unaudited)

	Nine Months Ended September 30	
	2001	2000
	----	----
	(in thousands of U.S. dollars)	
Cash flows from operating activities		
Net income (loss)	\$ (192,679)	\$ 429,194
Adjustments to reconcile net income to net cash provided by operating activities:		
Unearned premiums	753,329	673,258
Unpaid losses and loss expenses, net of reinsurance recoverable	807,342	(45,631)
Prepaid reinsurance premiums	(376,271)	(289,812)
Deferred income taxes	(69,604)	23,062
Net realized (gains) losses on investments	62,654	(13,899)
Amortization of premium/discounts on fixed maturities	(5,166)	(5,384)
Amortization of goodwill	59,664	58,889
Deferred policy acquisition costs	(115,426)	(43,838)
Insurance and reinsurance balances receivable	(375,967)	(233,286)
Premiums received in advance	(5,143)	(3,892)
Insurance and reinsurance balances payable	244,558	(582,177)
Accounts payable, accrued expenses and other liabilities	92,028	(332,680)
Net change in contract holder deposit funds	(28,763)	(49,932)
Cumulative effect of adopting a new accounting standard	22,670	-
Other	88,096	41,610
	-----	-----
Net cash flows from (used for) operating activities	\$ 961,322	\$ (374,518)
	-----	-----
Cash flows from investing activities		
Purchases of fixed maturities	(10,914,332)	(8,231,880)
Purchases of equity securities	(158,103)	(321,340)
Sales of fixed maturities	10,371,634	8,151,291
Sales of equity securities	153,871	689,415
Maturities of fixed maturities	39,190	48,890
Net realized gains (losses) on financial future contracts	(44,060)	(8,751)
Other investments	(83,821)	(170,985)
	-----	-----
Net cash from (used for) investing activities	\$ (635,621)	\$ 156,640
	-----	-----
Cash flows from financing activities		
Dividends paid on Ordinary Shares	\$ (94,279)	\$ (76,075)
Dividends paid on FELINE PRIDES	(19,251)	(8,839)
Net proceeds from (repayment of) short-term debt	86,961	(697,119)
Proceeds from exercise of options for Ordinary Shares	19,770	14,904
Proceeds from shares issued under ESPP	7,063	1,234
Repurchase of Ordinary Shares	(179,446)	-
Proceeds from issuance of trust preferred securities	-	300,000
Proceeds from issuance of FELINE PRIDES	-	311,050
Issuance costs of FELINE PRIDES	-	(9,884)
Net proceeds from issuance of Ordinary Shares	-	400,346
	-----	-----
Net cash from (used for) financing activities	\$ (179,182)	\$ 235,617
	-----	-----
Net increase in cash	146,519	17,739
Cash - beginning of period	608,069	599,232
	-----	-----
Cash - end of period	\$ 754,588	\$ 616,971
	=====	=====

See accompanying notes to interim consolidated financial statements

ACE LIMITED AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
(Unaudited)

1. General

The interim unaudited consolidated financial statements, which include the accounts of the Company and its subsidiaries, have been prepared on the basis of accounting principles generally accepted in the United States of America and, in the opinion of management, reflect all adjustments (consisting of normally recurring accruals) necessary for a fair presentation of results for such periods. The results of operations and cash flows for any interim period are not necessarily indicative of results for the full year. These financial statements should be read in conjunction with the consolidated financial statements, and related notes thereto, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

ACE Limited ("ACE" or "the Company") is a holding company incorporated with limited liability under the Cayman Islands Companies Law and maintains its business office in Bermuda. The Company, through its various subsidiaries, provides insurance and reinsurance for a diverse group of customers worldwide. ACE operates through six business segments: ACE Bermuda, ACE Global Markets, ACE Global Reinsurance, ACE USA, ACE International and ACE Financial Services.

The analysis of gross premiums written by geographic regions is as follows:

	Nine Months Ended September 30	
	2001	2000
	----	----
North America	61%	61%
Europe	22	19
Australia and New Zealand	2	6
South America	5	3
Asia Pacific	9	5
Other (1)	1	6
	-----	-----
	100%	100%
	=====	=====

(1) includes world wide coverages

2. Significant Accounting Policies

New accounting pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("FAS 142"). FAS 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition. As required, the Company will adopt FAS 142 on January 1, 2002 and will cease amortizing goodwill at that time. All goodwill recognized in the Company's consolidated balance sheet at January 1, 2002 will be assigned to one or more reporting units. Goodwill in each reporting unit should be tested for impairment by June 30, 2002. An impairment loss recognized as a result of a transitional impairment test of goodwill should be reported as the cumulative effect of a change in accounting principle. The Company does not expect any impairment in goodwill to arise from testing during initial adoption.

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133"). FAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the consolidated balance sheet and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as a fair value, cash flow or foreign currency hedge. The accounting for changes in the fair value of a derivative (that is, gains and losses) depends on the intended use of the derivative and the resulting designation. Upon initial application of FAS 133, hedging relationships must be designated anew and documented pursuant to the provisions of this statement. The Company adopted FAS 133, as amended, as of January 1, 2001.

ACE LIMITED AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
(Unaudited)

The Company maintains investments in derivative instruments such as futures, option contracts and foreign currency forward contracts for which the primary purposes are to manage duration and foreign currency exposure, yield enhancement or to obtain an exposure to a particular financial market. The Company has historically recorded the changes in market value of these instruments as realized gains or losses in the consolidated statements of operations and, accordingly, has estimated that FAS 133, as amended, is not expected to have a significant impact on the results of operations, financial condition or liquidity in future periods as it relates to these instruments.

Certain products (principally credit protection oriented) issued by the Company have been determined to meet the definition of a derivative under FAS 133. These products consist primarily of credit default swaps, index-based instruments and certain financial guarantee coverages. Effective January 1, 2001, the Company records these products at their fair value.

To reflect the adoption of FAS 133 on January 1, 2001, the Company recorded an expense related to the cumulative effect of adopting this standard of \$23 million, net of income tax of \$12 million. The Company has recorded in net realized gains (losses) on investments, a pretax loss of \$14 million to reflect the change in the fair value of derivatives for the nine months ended September 30, 2001. The level of gains and losses resulting from changes in the fair value of derivatives on a prospective basis is dependent upon a number of factors including changes in interest rates, credit spreads and other market factors. The Company's involvement with derivative instruments and transactions is primarily to offer protection to others or to mitigate its own risk and is not considered speculative in nature.

3. Commitments and Contingencies

The Company has considered asbestos and environmental claims and claims expenses in establishing the liability for unpaid losses and loss expenses. The Company has developed reserving methods, which incorporate new sources of data with historical experience to estimate the ultimate losses arising from asbestos and environmental exposures. The reserves for asbestos and environmental claims and claims expenses represent management's best estimate of future loss and loss expense payments and recoveries which are expected to develop over the next several decades. The Company continuously monitors evolving case law and its effect on environmental damage and latent injury claims. While reserving for these claims is inherently uncertain, the Company believes that the reserves carried for these claims are adequate based on known facts and current law.

4. Restricted Stock Awards

Under the Company's long-term incentive plans, 569,102 restricted Ordinary Shares were awarded during the nine months ended September 30, 2001, to officers of the Company and its subsidiaries. These shares vest at various dates through September 2005. In addition, during the period, 12,896 restricted Ordinary Shares were awarded to outside directors under the terms of the 1995 Outside Directors Plan. These shares vest in May 2002.

At the time of grant the market value of the shares awarded under these grants is recorded as unearned stock grant compensation and is presented as a separate component of shareholders' equity. The unearned compensation is charged to income over the vesting period.

5. Shareholders' Equity

On October 25, 2001, the Company completed a public offering of 32,890,000 Ordinary Shares (which included the over-allotment option of 4,290,000 shares) in which it raised aggregate net proceeds of approximately \$1.1 billion. The Company expects to use the net proceeds of the Ordinary Share offering to expand its net underwriting capacity, either through internal growth and/or through acquisitions of lines of business or companies and for general corporate purposes.

ACE LIMITED AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
(Unaudited)

6. September 11, 2001 Tragedy

The terrorist attacks on September 11, 2001 ("the September 11th tragedy") resulted in the largest insured loss in history and had a substantial impact on the results of the Company. Detailed below is an analysis, by operating segment, of the impact of the September 11th tragedy on the Company's statement of operations for the three months and nine months ended September 30, 2001. The analysis of the impact of the September 11th tragedy includes the effects of intercompany reinsurance transactions. The Company's net income was reduced by \$559 million on an after tax basis. The losses and loss expenses estimate of \$650 million, net of reinsurance recoveries, is management's best estimate and is based on the most recent information and could change as more information becomes available. While reserving for claims is inherently uncertain, the Company believes that the reserves carried for these claims are adequate based on known facts.

Impact of September 11, 2001 Tragedy
Three months and nine months ended
September 30, 2001
(in thousands of U.S. dollars)

	ACE Bermuda -----	ACE Global Markets -----	ACE Global Reinsurance -----	ACE USA ---	ACE Inter- national -----	ACE Consolidated -----
Operations Data:						
Gross premiums written	\$ 142,426	\$ (20,691)	\$ -	\$ -	\$ -	\$ 121,735
Net premiums written	138,676	(66,292)	1,768	(18,124)	(4,500)	51,528
Net premiums earned	100,092	(66,292)	2,892	(18,124)	(4,500)	14,068
Losses and loss expenses	341,785	140,212	122,017	28,178	18,300	650,492
Policy acquisition costs	-	-	502	-	-	502
Underwriting income	(241,693)	(206,504)	(119,627)	(46,302)	(22,800)	(636,926)
Income tax benefit	-	(61,951)	-	(16,206)	-	(78,157)
Net loss	\$ (241,693)	\$ (144,553)	\$ (119,627)	\$ (30,096)	\$ (22,800)	\$ (558,769)

In estimating the impact of the tragedy on the Company, premium payments required to reinstate reinsurance policies have been accrued. Premiums from insureds required to reinstate their insurance or reinsurance coverage with the Company have not been accrued in the estimate. The premiums accrued in ACE Bermuda represent additional premiums due under the terms of certain financial solutions reinsurance programs directly impacted by the tragedy.

The Company's exposure to the tragedy is derived from losses incurred by insured and reinsured clients of ACE. Gross insured claims incurred by ACE with respect to the tragedy are covered by significant amounts of reinsurance from high quality reinsurers. In order to identify policies which may have been affected by the September 11th tragedy, the Company conducted a review of its insurance and reinsurance portfolios on a policy by policy basis, which included first party, third party, reinsurance, retrocessional, financial guaranty and life reinsurance exposures. Net losses and loss expenses of \$650 million result from estimated gross losses and loss expenses of approximately \$1.9 billion, net of estimated reinsurance recoveries of approximately \$1.3 billion. Approximately 98 percent of all reinsurance purchased by ACE is with reinsurers rated A- or better, including 38 percent with reinsurers rated AAA- and 33 percent with reinsurers rated AA-, as rated by Standard & Poor's.

ACE LIMITED AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
(Unaudited)

7. Discontinued Operations

As part of the ACE INA Acquisition in July 1999, the Company planned to dispose of the operations of Commercial Insurance Services ("CIS"), a division of ACE INA. Following the acquisition, the Company sold the renewal rights for all of its CIS business and planned to sell the assets and liabilities pertaining to the in-force book of business which it still owned. Therefore, in accordance with Emerging Issues Task Force ("EITF") 87-11, "Allocation of Purchase Price to Assets to Be Sold," and EITF 90-6, "Accounting for Certain Events Not Addressed in Issue No. 87-11 Relating to an Acquired Operating Unit to Be Sold," the Company presented CIS as a discontinued operation, with effect from July 2, 1999.

On July 2, 1999, the Company reduced the consolidated balance sheet for all items that pertained specifically to CIS, together with the estimated proceeds on sale and estimated operating results over the twelve months from July 2, 1999, through July 1, 2000, into a net liability of approximately \$170 million, which was recorded in accounts payable, accrued expenses and other liabilities.

As the CIS business was not sold within the allotted time period, the Company was required, as of July 2, 2000, to record the CIS balance sheet into its constituent parts in the balance sheet and to record any resulting income or loss from CIS in its statement of operations prospectively from July 2, 2000. The results of the CIS operations from July 2, 2000 are reflected in the ACE USA segment.

ACE LIMITED AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
(Unaudited)

8. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended September 30		Nine Months Ended September 30	
	2001 ----	2000 ----	2001 ----	2000 ----
	(In thousands of U.S. dollars, except share and per share data)			
Numerator				
Net income before cumulative effect of adopting a new accounting standard	\$ (442,590)	\$ 140,753	\$ (170,009)	\$ 429,194
Dividends on FELINE PRIDES	(6,416)	(6,537)	(19,179)	(11,862)
	-----	-----	-----	-----
Net income available to the holders of Ordinary Shares before cumulative effect	(449,006)	134,216	(189,188)	417,332
Cumulative effect of adopting a new accounting standard	-	-	(22,670)	-
	-----	-----	-----	-----
Net income available to the holders of Ordinary Shares	\$ (449,006)	\$ 134,216	\$ (211,858)	\$ 417,332
	=====	=====	=====	=====
Denominator				
Denominator for basic earnings per share:				
Weighted average shares outstanding	230,610,425	222,042,432	231,390,682	217,615,849
Dilutive effect of FELINE PRIDES	-	2,663,691	-	-
Effect of other dilutive securities	-	6,679,576	-	4,431,705
	-----	-----	-----	-----
Denominator for diluted earnings per share:				
Adjusted weighted average shares outstanding and assumed conversions	230,610,425	231,385,699	231,390,682	222,047,554
	=====	=====	=====	=====
Basic earnings per share:				
Earnings (loss) per share before cumulative effect of adopting a new accounting standard	\$ (1.95)	\$ 0.60	\$ (0.82)	\$ 1.92
	=====	=====	=====	=====
Earnings (loss) per share	\$ (1.95)	\$ 0.60	\$ (0.92)	\$ 1.92
	=====	=====	=====	=====
Diluted earnings per share:				
Earnings (loss) per share before cumulative effect of adopting a new accounting standard	\$ (1.95)	\$ 0.58	\$ (0.82)	\$ 1.88
	=====	=====	=====	=====
Earnings (loss) per share	\$ (1.95)	\$ 0.58	\$ (0.92)	\$ 1.88
	=====	=====	=====	=====

The denominator for diluted loss per share for the three months and nine months ended September 30, 2001 does not include the dilutive effect of FELINE PRIDES and other dilutive securities. The incremental shares from assumed conversions are not included in computing diluted loss per share amounts as these shares are considered anti-dilutive. The dilutive effect of FELINES PRIDES for the three months and nine months ended September 30, 2001 is 2,462,861 shares and 3,067,185 shares, respectively. Other dilutive securities totaled 5,907,562 shares and 6,440,916 shares for the three months and nine months ended September 30, 2001.

ACE LIMITED AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
(Unaudited)

9. Credit Facilities

In August 2001, the Company, along with ACE Bermuda and ACE Tempest Re as Account Parties and Guarantors, entered into a syndicated, one year Letter of Credit ("LOC") facility in the amount of \$450 million for general business purposes, including the issuance of insurance and reinsurance letters of credit. This facility replaced an LOC facility originally arranged in September 1999 and renewed in September 2000. This facility requires that the Company and/or certain of its subsidiaries maintain specific covenants, including a consolidated tangible net worth covenant and a maximum leverage covenant. Usage under this facility was \$239 million as of September 30, 2001.

10. Debt

The following table sets forth the Company's consolidated debt position at September 30, 2001 and December 31, 2000.

	September 30 2001 ----	December 31 2000 ----
(in millions of U.S. dollars)		
Short-term debt		
ACE INA commercial paper	\$ 268	\$ 340
ACE Financial Services Note	25	25
ACE INA bank borrowings	158	-
	-----	-----
	\$ 451	\$ 365
	=====	=====
Long-term debt		
ACE Financial Services Debentures due 2002	\$ 75	\$ 75
ACE INA Notes due 2004	400	400
ACE INA Notes due 2006	299	299
ACE US Holdings Senior Notes due 2008	250	250
ACE INA Subordinated Notes due 2009	300	300
ACE INA Debentures due 2029	100	100
	-----	-----
	\$ 1,424	\$ 1,424
	=====	=====
Trust Preferred Securities		
ACE INA RHINO Preferred Securities due 2002	\$ 400	\$ 400
Capital Re LLC Monthly Income Preferred Securities due 2044	75	75
ACE INA Trust Preferred Securities due 2029	100	100
ACE INA Capital Securities due 2030	300	300
	-----	-----
	\$ 875	\$ 875
	=====	=====

Commercial paper and money market facilities

In June 1999, the Company arranged certain commercial paper programs. The programs use revolving credit facilities as back-up facilities and provide for up to \$2.8 billion in commercial paper issuance (subject to the availability of back-up facilities, which currently total \$1.05 billion) for ACE and for ACE INA. Commercial paper rates averaged 4 percent during the three months ended September 30, 2001 and 6.1 percent during the nine months ended September 30, 2001.

In September 2001 ACE INA borrowed \$158 million under revolving credit facilities. The average rate on this borrowing was 3.8 percent.

ACE LIMITED AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
(Unaudited)

11. Reinsurance

The Company purchases reinsurance to manage various exposures including catastrophe risks. Although reinsurance agreements contractually obligate the Company's reinsurers to reimburse it for the agreed upon portion of its gross paid losses, they do not discharge the primary liability of the Company. The amounts for net premiums written and net premiums earned in the statements of operations are net of reinsurance. Direct, assumed and ceded amounts for these items for the three and nine months ended September 30, 2001 and 2000 are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2001 ----	2000 ----	2001 ----	2000 ----
	(in thousands of U.S. dollars)			
Premiums				
Premiums written				
Direct	\$ 1,923,847	\$ 1,739,116	\$ 5,698,290	\$ 4,788,872
Assumed	578,524	260,700	1,768,380	1,157,971
Ceded	(1,197,304)	(803,012)	(2,955,840)	(2,079,132)
	-----	-----	-----	-----
Net premiums written	\$ 1,305,067	\$ 1,196,804	\$ 4,510,830	\$ 3,867,711
	=====	=====	=====	=====
Premiums earned				
Direct	\$ 1,776,333	\$ 1,645,052	\$ 5,155,324	\$ 4,279,020
Assumed	694,181	234,095	1,609,875	982,914
Ceded	(1,071,085)	(704,365)	(2,611,467)	(1,814,510)
	-----	-----	-----	-----
Net premiums earned	\$ 1,399,429	\$ 1,174,782	\$ 4,153,732	\$ 3,447,424
	=====	=====	=====	=====

The Company's provision for reinsurance recoverable at September 30, 2001 and December 31, 2000, is as follows:

	September 30 2001 ----	December 31 2000 ----
	(in thousands of U.S. dollars)	
Reinsurance recoverable on paid losses and loss expenses	\$ 1,036,602	\$ 937,496
Reinsurance recoverable on unpaid losses and loss expenses	10,401,072	8,767,111
Provision for uncollectible balances on reinsurance recoverable	(735,941)	(709,667)
	-----	-----
Reinsurance recoverable	\$ 10,701,733	\$ 8,994,940
	=====	=====

12. Taxation

Under current Cayman Islands law, the Company is not required to pay any taxes in the Cayman Islands on its income or capital gains. The Company has received an undertaking that, in the event of any taxes being imposed, the Company will be exempted from taxation in the Cayman Islands until the year 2013. Under current Bermuda law, the Company and its Bermuda subsidiaries are not required to pay any taxes in Bermuda on its income or capital gains. The Company has received an undertaking from the Minister of Finance in Bermuda that, in the event of any taxes being imposed, the Company will be exempt from taxation in Bermuda until March 2016.

Income from the Company's operations at Lloyd's are subject to United Kingdom corporation taxes. Lloyd's is required to pay U.S. income tax on U.S. connected income ("U.S. income") written by Lloyd's syndicates. Lloyd's has a closing agreement with the IRS whereby the amount of tax due on this business is calculated by Lloyd's and remitted directly to the IRS. These amounts are then charged to the personal accounts of the

ACE LIMITED AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
(Unaudited)

Names/Corporate Members in proportion to their participation in the relevant syndicates. The Company's Corporate Members are subject to this arrangement but, as UK domiciled companies, will receive UK corporation tax credits for any U.S. income tax incurred up to the value of the equivalent UK corporation income tax charge on the U.S. income.

ACE INA, ACE US Holdings and ACE Financial Services are subject to income taxes imposed by U.S. authorities and file U.S. tax returns. Certain international operations of the Company are also subject to income taxes imposed by the jurisdictions in which they operate.

There can be no assurance that applicable laws, regulations or treaties will remain the same. If they were to change the Company might have to change the way it operates or become subject to taxation.

The income tax expense for the three and nine months ended September 30, 2001 and 2000 is as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2001 ----	2000 ----	2001 ----	2000 ----
	(in thousands of U.S. dollars)			
Current tax expense	\$ 9,366	\$ 29,254	\$ 38,483	\$ 51,289
Deferred tax expense (benefit)	(85,711)	(4,822)	(69,604)	23,062
	-----	-----	-----	-----
Total income tax expense (benefit)	\$ (76,345)	\$ 24,432	\$ (31,121)	\$ 74,351
	=====	=====	=====	=====

The components of the net deferred tax asset as of September 30, 2001 and December 31, 2000 are as follows:

	September 30 2001 ----	December 31 2000 ----
	(in thousands of U.S. dollars)	
Deferred tax assets		
Loss reserve discount	\$ 496,045	\$ 536,005
Foreign tax credits	158,278	137,765
Uncollectible reinsurance	28,297	28,297
Net operating loss carry forward	518,605	500,916
Other	254,991	199,689
	-----	-----
Total deferred tax assets	1,456,216	1,402,672
	-----	-----
Deferred tax liabilities		
Deferred policy acquisition costs	59,470	62,080
Unrealized appreciation on investments	48,881	25,861
Other	32,972	32,064
	-----	-----
Total deferred tax liabilities	141,323	120,005
	-----	-----
Valuation allowance	136,475	138,406
	-----	-----
Net deferred tax asset	\$ 1,178,418	\$ 1,144,261
	=====	=====

ACE LIMITED AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
(Unaudited)

13. Subsidiary Issuer Information

The following tables present the condensed consolidating financial information for ACE Limited (the "Parent Guarantor"), ACE INA Holdings, Inc. and ACE Financial Services, Inc. (formerly Capital Re Corporation), (the "Subsidiary Issuers") as of September 30, 2001 and December 31, 2000 and for the three and nine months ended September 30, 2001 and 2000. The Subsidiary Issuers are direct or indirect wholly-owned subsidiaries of the Parent Guarantor. Investments in subsidiaries are accounted for by the Parent Guarantor and the Subsidiary Issuers under the equity method for purposes of the supplemental consolidating presentation. Earnings of subsidiaries are reflected in the Parent Guarantor's investment accounts and earnings. The Parent Guarantor fully and unconditionally guarantees certain of the debt of the Subsidiary Issuers (see Note 10).

Condensed Consolidating Balance Sheet as at September 30, 2001
(in thousands of U.S. dollars)

	ACE Limited (Parent Co. Guarantor)	ACE INA Holdings, Inc. (Subsidiary Issuer)	ACE Financial Services, Inc. (Subsidiary Issuer)	Other ACE Limited Subsidiaries and Eliminations (1)	Consolidating Adjustments (2)	ACE Limited Consolidated
	-----	-----	-----	-----	-----	-----
Assets						
Total investments and cash	\$ 454,963	\$ 6,491,154	\$ 1,096,505	\$ 6,549,766	\$ -	\$ 14,592,388
Insurance and reinsurance balances receivable	-	1,705,217	10,209	741,354	-	2,456,780
Reinsurance recoverable	-	8,664,937	71,248	1,965,548	-	10,701,733
Goodwill	-	2,200,419	97,775	492,792	-	2,790,986
Investments in subsidiaries	4,619,760	-	152,000	(152,000)	(4,619,760)	-
Due from subsidiaries and affiliates, net	294,312	(105,019)	2,257	102,762	(294,312)	-
Other assets	27,311	3,177,120	184,658	978,299	-	4,367,388
Total assets	\$ 5,396,346	\$ 22,133,828	\$ 1,614,652	\$ 10,678,521	\$ (4,914,072)	\$ 34,909,275
Liabilities						
Unpaid losses and loss expenses	\$ -	\$ 13,707,042	\$ 241,059	\$ 5,935,656	\$ -	\$ 19,883,757
Unearned premiums	-	2,041,495	299,956	1,436,464	-	3,777,915
Short-term debt	-	426,470	25,000	-	-	451,470
Long-term debt	-	1,099,459	74,970	250,000	-	1,424,429
Trust preferred securities	-	800,000	75,000	-	-	875,000
Other liabilities	67,516	2,497,180	260,669	342,509	-	3,167,874
Total liabilities	67,516	20,571,646	976,654	7,964,629	-	29,580,445
Mezzanine equity	311,050	-	-	-	-	311,050
Total shareholders' equity	5,017,780	1,562,182	637,998	2,713,892	(4,914,072)	5,017,780
Total liabilities, mezzanine equity and shareholders' equity	\$ 5,396,346	\$ 22,133,828	\$ 1,614,652	\$ 10,678,521	\$ (4,914,072)	\$ 34,909,275

(1) Includes all other subsidiaries of ACE Limited and intercompany eliminations.

(2) Includes ACE Limited parent company eliminations.

ACE LIMITED AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (cont'd.)
(Unaudited)

13. Subsidiary Issuer Information (cont'd.)

----- Condensed Consolidating Balance Sheet as at December 31, 2000 (in thousands of U.S. dollars) -----						
	ACE Limited (Parent Co. Guarantor)	ACE INA Holdings, Inc. (Subsidiary Issuer)	ACE Financial Services, Inc. (Subsidiary Issuer)	Other ACE Limited Subsidiaries and Eliminations (1)	Consolidating Adjustments (2)	ACE Limited Consolidated
	-----	-----	-----	-----	-----	-----
Assets						
Total investments and cash	\$ 479,969	\$ 6,655,182	\$ 919,181	\$ 5,707,992	\$ -	\$ 13,762,324
Insurance and reinsurance balances receivable	-	1,616,027	9,832	469,714	-	2,095,573
Reinsurance recoverable	-	7,603,352	76,087	1,315,501	-	8,994,940
Goodwill	-	2,240,505	100,928	505,276	-	2,846,709
Investments in subsidiaries	4,975,663	-	152,000	(152,000)	(4,975,663)	-
Due from subsidiaries and affiliates, net	318,806	(111,131)	1,596	109,535	(318,806)	-
Other assets	27,404	3,069,648	154,687	738,241	-	3,989,980
Total assets	\$ 5,801,842	\$21,073,583	\$ 1,414,311	\$ 8,694,259	\$ (5,294,469)	\$ 31,689,526
=====						
Liabilities						
Unpaid losses and loss expenses	\$ -	\$13,126,965	\$ 246,174	\$ 4,015,255	\$ -	\$ 17,388,394
Unearned premiums	-	1,680,166	293,618	1,061,504	-	3,035,288
Short-term debt	-	339,509	25,000	-	-	364,509
Long-term debt	-	1,099,417	74,942	249,869	-	1,424,228
Trust preferred securities	-	800,000	75,000	-	-	875,000
Other liabilities	70,581	2,497,734	78,874	223,657	-	2,870,846
Total liabilities	70,581	19,543,791	793,608	5,550,285	-	25,958,265
Mezzanine equity	311,050	-	-	-	-	311,050
Total shareholders' equity	5,420,211	1,529,792	620,703	3,143,974	(5,294,469)	5,420,211
Total liabilities, mezzanine equity and shareholders' equity	\$ 5,801,842	\$21,073,583	\$ 1,414,311	\$ 8,694,259	\$ (5,294,469)	\$ 31,689,526
=====						

(1) Includes all other subsidiaries of ACE Limited and intercompany eliminations.

(2) Includes ACE Limited parent company eliminations.

ACE LIMITED AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (cont'd.)
(Unaudited)

13. Subsidiary Issuer Information (cont'd.)

Condensed Consolidating Statement of Operations For the three months ended September 30, 2001 (in thousands of U.S. dollars)						
ACE Limited (Parent Co. Guarantor)	ACE INA Holdings, Inc. (Subsidiary Issuer)	ACE Financial Services, Inc. (Subsidiary Issuer)	Other ACE Limited Subsidiaries and Eliminations (1)	Consolidating Adjustments (2)	ACE Limited Consolidated	
Net premiums written	\$ -	\$ 662,841	\$ (1,229)	\$ 643,455	\$ -	\$ 1,305,067
Net premiums earned	-	639,010	17,688	742,731	-	1,399,429
Net investment income	14,605	88,546	11,542	86,161	(7,945)	192,909
Equity in earnings of subsidiaries	(417,958)	-	-	-	417,958	-
Net realized gains (losses) on investments	(25,065)	(9,709)	(8,879)	(15,190)	-	(58,843)
Losses and loss expenses	-	461,693	16,038	1,093,602	-	1,571,333
Policy acquisition costs and administrative expenses	15,080	199,828	8,161	189,184	(198)	412,055
Amortization of goodwill	-	14,490	1,051	4,371	-	19,912
Interest expense	(3,034)	43,808	3,840	5,564	(1,048)	49,130
Income tax expense (benefit)	2,126	3,295	(12,100)	(69,666)	-	(76,345)
Net income (loss)	\$ (442,590)	\$ (5,267)	\$ 3,361	\$ (409,353)	\$ 411,259	\$ (442,590)

Condensed Consolidating Statement of Operations For the three months ended September 30, 2000 (in thousands of U.S. dollars)						
ACE Limited (Parent Co. Guarantor)	ACE INA Holdings, Inc. (Subsidiary Issuer)	ACE Financial Services, Inc. (Subsidiary Issuer)	Other ACE Limited Subsidiaries and Eliminations (1)	Consolidating Adjustments (2)	ACE Limited Consolidated	
Net premiums written	\$ -	\$ 560,417	\$ 24,578	\$ 611,809	\$ -	\$1,196,804
Net premiums earned	-	560,547	17,148	597,087	-	1,174,782
Net investment income	8,665	100,310	12,053	83,031	(6,475)	197,584
Equity in earnings of subsidiaries	146,292	-	-	-	(146,292)	-
Net realized gains (losses) on investments	210	(9,526)	2,456	(5,937)	-	(12,797)
Losses and loss expenses	-	408,350	1,251	363,286	-	772,887
Policy acquisition costs and administrative expenses	14,805	156,868	9,260	165,435	(198)	346,170
Amortization of goodwill	-	14,490	1,051	4,378	-	19,919
Interest expense	(2,329)	48,987	3,378	6,366	(994)	55,408
Income tax expense	1,938	10,801	4,537	7,156	-	24,432
Net income	\$ 140,753	\$ 11,835	\$ 12,180	\$ 127,560	\$(151,575)	\$ 140,753

(1) Includes all other subsidiaries of ACE Limited and intercompany eliminations.

(2) Includes ACE Limited parent company eliminations.

ACE LIMITED AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (cont'd.)
(Unaudited)

13. Subsidiary Issuer Information (cont'd.)

Condensed Consolidating Statement of Operations For the nine months ended September 30, 2001 (in thousands of U.S. dollars)						
ACE Limited (Parent Co. Guarantor)	ACE INA Holdings, Inc. (Subsidiary Issuer)	ACE Financial Services, Inc. (Subsidiary Issuer)	Other ACE Limited Subsidiaries and Eliminations (1)	Consolidating Adjustments (2)	ACE Limited Consolidated	
Net premiums written	\$ 1,872,616	\$ 42,209	\$ 2,596,005	\$ -	\$ 4,510,830	
Net premiums earned	1,763,422	56,049	2,334,261	-	4,153,732	
Net investment income	275,700	35,205	262,144	(21,458)	593,606	
Equity in earnings of subsidiaries	-	-	-	166,398	-	
Net realized gains (losses) on investments	(39,662)	14,779	(12,706)	-	(62,654)	
Losses and loss expenses	1,252,928	21,814	2,231,530	-	3,506,272	
Policy acquisition costs and administrative expenses	550,395	27,437	544,205	(595)	1,166,784	
Amortization of goodwill	43,470	3,153	13,041	-	59,664	
Interest expense	137,240	10,486	16,769	(3,119)	153,094	
Income tax expense (benefit)	17,620	2,652	(57,564)	-	(31,121)	
Income before cumulative effect of adopting a new accounting standard	(2,193)	40,491	(164,282)	148,654	(170,009)	
Cumulative effect of adopting a new accounting standard (net of income tax)	(50)	(22,800)	180	-	(22,670)	
Net income (loss)	\$ (2,243)	\$ 17,691	\$ (164,102)	\$ 148,654	\$ (192,679)	

Condensed Consolidating Statement of Operations
For the nine months ended September 30, 2000
(in thousands of U.S. dollars)

ACE Limited (Parent Co. Guarantor)	ACE INA Holdings, Inc. (Subsidiary Issuer)	ACE Financial Services, Inc. (Subsidiary Issuer)	Other ACE Limited Subsidiaries and Eliminations (1)	Consolidating Adjustments (2)	ACE Limited Consolidated
Net premiums written	\$ 1,830,277	\$ 63,109	\$ 1,974,325	\$ -	\$ 3,867,711
Net premiums earned	1,815,350	52,835	1,579,239	-	3,447,424
Net investment income	285,232	35,537	233,354	(21,929)	561,548
Equity in earnings of subsidiaries	-	-	-	(417,117)	-
Net realized gains (losses) on investments	5,680	(41,038)	5,668	-	13,899
Losses and loss expenses	1,299,260	4,439	952,782	-	2,256,481
Policy acquisition costs and administrative expenses	526,447	28,867	437,410	(595)	1,037,412
Amortization of goodwill	42,490	3,154	13,245	-	58,889
Interest expense	138,411	10,016	17,208	(8,372)	166,544
Income tax expense	41,127	12,166	14,756	-	74,351
Net income (loss)	\$ 58,527	\$ (11,308)	\$ 382,860	\$ (430,079)	\$ 429,194

- (1) Includes all other subsidiaries of ACE Limited and intercompany eliminations.
(2) Includes ACE Limited parent company eliminations.

ACE LIMITED AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (cont'd.)
(Unaudited)

13. Subsidiary Issuer Information (cont'd.)

Condensed Consolidating Statement of Cash Flows
For the nine months ended September 30, 2001
(in thousands of U.S. dollars)

	ACE Limited (Parent Co. Guarantor)	ACE INA Holdings, Inc. (Subsidiary Issuer)	ACE Financial Services, Inc. (Subsidiary Issuer)	Other ACE Limited Subsidiaries and Eliminations (1)	Consolidating Adjustments (2)	ACE Limited Consolidated
	-----	-----	-----	-----	-----	-----
Net cash flows from (used for) operating activities	\$ (8,893)	\$ (270,099)	\$ 51,909	\$ 1,188,405	\$ -	\$ 961,322
Cash flow from investing activities						
Purchases of fixed maturities	(119,715)	(1,245,557)	(819,018)	(8,730,042)	-	(10,914,332)
Purchases of equity securities	-	(94,569)	-	(63,534)	-	(158,103)
Sales of fixed maturities	96,274	1,598,007	664,717	8,012,636	-	10,371,634
Sales of equity securities	-	101,501	-	52,370	-	153,871
Maturities of fixed maturities	-	-	6,500	32,690	-	39,190
Net realized gains (losses) on financial future contracts	-	-	-	(44,060)	-	(44,060)
Other investments	-	(3,876)	68,178	(148,123)	-	(83,821)
Net cash from (used for) investing activities	\$ (23,441)	\$ 355,506	\$ (79,623)	\$ (888,063)	\$ -	\$ (635,621)
Cash flow from financing activities						
Dividends paid on Ordinary Shares	(94,279)	-	-	-	-	(94,279)
Dividends paid on FELINE PRIDES	(19,251)	-	-	-	-	(19,251)
Repayment of bank, net	-	86,961	-	-	-	86,961
Advances to affiliates	8,697	(41,861)	41,346	(8,182)	-	-
Proceeds from exercise of options for Ordinary Shares	19,770	-	-	-	-	19,770
Proceeds from shares issued under ESPP	7,063	-	-	-	-	7,063
Repurchase of Ordinary Shares	(179,446)	-	-	-	-	(179,446)
Dividends received from subsidiaries	258,691	-	-	(258,691)	-	-
Net cash from (used for) financing activities	\$ 1,245	\$ 45,100	\$ 41,346	\$ (266,873)	\$ -	\$ (179,182)
Net increase (decrease) in cash	(31,089)	130,507	13,632	33,469	-	146,519
Cash - beginning of period	46,516	253,447	26,576	281,530	-	608,069
Cash - end of period	\$ 15,427	\$ 383,954	\$ 40,208	\$ 314,999	\$ -	\$ 754,588

(1) Includes all other subsidiaries of ACE Limited and intercompany eliminations.

(2) Includes ACE Limited parent company eliminations.

ACE LIMITED AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (cont'd.)
(Unaudited)

13. Subsidiary Issuer Information (cont'd.)

Condensed Consolidating Statement of Cash Flows
For the nine months ended September 30, 2000
(in thousands of U.S. dollars)

	ACE Limited (Parent Co. Guarantor)	ACE INA Holdings, Inc. (Subsidiary Issuer)	ACE Financial Services, Inc. (Subsidiary Issuer)	Other ACE Limited Subsidiaries and Eliminations (1)	Consolidating Adjustments (2)	ACE Limited Consolidated
Net cash flows from (used for) operating activities	\$ (24,702)	\$ (1,190,125)	\$ 53,761	\$ 786,548	\$ -	\$ (374,518)
Cash flow from investing activities						
Purchases of fixed maturities	(540,524)	(1,989,046)	(508,808)	(5,193,502)	-	(8,231,880)
Purchases of equity securities	-	(183,369)	-	(137,971)	-	(321,340)
Sales of fixed maturities	375,910	2,902,872	468,011	4,404,498	-	8,151,291
Sales of equity securities	-	408,729	-	280,686	-	689,415
Maturities of fixed maturities	-	-	2,000	46,890	-	48,890
Net realized gains (losses) on financial futures contracts	-	-	-	(8,751)	-	(8,751)
Sale (acquisition) of subsidiaries	82,244	-	10,200	(10,200)	(82,244)	-
Other investments	(6,953)	17,322	(2,920)	(178,434)	-	(170,985)
Net cash from (used for) investing activities	\$ (89,323)	\$ 1,156,508	\$ (31,517)	\$ (796,784)	\$ (82,244)	\$ 156,640
Cash flow from financing activities						
Dividends paid on Ordinary Shares	(76,075)	-	-	-	-	(76,075)
Dividends paid on FELINE PRIDES	(8,839)	-	-	-	-	(8,839)
Repayment of bank debt, net	(424,886)	(267,995)	-	(4,238)	-	(697,119)
Proceeds from issuance of trust preferred securities	-	300,000	-	-	-	300,000
Proceeds from issuance of FELINE PRIDES	311,050	-	-	-	-	311,050
Issuance costs of FELINE PRIDES	(9,884)	-	-	-	-	(9,884)
Advances to affiliate	(167,320)	-	-	167,320	-	-
Proceeds from exercise of options for Ordinary Shares	14,904	-	-	-	-	14,904
Proceeds from shares issued under ESPP	1,234	-	-	-	-	1,234
Capitalization of subsidiary	(5,000)	-	5,000	-	-	-
Net proceeds from issuance of Ordinary Shares	400,346	-	-	-	-	400,346
Dividends received from subsidiaries	81,147	-	-	(81,147)	-	-
Net cash from (used for) financing activities	\$ 116,677	\$ 32,005	\$ 5,000	\$ 81,935	\$ -	\$ 235,617
Net increase (decrease) in cash	2,652	(1,612)	27,244	71,699	(82,244)	17,739
Cash - beginning of period	15,942	282,426	231	300,633	-	599,232
Cash - end of period	\$ 18,594	\$ 280,814	\$ 27,475	\$ 372,332	\$ (82,244)	\$ 616,971

(1) Includes all other subsidiaries of ACE Limited and intercompany eliminations.

(2) Includes ACE Limited parent company eliminations.

ACE LIMITED AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (cont'd.)
(Unaudited)

14. Segment Information

The following tables summarize the operations by segment for the three and nine months ended September 30, 2001 and 2000. For segment reporting purposes, certain items have been presented in a different manner than in the consolidated financial statements. For segment reporting purposes, items considered non-recurring in nature have been aggregated and shown separately net of related taxes, and net realized gains (losses) have been presented net of related taxes.

Three months ended September 30, 2001

	ACE Bermuda -----	ACE Global Markets -----	ACE Global Reinsurance -----	ACE USA ---	ACE International -----	ACE Financial Services -----	Other (1) -----	ACE Consolidated -----
	(in thousands of U.S. dollars)							
Operations Data								
Gross premiums written	\$ 321,162	\$ 219,474	\$ 102,361	\$ 1,308,049	\$ 514,071	\$ 37,254	\$ -	\$ 2,502,371
Net premiums written	180,289	86,098	75,821	585,967	341,953	34,939	-	1,305,067
Net premiums earned	281,334	112,412	102,469	515,233	344,091	43,890	-	1,399,429
Losses and loss expenses	478,996	256,787	160,318	426,518	230,926	17,788	-	1,571,333
Policy acquisition costs	5,026	55,470	13,354	55,146	66,296	9,374	-	204,666
Administrative expenses	11,798	18,158	11,917	66,625	68,445	8,265	22,181	207,389
Underwriting income (loss)	(214,486)	(218,003)	(83,120)	(33,056)	(21,576)	8,463	(22,181)	(583,959)
Net investment income	35,882	8,288	15,847	84,541	20,545	25,845	1,961	192,909
Amortization of goodwill	(225)	958	3,503	135	-	1,051	14,490	19,912
Interest expense	859	653	-	8,508	-	3,840	35,270	49,130
Income tax expense (benefit)	697	(74,819)	-	14,523	3,102	5,516	(18,997)	(69,978)
Income (loss) excluding net realized gains (losses)	(179,935)	(136,507)	(70,776)	28,319	(4,133)	23,901	(50,983)	(390,114)
Net realized gains (losses) (net of income tax)	(2,602)	2,808	(5,003)	(3,944)	2,214	(20,884)	(25,065)	(52,476)
Net income (loss)	\$ (182,537)	\$ (133,699)	\$ (75,779)	\$ 24,375	\$ (1,919)	\$ 3,017	\$ (76,048)	\$ (442,590)
Total Assets	\$ 3,593,375	\$ 2,588,941	\$ 1,574,361	\$ 18,017,153	\$ 3,978,797	\$ 2,484,086	\$ 2,672,562	\$ 34,909,275

(1) Includes ACE Limited, ACE INA Holdings and intercompany eliminations.

ACE LIMITED AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (cont'd.)
(Unaudited)

14. Segment Information (cont'd.)

Three months ended September 30, 2000

	ACE Bermuda	ACE Global Markets	ACE Global Reinsurance	ACE USA	ACE International	ACE Financial Services	Other (1)	ACE Consolidated
(in thousands of U.S. dollars)								
Operations Data								
Gross premiums written	\$ 199,741	\$ 239,484	\$ 30,750	\$ 974,862	\$ 496,953	\$ 58,026	\$ -	\$ 1,999,816
Net premiums written	181,573	176,672	12,811	450,518	324,779	50,451	-	1,196,804
Net premiums earned	170,292	174,266	37,707	410,472	339,101	42,944	-	1,174,782
Losses and loss expenses	132,701	102,503	5,813	307,692	205,976	18,202	-	772,887
Policy acquisition costs	7,565	44,844	6,180	40,430	59,339	9,900	-	168,258
Administrative expenses	7,494	18,499	2,957	58,631	68,552	7,665	14,114	177,912
Underwriting income (loss)	22,532	8,420	22,757	3,719	5,234	7,177	(14,114)	55,725
Net investment income	38,906	7,932	15,056	89,599	24,612	24,168	(2,689)	197,584
Amortization of goodwill	(225)	965	3,503	135	-	1,051	14,490	19,919
Interest expense	908	1,897	-	11,404	-	3,378	37,821	55,408
Income tax expense (benefit)	655	5,623	-	26,238	4,400	6,403	(15,890)	27,429
Income (loss) excluding net realized gains (losses)	60,100	7,867	34,310	55,541	25,446	20,513	(53,224)	150,553
Net realized gains (losses) (net of income tax)	7,135	(1,245)	(12,433)	(5,989)	492	2,030	210	(9,800)
Net income (loss)	\$ 67,235	\$ 6,622	\$ 21,877	\$ 49,552	\$ 25,938	\$ 22,543	\$ (53,014)	\$ 140,753
Total Assets	\$ 3,044,189	\$ 1,842,913	\$ 1,360,806	\$16,454,908	\$ 3,804,099	\$ 2,289,005	\$ 2,736,180	\$31,532,100

(1) Includes ACE Limited, ACE INA Holdings and intercompany eliminations

ACE LIMITED AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (cont'd.)
(Unaudited)

14. Segment Information (cont'd.)

Nine months ended September 30, 2001

	ACE Bermuda	ACE Global Markets	ACE Global Reinsurance	ACE USA	ACE International	ACE Financial Services	Other(1)	ACE Consolidated
(in thousands of U.S. dollars)								
Operations Data								
Gross premiums written	\$ 894,631	\$ 870,847	\$ 367,350	\$3,293,341	\$1,725,948	\$ 314,553	\$ -	\$ 7,466,670
Net premiums written	720,109	516,781	327,496	1,505,970	1,133,864	306,610	-	4,510,830
Net premiums earned	782,206	458,615	248,049	1,334,846	1,063,467	266,549	-	4,153,732
Losses and loss expenses	933,967	455,113	245,395	1,011,216	674,048	186,533	-	3,506,272
Policy acquisition costs	14,872	158,157	34,556	134,464	186,455	30,492	-	558,996
Administrative expenses	28,568	52,716	21,542	209,702	197,126	27,079	64,682	601,415
Underwriting income (loss)	(195,201)	(207,371)	(53,444)	(20,536)	5,838	22,445	(64,682)	(512,951)
Net investment income	113,728	28,575	47,932	256,265	64,291	75,657	7,158	593,606
Amortization of goodwill	(675)	2,803	10,508	405	-	3,153	43,470	59,664
Interest expense	888	2,078	-	25,856	-	10,486	113,786	153,094
Income tax expense (benefit)	2,046	(65,384)	-	66,856	15,733	15,199	(55,704)	(21,254)
Income (loss) excluding net realized gains (losses), non-recurring expenses and cumulative effect	(83,732)	(118,293)	(16,020)	142,612	54,396	69,264	(159,076)	(110,849)
Non-recurring expenses (net of income tax)	-	(4,461)	-	-	-	-	-	(4,461)
Income (loss) excluding net realized gains (losses) and cumulative effect	(83,732)	(122,754)	(16,020)	142,612	54,396	69,264	(159,076)	(115,310)
Net realized gains (losses) (net of income tax)	10,773	5,838	(23,572)	(21,422)	977	(2,228)	(25,065)	(54,699)
Income (loss) excluding cumulative effect of adopting a new accounting standard	(72,959)	(116,916)	(39,592)	121,190	55,373	67,036	(184,141)	(170,009)
Cumulative effect of adopting a new accounting standard (net of income tax)	-	510	470	(50)	-	(23,600)	-	(22,670)
Net income (loss)	\$ (72,959)	\$ (116,406)	\$ (39,122)	\$ 121,140	\$ 55,373	\$ 43,436	\$ (184,141)	\$ (192,679)
Total Assets	\$3,593,375	\$2,588,941	\$1,574,361	\$18,017,153	\$3,978,797	\$2,484,086	\$2,672,562	\$34,909,275

(1) Includes ACE Limited, ACE INA Holdings and intercompany eliminations

ACE LIMITED AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (cont'd.)
(Unaudited)

14. Segment Information (cont'd.)

Nine months ended September 30, 2000

	ACE Bermuda	ACE Global Markets	ACE Global Reinsurance	ACE USA	ACE International	ACE Financial Services	Other(1)	ACE Consolidated
(in thousands of U.S. dollars)								
Operations Data								
Gross premiums written	\$510,788	\$752,791	\$178,223	\$2,662,542	\$1,553,853	\$288,646	\$ -	\$5,946,843
Net premiums written	446,297	551,140	146,265	1,369,785	1,080,317	273,907	-	3,867,711
Net premiums earned	356,164	454,599	96,061	1,256,043	1,037,411	247,146	-	3,447,424
Losses and loss expenses	265,001	258,271	17,476	938,782	613,942	163,009	-	2,256,481
Policy acquisition costs	14,648	119,577	17,877	118,498	173,462	38,566	-	482,628
Administrative expenses	22,278	54,069	7,806	188,552	211,589	23,705	46,785	554,784
Underwriting income (loss)	54,237	22,682	52,905	10,211	38,418	21,866	(46,785)	153,531
Net investment income	111,240	23,420	44,839	251,542	69,498	71,002	(9,993)	561,548
Amortization of goodwill	(658)	2,990	10,508	405	-	3,154	42,490	58,889
Interest expense	1,598	4,080	-	28,009	-	10,016	122,841	166,544
Income tax expense (benefit)	1,920	11,068	(173)	72,992	19,235	15,664	(48,725)	71,981
Income (loss) excluding net realized gains (losses)	162,617	27,964	87,409	160,347	88,681	64,034	(173,384)	417,665
Net realized gains (losses) (net of income tax)	31,432	(2,194)	(20,378)	(16,834)	19,779	1,565	(1,841)	11,529
Net income (loss)	\$194,049	\$25,770	\$67,031	\$143,513	\$108,460	\$65,599	\$(175,225)	\$429,194
Total Assets	\$3,044,189	\$1,842,913	\$1,360,806	\$16,454,908	\$3,804,099	\$2,289,005	\$2,736,180	\$31,532,100

(1) Includes ACE Limited, ACE INA Holdings and intercompany eliminations

ACE LIMITED AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (cont'd.)
(Unaudited)

14. Segment Information (cont'd.)

The following tables summarize the revenues of each segment by product offering for the three and nine months ended September 30, 2001 and 2000.

Net premiums earned by type of premium

Three months ended September 30, 2001

	Property & Casualty -----	Life & Health -----	Financial Products -----	ACE Consolidated -----
	(in thousands of U.S. dollars)			
ACE Bermuda	\$ 39,742	\$ -	\$ 241,592	\$ 281,334
ACE Global Markets	107,854	4,558	-	112,412
ACE Global Reinsurance	70,293	32,176	-	102,469
ACE USA	371,920	-	143,313	515,233
ACE International	220,991	121,211	1,889	344,091
ACE Financial Services	-	-	43,890	43,890
	-----	-----	-----	-----
Net premiums earned	\$ 810,800	\$ 157,945	\$ 430,684	\$ 1,399,429
	=====	=====	=====	=====

Three months ended September 30, 2000

	Property & Casualty -----	Life & Health -----	Financial Products -----	ACE Consolidated -----
	(in thousands of U.S. dollars)			
ACE Bermuda	\$ 114,685	\$ -	\$ 55,607	\$ 170,292
ACE Global Markets	168,231	6,035	-	174,266
ACE Global Reinsurance	37,707	-	-	37,707
ACE USA	395,798	-	14,674	410,472
ACE International	239,846	99,255	-	339,101
ACE Financial Services	-	-	42,944	42,944
	-----	-----	-----	-----
Net premiums earned	\$ 956,267	\$ 105,290	\$ 113,225	\$ 1,174,782
	=====	=====	=====	=====

ACE LIMITED AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (cont'd.)
(Unaudited)

14. Segment Information (cont'd.)

Net premiums earned by type of premium

Nine months ended September 30, 2001

	Property & Casualty	Life & Health	Financial Products	ACE Consolidated
	-----	-----	-----	-----
	(in thousands of U.S. dollars)			
ACE Bermuda	\$ 132,919	\$ -	\$ 649,287	\$ 782,206
ACE Global Markets	445,702	12,913	-	458,615
ACE Global Reinsurance	184,894	63,155	-	248,049
ACE USA	1,128,887	-	205,959	1,334,846
ACE International	696,537	359,331	7,599	1,063,467
ACE Financial Services	-	-	266,549	266,549
	-----	-----	-----	-----
Net premiums earned	\$ 2,588,939	\$ 435,399	\$ 1,129,394	\$ 4,153,732
	=====	=====	=====	=====

Nine months ended September 30, 2000

	Property & Casualty	Life & Health	Financial Products	ACE Consolidated
	-----	-----	-----	-----
	(in thousands of U.S. dollars)			
ACE Bermuda	\$ 225,019	\$ -	\$ 131,145	\$ 356,164
ACE Global Markets	412,380	42,219	-	454,599
ACE Global Reinsurance	96,062	-	-	96,062
ACE USA	1,054,464	-	201,578	1,256,042
ACE International	695,503	341,908	-	1,037,411
ACE Financial Services	-	-	247,146	247,146
	-----	-----	-----	-----
Net premiums earned	\$ 2,483,428	\$ 384,127	\$ 579,869	\$ 3,447,424
	=====	=====	=====	=====

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following is a discussion of the Company's results of operations, financial condition, liquidity and capital resources as of and for the three and nine months ended September 30, 2001. The results of operations and cash flows for any interim period are not necessarily indicative of results for the full year. This discussion should be read in conjunction with the consolidated financial statements, related notes thereto and the Management's Discussion and Analysis of Results of Operations and Financial Condition included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

Safe Harbor Disclosure

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. Any written or oral statements made by or on behalf of the Company may include forward-looking statements which reflect the Company's current views with respect to future events and financial performance. These forward-looking statements are subject to certain uncertainties and other factors that could cause actual results to differ materially from such statements. These uncertainties and other factors (which are described in more detail elsewhere herein and in other documents filed by the Company with the Securities and Exchange Commission) include, but are not limited to:

- (i) the impact of the September 11th tragedy and its aftermath on ACE's insureds and reinsureds, on the insurance and reinsurance industry and on the economy in general and uncertainties relating to governmental responses to the tragedy,
- (ii) the ability to collect reinsurance recoverables and any delays with respect thereto,
- (iii) the occurrence of catastrophic events or other insured or reinsured events with a frequency or severity exceeding the Company's estimates,
- (iv) the uncertainties of the loss reserving process, including the difficulties associated with assessing environmental damage and latent injuries,
- (v) uncertainties relating to government and regulatory policies such as subjecting the Company to insurance regulation or taxation in additional jurisdictions or amending, revoking or enacting any laws, regulations or treaties affecting the Company's current operations and other legal, regulatory and legislative developments,
- (vi) the actual amount of new and renewal business and market acceptance of the Company's products,
- (vii) risks associated with the introduction of new products and services,
- (viii) the competitive environment in which the Company operates, related trends and associated pricing pressures, market perception, and developments,
- (ix) the impact of mergers and acquisitions, competing demands for ACE's capital and the risk of undisclosed liabilities,
- (x) developments in global financial markets, which could affect the Company's investment portfolio and financing plans,
- (xi) changing rates of inflation and other economic conditions,
- (xii) losses due to foreign currency exchange rate fluctuations,
- (xiii) loss of the services of any of the Company's executive officers,
- (xiv) the ability of technology to perform as anticipated,
- (xv) the amount of dividends received from subsidiaries, and,
- (xvi) management's response to these factors.

The words "believe", "anticipate", "estimate", "project", "plan", "expect", "intend", "hope", "will likely result" or "will continue" and variations thereof and similar expressions identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. The Company undertakes no obligation to publicly update or review any forward-looking statements, whether as a result of new information, future events or otherwise.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION (cont'd.)**

General

The Company, through its various subsidiaries, provides a broad range of insurance and reinsurance for a diverse group of customers worldwide. ACE operates through six business segments: ACE Bermuda, ACE Global Markets, ACE Global Reinsurance, ACE USA, ACE International and ACE Financial Services.

On July 2, 1999, the Company, through a U.S. holding company, ACE INA Holdings, Inc. ("ACE INA"), acquired CIGNA Corporation's domestic property and casualty insurance operations including its run-off business and also its international property and casualty insurance companies and branches, including most of the accident and health business written through those companies for \$3.45 billion in cash (the "ACE INA Acquisition").

On December 30, 1999, the Company acquired Capital Re Corporation, which is engaged in the financial guaranty reinsurance business. Following the acquisition, Capital Re Corporation was renamed ACE Financial Services, Inc. Under the terms of the acquisition agreement, the Company paid aggregate consideration of \$110.3 million in cash and issued approximately 20.8 million ACE Ordinary Shares.

The Company expects to continue evaluating potential new product lines and other opportunities in the insurance and reinsurance markets. In addition, the Company evaluates potential acquisitions of other companies and businesses and holds discussions with potential acquisition candidates. As a general rule, the Company publicly announces such acquisitions only after a definitive agreement has been reached.

September 11th, 2001 Tragedy

The terrorist attacks on September 11, 2001 ("the September 11th tragedy") resulted in the largest insured loss in history and had a substantial impact on the results of the Company. Detailed below is an analysis, by operating segment, of the impact of the September 11th tragedy on the Company's statement of operations for the three months and nine months ended September 30, 2001. The analysis of the impact of the September 11th tragedy includes the effects of intercompany reinsurance transactions. As noted, the Company's net income was reduced by \$559 million on an after tax basis. In estimating the impact of the tragedy on the Company, premium payments required to reinstate reinsurance policies have been accrued. Premiums from insureds required to reinstate their insurance or reinsurance coverage with the Company have not been accrued in the estimate. The premiums accrued in ACE Bermuda represent additional premiums due under the terms of certain financial solutions reinsurance programs directly impacted by the tragedy.

Impact of September 11, 2001 Tragedy
Three months and nine months ended September 30, 2001
(in millions of U.S. dollars)

	ACE Bermuda	ACE Global Markets	ACE Global Reinsurance	ACE USA	ACE Inter- national	ACE Consolidated
	-----	-----	-----	---	-----	-----
Operations Data:						
Gross premiums written	\$ 142	\$ (20)	\$ -	\$ -	\$ -	\$ 122
Net premiums written	139	(66)	2	(18)	(5)	52
Net premiums earned	100	(66)	3	(18)	(5)	14
Losses and loss expenses	342	140	122	28	18	650
Policy acquisition costs	-	-	1	-	-	1
	-----	-----	-----	-----	-----	-----
Underwriting income	(242)	(206)	(120)	(46)	(23)	(637)
Income tax benefit	-	(62)	-	(16)	-	(78)
	-----	-----	-----	-----	-----	-----
Net loss	\$ (242)	\$ (144)	\$ (120)	\$ (30)	\$ (23)	\$ (559)
	=====	=====	=====	=====	=====	=====

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION (cont'd.)**

Prior to the September 11th tragedy, the Company was operating in an environment where insurance and reinsurance rates were increasing. For the nine months ended September 30, 2001, gross and net premiums written have increased by 26 percent and 17 percent, respectively. As a result of the tragedy, the changes in the insurance and reinsurance industry have accelerated. Prices are increasing, available capacity has reduced, and coverage along with policy terms and conditions are changing. Changes in industry conditions will be discussed where relevant in the segment discussions.

In line with the industry, ACE is benefiting from price increases in most lines of business. In certain areas, at times, the Company is reducing the gross capacity it offers to insureds as reinsurance prices increase and available capacity reduces. The Company is also assessing the amount of gross and net capacity offered in lines of business where price increases have not been commensurate with its assessment of risk. However, the Company expects it will increase its net retention in other areas. In addition, the Company is assessing its exposure to terrorism related risks and, where considered necessary, has and will continue to take steps to reduce or eliminate these risks from its insurance portfolios.

Results of Operations - Three Months Ended September 30, 2001 and 2000

Net income (loss)	Three Months Ended September 30	
	2001	2000
	----	----
	(in millions of U.S. dollars)	
Income (loss) excluding net realized losses on investments	\$ (390)	\$ 151
Net realized losses on investments (net of income tax)	(52)	(10)
	-----	-----
Net income (loss)	\$ (442)	\$ 141
	=====	=====

The Company incurred a loss excluding net realized losses on investments of \$390 million for the quarter ended September 30, 2001 compared with income of \$151 million for the quarter ended September 30, 2000. This decrease is primarily due to losses incurred as a result of the September 11th tragedy, which adversely impacted the Company's earnings and reduced net income by \$559 million after tax. Excluding the impact of the September 11th tragedy, income excluding net realized losses on investments, would have been \$169 million for the current quarter, an increase of 12 percent compared with the same quarter last year.

Net realized losses on investments (net of income tax) were \$52 million for the quarter ended September 30, 2001, compared with net realized losses of \$10 million for the quarter ended September 30, 2000. The net realized losses were primarily the result of losses on financial futures and option contracts, certain "other" investments as well as FAS 133 fair value adjustments on derivatives.

As discussed later in this report, the Company implemented FAS 133 on January 1, 2001, which requires that all derivatives be recognized as either assets or liabilities in the consolidated balance sheet and measured at fair value. The change in fair value for the quarter ended September 30, 2001, as a result of FAS 133, was a pre-tax loss of \$29 million and is reflected in net realized gains (losses) on investments.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION (cont'd.)**

Premiums

	Three Months Ended September 30		Percentage Change From Prior Year
	2001 ----	2000 ----	
	(in millions of U.S. dollars)		
Gross premiums written:			
ACE Bermuda	\$ 321	\$ 200	61%
ACE Global Markets	220	239	(8)
ACE Global Reinsurance	102	31	233
ACE USA	1,308	975	34
ACE International	514	497	3
ACE Financial Services	37	58	(36)
	-----	-----	-----
Consolidated	\$ 2,502	\$ 2,000	25%
	=====	=====	=====
Net premiums written:			
ACE Bermuda	\$ 180	\$ 182	(1)%
ACE Global Markets	86	177	(51)
ACE Global Reinsurance	76	13	492
ACE USA	586	450	30
ACE International	342	325	5
ACE Financial Services	35	50	(31)
	-----	-----	-----
Consolidated	\$ 1,305	\$ 1,197	9%
	=====	=====	=====
Net premiums earned:			
ACE Bermuda	\$ 281	\$ 170	65%
ACE Global Markets	112	174	(35)
ACE Global Reinsurance	103	38	172
ACE USA	515	411	26
ACE International	344	339	1
ACE Financial Services	44	43	2
	-----	-----	-----
Consolidated	\$ 1,399	\$ 1,175	19%
	=====	=====	=====

For the quarter ended September 30, 2001, gross premiums written increased by \$502 million to \$2.5 billion compared with \$2 billion for the quarter ended September 30, 2000. Included in the increase are \$122 million of gross premiums written in connection with the September 11th tragedy. ACE Bermuda recorded \$142 million of gross premiums written on certain of its financial solutions reinsurance contracts related to the September 11th tragedy which was offset by return premiums of \$20 million recorded by ACE Global Markets. Excluding the impact of the September 11th tragedy, gross premiums written increased by \$381 million or 19 percent compared with the same quarter last year. New business opportunities in ACE Global Reinsurance, ACE International and ACE Financial Services, continued market improvements in the U.S. and the continued global recovery of insurance pricing resulted in the growth in gross premiums written again this quarter. Net premiums written as well as net premiums earned benefited from the same factors that led to the increase in gross premiums written. Net premiums written increased by \$108 million and net premiums earned increased by \$224 million compared with the same quarter last year. Excluding the impact of the September 11th tragedy, net premiums written would have increased by \$56 million or 5 percent and net premiums earned would have increased by \$210 million or 18 percent, compared with the quarter ended September 30, 2000.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION (cont'd.)**

ACE Bermuda: Gross premiums written for the quarter ended September 30, 2001, increased by \$121 million to \$321 million compared with the same quarter last year. This increase is primarily due to the September 11th tragedy, which resulted in additional premiums of \$142 million as previously explained. Excluding this event, the gross premiums written decreased by \$21 million to \$179 million compared to the quarter ended September 30, 2000. The financial solutions division, political risk and excess liability showed growth during the quarter which was offset by declines in business written by the aviation and satellite business. As disclosed in prior filings, the ACE Bermuda aviation business was moved to ACE Global Markets and a large part of the satellite business written by ACE Bermuda was moved to ACE USA. Excess liability and excess property had solid premium growth rates, even before the September 11th tragedy. Since that time the increase in rates has accelerated with increases in the region of 20 to 50 percent.

Net premiums written for the quarter ended September 30, 2001 decreased compared with the same quarter last year. Excluding the September 11th tragedy, net premiums written would have decreased by \$141 million or 77 percent, due to reinsurance ceded on the financial solutions program, the decline in aviation and satellite business and to a one-time professional lines contract written in 2000. The increase in net premiums earned of \$111 million is primarily attributable to the immediate earning of the additional premiums written with respect to the September 11th tragedy.

ACE Global Markets: Gross premiums written for the quarter ended September 30, 2001 decreased by \$19 million to \$220 million compared with the same quarter last year. Excluding the September 11th tragedy, gross premiums written would have been \$240 million for the current quarter compared with \$239 million for the same quarter last year. ACE Global Markets accelerated its reporting to a current basis from a quarter in arrears in the March 2000 quarter. On a comparable basis, excluding the impact of the September 11th tragedy, gross premiums written increased by 10 percent. The underlying increase is primarily the result of a continued hardening in the London market and to a lesser extent an increase in the Company's participation in the Lloyd's syndicate it manages. As a result of the September 11th losses, the focus at ACE Global Markets will be on aviation, marine, property, energy and financial institutions business. The Company believes that adequate reinsurance protection has been secured by ACE going forward to complement this strategy.

An immediate impact of the terrorist attacks was an increase in reinsurance costs for ACE Global Markets due to the resulting reinstatement premiums, which has reduced net premiums written and earned. Net premiums written and earned for the quarter decreased by \$91 million and \$62 million, respectively, compared with the same quarter last year, with \$66 million being attributable to the reinstatement premiums. The remainder of the decrease in net premiums written is the result of a combination of relatively static premium levels combined with a trend of increased reinsurance costs.

ACE Global Reinsurance: Gross premiums written for the quarter ended September 30, 2001, increased by \$71 million to \$102 million compared with the same quarter last year. As with the previous quarter, this significant increase is a reflection of the improved pricing in the international property catastrophe reinsurance marketplace, together with the continuing development of the life and U.S. property and casualty reinsurance businesses. The new life reinsurance business contributed \$32 million and the new U.S. property and casualty reinsurance business contributed \$17 million to gross premiums written this quarter. The improved property catastrophe reinsurance market conditions resulted in an increase of \$22 million compared to the third quarter of 2000. The U.S. property and casualty reinsurance unit has seen price increases of 25 to 50 percent following the September 11th tragedy.

Net premiums written for the quarter ended September 30, 2001, increased by \$63 million to \$76 million compared with the same quarter last year. This increase is primarily due to the new life reinsurance business and the higher property and casualty production levels experienced. Net premiums earned for the quarter ended September 30, 2001, increased by \$65 million to \$103 million compared with the same quarter last year. This increase is primarily due to higher production resulting from improved property and casualty market conditions experienced since the latter half of fiscal 2000 and growth in the new lines of business.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION (cont'd.)**

ACE USA: Gross premiums written for the quarter ended September 30, 2001, increased by \$333 million to \$1.3 billion compared with the same quarter last year. Most of the operating divisions achieved premium growth in the quarter, with the majority of the increase due to special risk facilities ("SRF"), Westchester Specialty, financial solutions and the property division. Market conditions continue to be very favorable in the U.S. and growth and price increases were especially strong in Westchester Specialty's property segment and in U.S. International business. Financial solutions generated a \$124 million increase in gross premiums written during the quarter. ACE USA's current expansion in professional risk is continuing to show growth primarily in the directors and officers liability and errors and omissions segments.

Net premiums written for the quarter ended September 30, 2001, increased by \$136 million to \$586 million in comparison to the same quarter last year. This increase, with the exception of SRF, mainly follows the increases in gross premiums written. Much of SRF's current quarter growth was in its more heavily ceded business segments resulting in somewhat flat net premiums written over the prior year quarter. Financial solutions accounted for \$113 million of the increase from the prior year. Excluding financial solutions, ACE USA's net premiums written increased by 5 percent over the same period last year and including financial solutions, net premiums written increased by 30 percent. Net premiums written and earned during the current quarter were reduced by \$18 million due to reinstatement premiums associated with the September 11th tragedy.

Net premiums earned for the quarter ended September 30, 2001, increased by \$104 million to \$515 million compared with the same quarter last year. Financial solutions accounted for much of the increase. Westchester Specialty, with new business and substantial price increases added \$23 million in earned premium over the prior year. These increases helped offset the impact from declines in the premium from several lines of business that are in run-off and had contributed to earned premiums in the prior year quarter. The run-off lines of business include forced placement mortgage and other unprofitable lines of business discontinued subsequent to the acquisition.

ACE International: Gross premiums written for the quarter ended September 30, 2001, increased by \$17 million to \$514 million compared with the same quarter last year. This increase is primarily due to an increase in the accident and health business, new business opportunities and price increases in Europe. The accident and health business contributed 25 percent of gross premiums written by ACE International during the current quarter. The continuing devaluation of the major currencies partially offset the increase described above.

Net premiums written for the quarter ended September 30, 2001, increased by \$17 million to \$342 million compared with the same quarter last year. The accident and health business contributed \$7 million of this increase. Net premiums earned for the quarter ended September 30, 2001, increased by \$5 million to \$344 million compared with the same quarter last year. The increases are due to the same influences described above for gross premiums written.

ACE Financial Services: Gross premiums written for the quarter ending September 30, 2001, decreased by \$21 million to \$37 million, compared with the same quarter last year. The decrease is attributable to a multi-year reinsurance program put in place during the quarter at ACE Guaranty Re. This decrease was partially offset by growth from new business in the life, accident and health line of business, which completed two transactions in the third quarter, as well as an increase in swap and structured finance business.

Net premiums written for the quarter ending September 30, 2001, decreased by \$15 million to \$35 million, compared with the same quarter last year. The decrease is attributable to a multi-year reinsurance program put in place during the quarter at ACE Guaranty Re. Net premiums earned for the quarter ending September 30, 2001, increased by \$1 million to \$44 million, compared with the same quarter last year. The growth is primarily due to an increase in premiums earned in the structured finance, non-municipal, credit and swap lines of business, which was offset by an increase in ceded earned premium from the ACE Bermuda retrocession.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION (cont'd.)**

Underwriting Results

The underwriting results of a property and casualty insurer are discussed frequently by reference to its combined ratio, loss and loss expense ratio and underwriting and administrative expense ratio. Each ratio is derived by dividing the relevant expense amounts by net premiums earned. The combined ratio is the sum of the loss and loss expense ratio and the underwriting and administrative expense ratio. A combined ratio under 100 percent indicates underwriting income and a combined ratio exceeding 100 percent indicates underwriting losses.

	Three Months Ended September 30	
	2001	2000
	----	----
Loss and loss expense ratio		
ACE Bermuda	170.2%	77.9%
ACE Global Markets	228.4	58.8
ACE Global Reinsurance	185.8	15.4
ACE USA	82.8	75.0
ACE International	67.1	60.7
ACE Financial Services	40.5	42.4
Consolidated	112.7%	65.8%
Underwriting and administrative expense ratio		
ACE Bermuda	6.0%	8.9%
ACE Global Markets	65.5	36.3
ACE Global Reinsurance	33.1	24.3
ACE USA	23.6	24.1
ACE International	39.2	37.8
ACE Financial Services	40.2	40.9
Consolidated	30.0%	29.4%
Combined Ratio		
ACE Bermuda	176.2%	86.8%
ACE Global Markets	293.9	95.1
ACE Global Reinsurance	218.9	39.7
ACE USA	106.4	99.1
ACE International	106.3	98.5
ACE Financial Services	80.7	83.3
Consolidated	142.7%	95.2%

The Company establishes reserves for unpaid losses and loss expenses, which are estimates of future payments of reported and unreported claims for losses and related expenses, with respect to insured events that have occurred. The process of establishing reserves for property and casualty claims continues to be a complex and imprecise process, requiring the use of informed estimates and judgments. The Company's estimates and judgments may be revised as additional experience and other data becomes available and are reviewed, as new or improved methodologies are developed or as current laws or regulations change. Any such revisions could result in future changes in estimates of losses or reinsurance recoverable, and would be reflected in the Company's results of operations in the period in which the estimates are changed.

In addition, catastrophe losses may have a significant effect on the insurance and reinsurance industry. ACE Global Reinsurance and other segments of the group have exposure to windstorm, hail, earthquake and other catastrophic events, all of which are managed using measures including underwriting controls, occurrence caps as well as modeling, monitoring and managing its accumulations of potential losses across the group. The Company uses its retrocessional programs to limit its net losses from catastrophes. However, property catastrophe loss experience is generally characterized as low frequency but high severity short-tail claims, which may result in volatility in financial results. The ratios presented above exclude the life reinsurance contracts written by the ACE Global Reinsurance segment as combined ratios are not an appropriate measure of life reinsurance business.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (cont'd.)

As previously discussed, the September 11th tragedy had a substantial impact on the Company's results and increased losses and loss expenses by \$650 million. As a result, the loss and loss expense ratio increased to 112.7 percent from 65.8 percent for the same quarter last year. Excluding the September 11th tragedy the loss and loss expense ratio would have been 65.9 percent.

ACE Bermuda: The loss and loss expense ratio increased to 170.2 percent for the quarter ended September 30, 2001, from 77.9 percent for the same quarter last year. The increase is the result of the September 11th tragedy. Excluding the tragedy, the ratio would have been 75.7 percent. The small decline from the prior year is due to the change in business mix.

ACE Global Markets: The loss and loss expense ratio increased to 228.4 percent for the quarter ended September 30, 2001, compared with 58.8 percent for the same quarter last year. Again, the increase is the result of the September 11th tragedy as well as additional losses incurred in the RGB syndicate that is in run-off. Excluding the September 11th tragedy and the RGB losses, the loss and loss expense ratio would have been 65.2 percent for the quarter ended September 30, 2001.

ACE Global Reinsurance: The loss and loss expense ratio, which excludes life reinsurance contracts, was 185.8 percent for the quarter ended September 30, 2001, compared with 15.4 percent for the same quarter last year. Excluding the September 11th tragedy, the loss and loss expense ratio would have been 12.8 percent for the current quarter, reflecting very little loss activity. There was no significant loss activity in the same quarter last year.

ACE USA: The loss and loss expense ratio increased to 82.8 percent for the quarter ended September 30, 2001, from 75 percent for the quarter ended September 30, 2000. This increase is related to the September 11th tragedy. Excluding this event, the loss and loss expense ratio would have been 74.7 percent for the current quarter.

ACE International: The loss and loss expense ratio for the quarter ended September 30, 2001, increased to 67.1 percent from 60.7 percent for the same quarter last year. Excluding the September 11th tragedy, the loss and loss expense ratio would have been 61 percent for the current quarter.

ACE Financial Services: The loss and loss expense ratio decreased to 40.5 percent for the quarter ended September 30, 2001, from 42.4 percent for the quarter ended September 30, 2000. The decrease is primarily due to lower incurred losses in the life, accident and health, trade credit and title lines.

Underwriting and Administrative Expense

Underwriting and administrative expenses are comprised of the amortization of deferred policy acquisition costs, which include commissions, premium taxes, underwriting and other costs that vary with and are primarily related to the production of premium, and administrative expenses which include all other operating costs. The underwriting and administrative expense ratio increased slightly to 30 percent for the quarter ended September 30, 2001, from 29.4 percent for the quarter ended September 30, 2000. The ratio excludes life reinsurance contracts written by the ACE Global Reinsurance segment as combined ratios are not an appropriate measure of life reinsurance business.

ACE Bermuda: The underwriting and administrative expense ratio decreased to 6 percent for the quarter ended September 30, 2001, from 8.9 percent for the quarter ended September 30, 2000. This decrease is primarily the result of an increase in premiums earned on certain financial solutions reinsurance programs, primarily resulting from the September 11th tragedy.

ACE Global Markets: The underwriting and administrative expense ratio increased to 65.5 percent for the quarter ended September 30, 2001, from 36.3 percent for the quarter ended September 30, 2000. Excluding the September 11th tragedy the ratio would have been 41.2 percent. The increase is due to higher policy acquisition costs on business assumed.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION (cont'd.)**

ACE Global Reinsurance: The underwriting and administrative expense ratio increased to 33.1 percent for the quarter ended September 30, 2001, from 24.3 percent for the quarter ended September 30, 2000. This increase is primarily the result of increased administrative costs incurred in the current quarter partially offset by a higher earned premium base.

ACE USA: The underwriting and administrative expense ratio decreased slightly to 23.6 percent for the current quarter, from 24.1 percent for the same quarter last year. The decline is primarily the result of consistent acquisition and general and administrative expense increases in relation to the increase in earned premiums. This decrease was offset by a reduction of the earned premium base due to the September 11th tragedy. Excluding the September 11th tragedy, the underwriting and administrative expense ratio for the current quarter would have been 22.8 percent.

ACE International: The underwriting and administrative expense ratio increased to 39.2 percent for the current quarter compared with 37.8 percent for the same quarter last year. This change is primarily the result of an increase in solicitation-related expenses on the accident and health business.

ACE Financial Services: The underwriting and administrative expense ratio decreased to 40.2 percent for the quarter ended September 30, 2001, from 40.9 percent for the quarter ended September 30, 2000. The decrease is due primarily to a greater portion of the business being from the structured finance, life, accident and health and swap lines, which typically have lower ceding commissions than the other lines of business.

Net Investment Income	Three Months Ended September 30		Percentage Change from Prior Year
	2001	2000	
	----	----	-----
	(in millions of U.S. dollars)		
ACE Bermuda	\$ 36	\$ 39	(8)%
ACE Global Markets	8	8	-
ACE Global Reinsurance	16	15	4
ACE USA	84	90	(6)
ACE International	21	25	(17)
ACE Financial Services	26	24	7
Other (1)	2	(3)	N.M.
	-----	-----	-----
Total net investment income	\$ 193	\$ 198	(2)%
	=====	=====	=====

(1) Includes ACE Limited, ACE INA Holdings and intercompany eliminations. N.M. not meaningful

Net investment income decreased by \$5 million to \$193 million for the quarter ended September 30, 2001, from \$198 million for the quarter ended September 30, 2000. The primary reason for this change was a declining interest rate environment and a higher cash position, held for liquidity purposes, which generated a lower yield than the invested assets.

ACE Bermuda: Net investment income decreased by \$3 million to \$36 million for the quarter ended September 30, 2001, compared with the quarter ended September 30, 2000. Although the asset base has increased compared with last year, investment income has decreased primarily due to declining interest rates.

ACE Global Markets: Net investment income was unchanged for the quarter ended September 30, 2001, compared with the quarter ended September 30, 2000. Additional income generated from increased syndicate participation was offset by declining interest rates.

ACE Global Reinsurance: Net investment income for the quarter ended September 30, 2001, increased slightly to \$16 million. This is primarily the result of increases in investable assets arising from positive operating cash flows.

ACE USA: Net investment income decreased by \$6 million to \$84 million for the quarter ended September 30, 2001, compared with the quarter ended September 30, 2000. This decline is primarily the result of a lower invested asset base in the current year due to the run-off of its discontinued operations.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION (cont'd.)**

ACE International: Net investment income decreased by \$4 million to \$21 million for the quarter ended September 30, 2001, compared with the quarter ended September 30, 2000. This decrease is primarily the result of foreign currency devaluations and lower investable assets.

ACE Financial Services: Net investment income increased by \$2 million to \$26 million for the quarter ended September 30, 2001, compared with the quarter ended September 30, 2000. The invested portfolio increased due to positive cash flows, but this was offset partially by declining interest rates during 2001.

Net Realized Gains (Losses) on Investments	Three Months Ended September 30	
	2001	2000
	----	----
	(in millions of U.S. dollars)	
Fixed maturities and short-term investments	\$ 12	\$(16)
Equity securities	9	7
Financial futures and option contracts	(26)	(2)
Other investments	(23)	(3)
FAS 133	(29)	-
Currency	(2)	1
	-----	-----
Total net realized losses on investments	\$ (59)	\$(13)
	=====	=====

The Company's investment strategy takes a long-term view and the portfolio is actively managed to maximize total return within certain specific guidelines, which minimize risk. The portfolio is reported at fair value. The effect of market movements on the investment portfolio will directly impact net realized gains (losses) on investments when securities are sold. Changes in unrealized gains and losses, which result from the revaluation of securities held, are reported as a separate component of accumulated other comprehensive income.

The Company uses foreign currency forward and option contracts to minimize the effect of fluctuating foreign currencies on the value of non-U.S. dollar holdings currently held in the portfolio not specifically targeted to match the currency of liabilities. The contracts used are not designated as specific hedges and therefore, realized and unrealized gains and losses recognized on these contracts are recorded as a component of net realized gains (losses) in the period in which the fluctuations occur, together with net foreign currency gains (losses) recognized when non-U.S. dollar securities are sold.

Sales proceeds for fixed maturity securities were generally higher than their amortized cost during the quarter. This resulted in net realized gains of \$12 million being recognized on fixed maturities and short-term investments for the quarter ended September 30, 2001.

Sales proceeds for equity securities were generally higher than their cost during the quarter. This resulted in net realized gains of \$9 million being recognized on equity investments for the quarter ended September 30, 2001, compared with net realized gains of \$7 million for the quarter ended September 30, 2000.

Certain of the Company's external managers of fixed income securities use fixed income futures contracts to manage duration exposure; losses of \$1 million were recognized on these for the quarter ended September 30, 2001. Net realized losses generated by the Company's equity index futures contracts amounted to \$25 million for the quarter ended September 30, 2001 and are a result of the decline in equity markets during the period. Total net realized losses attributable to the financial futures and option contracts for the quarter ended September 30, 2001, amounted to \$26 million, compared with net realized losses of \$2 million for the quarter ended September 30, 2000.

Other investments had a loss of \$23 million primarily because the Company wrote down the value of an investment by \$28 million during the current quarter.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION (cont'd.)**

The Company implemented FAS 133 on January 1, 2001, which requires that all derivatives be recognized as either assets or liabilities in the consolidated balance sheet and measured at fair value. The change in fair value for the quarter ended September 30, 2001, as a result of FAS 133, was a loss of \$29 million. The level of such gains and losses is dependent upon a number of factors including changes in interest rates, credit spreads and other market factors. The September 11th tragedy increased credit spreads resulting in losses for the quarter.

Other Expenses	Three Months Ended September 30		Percentage Change From Prior Year -----
	2001 ----	2000 ----	
	(in millions of U.S. dollars)		
Amortization of Goodwill	\$ 20 =====	\$ 20 =====	- =====
Interest expense	\$ 49 =====	\$ 55 =====	(11%) =====
Income tax expense (benefit)	\$ (76) =====	\$ 24 =====	N.M. =====
N.M. - Not Meaningful			

Interest expense decreased by \$6 million to \$49 million for the quarter ended September 30, 2001, from \$55 million for the quarter ended September 30, 2000. The decrease results from lower interest rates on both the short-term instruments and on the ACE INA RHINO preferred securities.

The Company recorded an income tax benefit of \$76 million for the quarter ended September 30, 2001 compared with an expense of \$24 million for the quarter ended September 30, 2000. This decrease was due primarily to the tax benefit of \$78 million generated as a result of the net loss incurred for the quarter.

Results of Operations - Nine Months Ended September 30, 2001 and 2000

Net income (loss)	Nine Months Ended September 30	
	2001 ----	2000 ----
	(in millions of U.S. dollars)	
Income (loss) excluding net realized gains (losses) on investments, non-recurring expenses and cumulative effect	\$ (111)	\$ 418
Non-recurring expenses (net of income tax)	(4)	-
Net realized gains (losses) on investments (net of income tax)	(55)	11
Cumulative effect of adopting a new accounting standard (net of income tax)	(23)	-
	-----	-----
Net income (loss)	\$ (193) =====	\$ 429 =====

The Company incurred a loss excluding net realized gains (losses) on investments, non-recurring expenses and the cumulative effect of adopting a new accounting standard of \$111 million for the nine months ended September 30, 2001, compared with income of \$418 million for the nine months ended September 30, 2000. This decrease is primarily due to the September 11th tragedy, which adversely impacted the Company's earnings and reduced net income by \$559 million after tax. Excluding the impact of the September 11th tragedy, income for the current nine month period excluding net realized gains (losses) on investments, non-recurring expenses and the cumulative effect of adopting a new accounting standard would have been \$448 million, an increase of 7 percent compared with the same period last year. The Company incurred non-recurring expenses of \$4 million (net of income tax) during the period relating to a contractual obligation due to a departing employee.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION (cont'd.)**

Net realized losses on investments (net of income tax) were \$55 million for the nine months ended September 30, 2001, compared with net realized gains of \$11 million for the nine months ended September 30, 2000. The net realized losses were primarily the result of losses on the financial futures and option contracts, certain "other" investments and FAS 133 fair value adjustments on derivatives. As discussed later in this report, the Company implemented FAS 133 on January 1, 2001, which requires that all derivatives be recognized as either assets or liabilities in the consolidated balance sheet and measured at fair value. The change in fair value for the nine months ended September 30, 2001, as a result of FAS 133, was a pre-tax loss of \$14 million and is reflected in net realized gains (losses) on investments.

Premiums	Nine Months Ended September 30		Percentage Change From Prior Year
	2001 ----	2000 ----	
	(in millions of U.S. dollars)		
Gross premiums written:			
ACE Bermuda	\$ 895	\$ 511	75%
ACE Global Markets	871	753	16
ACE Global Reinsurance	367	178	106
ACE USA	3,293	2,662	24
ACE International	1,726	1,554	11
ACE Financial Services	315	289	9
	-----	-----	-----
	\$ 7,467	\$ 5,947	26%
	=====	=====	=====
Net premiums written:			
ACE Bermuda	\$ 720	\$ 446	61%
ACE Global Markets	517	551	(6)
ACE Global Reinsurance	327	146	124
ACE USA	1,506	1,370	10
ACE International	1,134	1,080	5
ACE Financial Services	307	274	12
	-----	-----	-----
	\$ 4,511	\$ 3,867	17%
	=====	=====	=====
Net premiums earned:			
ACE Bermuda	\$ 782	\$ 356	120%
ACE Global Markets	459	455	1
ACE Global Reinsurance	248	96	158
ACE USA	1,335	1,256	6
ACE International	1,063	1,037	3
ACE Financial Services	267	247	8
	-----	-----	-----
	\$ 4,154	\$ 3,447	20%
	=====	=====	=====

Gross premiums written for the nine months ended September 30, 2001, increased by \$1.6 billion to \$7.5 billion compared with the nine months ended September 30, 2000. All of the operating segments experienced premium growth during the current period. The most significant areas of growth were in ACE Global Reinsurance, the financial solutions division at ACE Bermuda, and the specialty business units at ACE USA. Net premiums written increased by \$644 million to \$4.5 billion and net premiums earned increased by \$707 million to \$4.2 billion. As with gross premiums written, these increases were primarily due to new business opportunities, several financial solutions contracts written and fully earned in the period, and the price increases being experienced by most of the segments.

ACE Bermuda: Gross premiums written for the nine months ended September 30, 2001, increased by \$384 million to \$895 million compared with the nine months ended September 30, 2000. This increase is primarily due to growth in the financial solutions division of \$489 million, which includes three significant loss portfolio transfer ("LPT") contracts in the period totaling \$322 million. The increase was offset by the discontinuation of aviation and reduction in satellite business, which resulted in a reduction of gross premiums written of \$74 million.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION (cont'd.)**

Net premiums written for the nine months ended September 30, 2001, increased by \$274 million to \$720 million and net premiums earned for the nine months ended September 30, 2001, increased by \$426 million to \$782 million compared with the nine months ended September 30, 2000. These increases are primarily due to the items noted above. Financial solutions increased by \$371 million or 170 percent, of which \$322 million are LPT contracts, which are fully earned when written.

ACE Global Markets: Gross premiums written for the nine months ended September 30, 2001, increased by \$118 million to \$871 million, compared with the nine months ended September 30, 2000. This increase is primarily due to an increase in ACE's participation in Lloyd's syndicate 2488, as previously discussed, and higher premium levels for the 2001 year of account primarily due to price increases. In addition, in the March 2000 quarter, ACE Global Markets accelerated its reporting to a current basis from a quarter in arrears. On a comparable basis, gross and net premiums written increased by 35 percent and 17 percent, respectively.

Net premiums written for the nine months ended September 30, 2001, decreased by \$34 million to \$517 million compared with the nine months ended September 30, 2000. This decrease is primarily due to higher reinsurance costs incepting at the start of the year.

Net premiums earned for the nine months ended September 30, 2001, increased by \$4 million to \$459 million compared with the nine months ended September 30, 2000. This increase is again primarily due to an increase in ACE's participation in the Lloyd's syndicate under management.

ACE Global Reinsurance: Gross premiums written for the nine months ended September 30, 2001, increased by \$189 million to \$367 million compared with the nine months ended September 30, 2000. This increase is primarily due to new business from the life reinsurance division and higher property and casualty production arising from improved reinsurance market conditions.

Net premiums written for the nine months ended September 30, 2001, increased by \$181 million to \$327 million compared with the nine months ended September 30, 2000. As with gross premiums written, this increase is primarily due to the new life reinsurance business and higher property and casualty production levels experienced during 2001. Net premiums earned for the nine months ended September 30, 2001, increased by \$152 million to \$248 million compared with the nine months ended September 30, 2000. This increase is primarily due to the improved property and casualty reinsurance market conditions experienced since the third quarter of fiscal 2000 and growth in the new lines of business.

ACE USA: Gross premiums written for the nine months ended September 30, 2001, increased by \$631 million to \$3.3 billion compared with the nine months ended September 30, 2000. Most of the active divisions achieved year-over-year premium growth with SRF, Westchester Specialty, property, professional risk and USI casualty generating much of the USA growth.

Net premiums written for the nine months ended September 30, 2001, increased by \$136 million to \$1.5 billion compared with the nine months ended September 30, 2000. With the exception of SRF the increases are consistent with the increases in gross premiums. SRF's net premiums written was slightly lower than the prior year reflecting a current year shift of business mix into lower retention accounts.

Net premiums earned for the nine months ended September 30, 2001, increased by \$79 million to \$1.3 billion compared with the nine months ended September 30, 2000. The growth was attributable to Westchester Specialty with \$64 million of the \$79 million growth in the year-over-year period. Reinsurance reinstatement premium expense related to the September 11th tragedy reduced ACE USA net premiums written and earned by \$18 million.

ACE International: Gross premiums written for the nine months ended September 30, 2001, increased by \$172 million to \$1.7 billion compared with the nine months ended September 30, 2000. This increase is primarily due to new inward programs in Europe and Latin America, rate increases in Asia Pacific and Europe and new business opportunities in Europe and Canada.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION (cont'd.)**

Net premiums written for the nine months ended September 30, 2001, increased by \$54 million to \$1.1 billion compared with the nine months ended September 30, 2000. Net premiums earned for the nine months ended September 30, 2001, increased by \$26 million to \$1 billion compared with the nine months ended September 30, 2000. These increases are primarily due to rate increases in Asia Pacific and Europe and new business opportunities in Europe and Canada.

ACE Financial Services: Gross premiums written for the nine months ended September 30, 2001, increased by \$26 million to \$315 million compared with the nine months ended September 30, 2000. This increase can be attributed to a large auto residual value reinsurance contract written in 2001 as well as growth in the swap and structured finance lines of business, offset by a decrease in life, accident and health line of business.

Net premiums written for the nine months ended September 30, 2001, increased by \$33 million to \$307 million compared with the nine months ended September 30, 2000. The increase is due to the growth in the lines of business discussed above.

Net premiums earned for the nine months ended September 30, 2001, increased by \$20 million to \$267 million compared with the nine months ended September 30, 2000. This increase is primarily due to the auto residual value reinsurance contract, offset by a decrease in the life, accident and health line of business.

Underwriting Results

	Nine Months Ended September 30	
	2001	2000
	----	----
Loss and loss expense ratio		
ACE Bermuda	119.4%	74.4%
ACE Global Markets	99.2	56.8
ACE Global Reinsurance	101.1	18.2
ACE USA	75.7	74.8
ACE International	63.4	59.2
ACE Financial Services	70.0	66.0
Consolidated	84.3%	65.5%
Underwriting and administrative expense ratio		
ACE Bermuda	5.6%	10.4%
ACE Global Markets	46.0	38.2
ACE Global Reinsurance	28.0	26.8
ACE USA	25.8	24.4
ACE International	36.0	37.1
ACE Financial Services	21.6	25.2
Consolidated	28.2%	30.1%
Combined Ratio		
ACE Bermuda	125.0%	84.8%
ACE Global Markets	145.2	95.0
ACE Global Reinsurance	129.1	45.0
ACE USA	101.5	99.2
ACE International	99.4	96.3
ACE Financial Services	91.6	91.2
Consolidated	112.5%	95.6%

The Company's loss and loss expense ratio increased to 84.3 percent for the nine months ended September 30, 2001, from 65.5 percent for the same period last year. The September 11th tragedy increased net loss and loss expenses by \$650 million. Excluding the September 11th tragedy, the Company's loss and loss expense ratio would have been 69 percent. The financial solutions contracts written and earned in the quarter also influenced the loss and loss expense ratio, as these contracts are generally recorded at loss ratios close to 100 percent.

ACE Bermuda: The loss and loss expense ratio increased to 119.4 percent for the nine months ended September 30, 2001, from 74.4 percent for the nine months ended September 30, 2000. This increase is primarily the result of the September 11th tragedy and several financial solutions policies with loss ratios close to 100 percent.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION (cont'd.)**

ACE Global Markets: The loss and loss expense ratio increased to 99.2 percent for the nine months ended September 30, 2001, from 56.8 percent for the nine months ended September 30, 2000. Excluding the September 11th tragedy the ratio would have been 60 percent. The remaining increase is primarily the result of the additional losses incurred in the RGB syndicate which is in run-off and a change in the mix of business across the years of account.

ACE Global Reinsurance: The loss and loss expense ratio increased to 101.1 percent for the nine months ended September 30, 2001, from 18.2 percent for the nine months ended September 30, 2000. The 2001 loss ratio excludes the life policyholder benefits of \$58.5 million, as combined ratios are not an appropriate measure of life reinsurance business. The increase is primarily the result of the September 11th tragedy and catastrophe losses in the second quarter. Excluding the impact of the tragedy and life reinsurance contracts, the loss and loss expense ratio would have been 35.6 percent.

ACE USA: The loss and loss expense ratio increased to 75.7 percent for the nine months ended September 30, 2001, from 74.8 percent for the nine months ended September 30, 2000. This increase is primarily related to the September 11th tragedy. Excluding the tragedy, the loss and loss expense ratio would have been 72.7 percent. This decrease is primarily due to the lower proportion of financial solutions business written in the current period compared with the prior year. Excluding financial solutions in both the current period and the same period last year, the loss and loss expense ratio would have been 70.9 percent and 69.9 percent, respectively.

ACE International: The loss and loss expense ratio increased to 63.4 percent for the nine months ended September 30, 2001, from 59.2 percent for the nine months ended September 30, 2000. This increase is primarily the result of the September 11th tragedy and additional losses incurred in the UK property and casualty book as noted last quarter.

ACE Financial Services: The loss and loss expense ratio increased to 70 percent for the nine months ended September 30, 2001 from 66 percent for the nine months ended September 30, 2000. The increase in the loss and loss expense ratio can be attributed to a change in the mix of business earned in 2001 compared with 2000.

Underwriting and Administrative Expenses

Total underwriting and administrative expenses increased from \$1 billion for the nine months ended September 2000 to \$1.2 billion for the nine months ended September 2001 primarily due to higher acquisition costs and increased operating expenses. Despite the increase in acquisition costs and higher administrative expenses, the underwriting and administrative expense ratio decreased from 30.1 percent to 28.2 percent primarily due to higher earned premiums in all segments.

ACE Bermuda: The underwriting and administrative expense ratio decreased to 5.6 percent for the nine months ended September 30, 2001, from 10.4 percent for the nine months ended September 30, 2000. This decrease is primarily the result of increased net premiums earned on certain financial solutions reinsurance contracts including those resulting from the September 11th tragedy. Since most financial solutions contracts do not incur acquisition costs, the acquisition cost ratio will fluctuate depending on the level of financial solutions business earned in the quarter. In addition, as the administrative cost base is generally fixed, the administrative expense ratio will decline as net premiums earned increase.

ACE Global Markets: The underwriting and administrative expense ratio increased to 46 percent for the nine months ended September 30, 2001, from 38.2 percent for the nine months ended September 30, 2000. This increase is primarily due to a higher acquisition cost ratio, as a result of the increased earned reinsurance costs from reinstatement premiums from the September 11th tragedy lowering net premiums earned. In addition, the administrative expense base increased for the current year due to a non-recurring contractual obligation to a departing employee.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION (cont'd.)**

ACE Global Reinsurance: The underwriting and administrative expense ratio increased to 28 percent for the nine months ended September 30, 2001, from 26.8 percent for the nine months ended September 30, 2000. This increase is primarily the result of increased administrative expense during the quarter ended September 30, 2001 offset by higher earned premiums.

ACE USA: The underwriting and administrative expense ratio increased to 25.8 percent for the nine months ended September 30, 2001, from 24.4 percent for the nine months ended September 30, 2000. This increase is primarily the result of higher administrative expenses and acquisition costs in 2001.

ACE International: The underwriting and administrative expense ratio decreased from 37.1 percent to 36 percent for the nine months ended September 30, 2001. This decrease is primarily the result of higher net premiums earned in 2001 primarily due to the creation of its consumer solutions division.

ACE Financial Services: The underwriting and administrative expense ratio decreased to 21.6 percent for the nine months ended September 30, 2001, from 25.2 percent for the nine months ended September 30, 2000. The decrease is due primarily to a greater portion of business being from the structured finance, life, accident and health and swap lines, which typically have a much lower or no associated acquisition costs.

Net Investment Income	Nine Months Ended		Percentage Change From Prior Year
	September 30		
	2001	2000	
	----	----	-----
	(in millions of U.S. dollars)		
ACE Bermuda	\$ 114	\$ 111	2%
ACE Global Markets	29	23	22
ACE Global Reinsurance	48	45	6
ACE USA	256	252	2
ACE International	64	69	(7)
ACE Financial Services	76	71	7
Other (1)	7	(9)	N.M.
	-----	-----	-----
Total investment income	\$ 594	\$ 562	6%
	=====	=====	=====

(1) Includes ACE Limited, ACE INA Holdings and intercompany eliminations N.M.- Not Meaningful

Net investment income increased by \$32 million for the nine months ended September 30, 2001, compared with the nine months ended September 30, 2000. The reasons for the increase were an increase in the asset base resulting from the proceeds from a public share offering in September 2000, positive operating cash flows and the reclassification of CIS. The increase in invested assets was offset by declining interest rates during 2001.

ACE Bermuda: Net investment income increased by \$3 million to \$114 million for the nine months ended September 30, 2001, compared with the nine months ended September 30, 2000. This is primarily the result of a larger asset base in the current year compared to the prior year, offset by a decline in investment yields.

ACE Global Markets: Net investment income increased by \$6 million to \$29 million for the nine months ended September 30, 2001, compared with the nine months ended September 30, 2000. This is primarily the result of ACE's increased participation in the syndicate managed by ACE Global Markets and to a lesser extent modest increases in the level of investable assets.

ACE Global Reinsurance: Net investment income increased by \$3 million to \$48 million for the nine months ended September 30, 2001, compared with the nine months ended September 30, 2000. The additional assets arising from positive cash flows was offset by dividends paid to ACE Limited.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION (cont'd.)**

ACE USA: Net investment income increased by \$4 million to \$256 million for the nine months ended September 30, 2001, compared with the nine months ended September 30, 2000. This increase is primarily due to the presentation of the CIS activity in investment income in 2001. Prior to July 2, 2000, CIS was presented as a discontinued operation. As of July 2, 2000, the CIS operations had not been sold and its activity was re-consolidated into the Company's operations.

ACE International: Net investment income decreased by \$5 million to \$64 million for the nine months ended September 30, 2001, compared with the nine months ended September 30, 2000. This decrease is primarily the result of foreign currency devaluation and lower yields.

ACE Financial Services: Net investment income increased by \$5 million to \$76 million for the nine months ended September 30, 2001, compared with the nine months ended September 30, 2000. An increase in invested assets was offset by declining interest rates during 2001.

Net Realized Gains (Losses) on Investments	Nine Months Ended September 30	
	2001	2000
	----	----
	(in millions of U.S. dollars)	
Fixed maturities and short-term investments	\$ 1	\$ (74)
Equity securities	33	100
Financial futures and option contracts	(44)	(10)
Other investments	(33)	4
FAS 133	(14)	-
Currency	(6)	(6)
	-----	-----
Net realized gains (losses) on investments	\$ (63)	\$ 14
	=====	=====

Sales proceeds for fixed maturity securities were generally higher than their amortized cost during the nine months ended September 30, 2001. This resulted in net realized gains of \$1 million being recognized on fixed maturities and short-term investments compared with net realized losses of \$74 million for the nine months ended September 30, 2000.

Sales proceeds for equity securities were generally higher than their cost during the nine months ended September 30, 2001, resulting in net realized gains of \$33 million being recognized for the period, compared with \$100 million for the nine months ended September 30, 2000.

Certain of the Company's external managers of fixed income securities use fixed income futures contracts to manage duration exposure, and losses of \$4 million were recognized on these for the nine months ended September 30, 2001. Net realized losses generated by the Company's equity index futures contracts amounted to \$40 million for the nine months ended September 30, 2001 and are a result of the decline in equity markets during the quarter ended September 30, 2001. Total net realized losses attributable to the financial futures and option contracts amounted to \$44 million for the nine months ended September 30, 2001, compared with net realized losses of \$10 million for the nine months ended September 30, 2000.

Other investments had a loss of \$33 million primarily because the Company wrote down the value of an investment by \$28 million during the current quarter.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION (cont'd.)**

The Company implemented FAS 133 on January 1, 2001, which requires that all derivatives be recognized as either assets or liabilities in the consolidated balance sheet and measured at fair value. The change in fair value for the nine months ended September 30, 2001, as a result of FAS 133, was a loss of \$14 million. The level of such gains and losses is dependent upon a number of factors including changes in interest rates, credit spreads and other market factors. The September 11th tragedy increased credit spreads resulting in losses for the nine months ended September 30, 2001.

Other Expenses	Nine Months Ended September 30		Percentage Change
	2001	2000	From Prior Year
	----	----	-----
	(in millions of U.S. dollars)		
Amortization of Goodwill	\$ 60	\$ 59	1%
	=====	=====	=====
Interest expense	\$ 153	\$ 167	(8%)
	=====	=====	=====
Income tax expense (benefit)	\$ (31)	\$ 74	N.M.
	=====	=====	=====
N.M.- not meaningful			

Interest expense for the nine months ended September 30, 2001 decreased by \$14 million compared with the same period last year. The decrease results from lower interest rates on both the short-term debt instruments and the ACE INA RHINO preferred securities.

The Company recorded an income tax benefit of \$31 million for the nine months ended September 30, 2001, compared with an expense of \$74 million for the same period last year. This decrease was due primarily to the tax benefit of \$78 million realized during the current quarter on the net loss incurred from the September 11th tragedy and the tax benefit realized on the incurred losses in the RGB syndicate that is in run-off.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION (cont'd.)**

CONSOLIDATED FINANCIAL POSITION

At September 30, 2001, total assets were \$34.9 billion compared with \$31.7 billion at December 31, 2000, an increase of \$3.2 billion. This increase is primarily due to an increase of \$830 million on investments and cash and an increase of \$1.7 billion on reinsurance recoverables. In addition, insurance and reinsurance balances receivable and prepaid reinsurance premiums increased by \$361 million and \$376 million, respectively, as a result of insurance business transacted.

At September 30, 2001, total investments and cash amounted to \$14.6 billion compared with \$13.8 billion at December 31, 2000. The increase of \$830 million is primarily due to positive cash flows from operations resulting from strong premium volume and positive market movements. These items were partially offset by dividend payments of \$114 million and share repurchases of \$179 million.

The Company maintains reserves for the estimated unpaid ultimate liability for losses and loss expenses under the terms of its policies and agreements. The reserve for unpaid losses and loss expenses was \$19.9 billion at September 30, 2001, compared with \$17.4 billion at December 31, 2000, and includes \$11.7 billion of case and loss expense reserves. Gross loss reserves increased by \$2.5 billion during the period, primarily due to the \$1.9 billion of gross losses incurred during the September 2001 quarter with respect to the September 11th tragedy. While the Company believes that its reserve for unpaid losses and loss expenses at September 30, 2001, is adequate, future developments may result in ultimate losses and loss expenses significantly greater or less than the reserve provided.

One of the ways the Company manages its loss exposure is through the use of reinsurance. While reinsurance arrangements are designed to limit losses from large exposures and to permit recovery of a portion of direct losses, reinsurance does not relieve the Company of its liability to its insureds. Accordingly, the Company's loss reserves represent total gross losses, and reinsurance recoverable represents anticipated recoveries of a portion of those losses as well as amounts recoverable from reinsurers with respect to claims which have already been paid by the Company. Due to the magnitude of the losses and the related recoveries arising from the September 11th tragedy, the Company conducted a review of its insurance and reinsurance portfolios on a policy by policy basis. Gross insured claims incurred by ACE with respect to the September 11th tragedy are covered by significant amounts of reinsurance from high quality reinsurers. Reinsurance recoverables increased by \$1.7 billion during the period, primarily due to the \$1.3 billion of reinsurance recoverables accrued during the quarter ended September 30, 2001 with respect to the September 11th tragedy. Approximately 98 percent of all reinsurance purchased by ACE is with reinsurers rated A- or better, including 38 percent with reinsurers rated AAA- and 33 percent with reinsurers rated AA-, as rated by Standard & Poor's. The allowance for unrecoverable reinsurance is required principally due to the failure of reinsurers to indemnify the Company, primarily because of disputes under reinsurance contracts and insolvencies. Reinsurance disputes continue to be significant, particularly on larger and more complex claims, such as those related to asbestos and environmental pollution (discussed in more detail below) and London reinsurance market exposures. Allowances have been established for amounts estimated to be uncollectible. The Company's reinsurance recoverable was approximately \$10.7 billion at September 30, 2001, and \$9.0 billion at December 31, 2000, net of allowances for unrecoverable reinsurance of \$736 million and \$710 million, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (cont'd.)

Included in the Company's liabilities for losses and loss expenses are liabilities for asbestos, environmental damage and latent injury claims and expenses. These claims are principally related to claims arising from remediation costs associated with hazardous waste sites and bodily injury claims related to asbestos products and environmental hazards. The Company has considered asbestos and environmental claims and claims expenses in establishing the liability for unpaid losses and loss expenses. The Company has developed reserving methods, which incorporate new sources of data with historical experience to estimate the ultimate losses arising from asbestos and environmental exposures. The reserves for asbestos and environmental claims and claims expenses represent management's best estimate of future loss and loss expense payments and recoveries which are expected to develop over the next several decades. The Company continuously monitors evolving case law and its effect on environmental damage and latent injury claims. While reserving for these claims is inherently uncertain, the Company believes that the reserves carried for these claims are adequate based on known facts and current law.

The Company's short-term debt at September 30, 2001 was \$451 million, an increase of \$87 million from the balance at December 31, 2000. The Company has taken advantage of relatively low interest rates to use short-term debt instruments to settle certain claims and other liabilities rather than liquidating investments. The Company's long-term debt, including trust preferred securities remained unchanged from December 31, 2000.

Fully diluted book value per share was \$22.10 at September 30, 2001, compared with \$23.25 at December 31, 2000, reflecting a decrease in shareholders' equity during the period.

LIQUIDITY AND CAPITAL RESOURCES

As a holding company, ACE's assets consist primarily of the stock of its subsidiaries as well as other investments. In addition to investment income, its cash flows currently depend primarily on dividends or other statutorily permissible payments from its Bermuda-based operating subsidiaries (the "Bermuda subsidiaries"). There are currently no legal restrictions on the payment of dividends from retained earnings by the Bermuda subsidiaries, as the minimum statutory capital and surplus requirements are satisfied by the share capital and additional paid-in capital of each of the Bermuda subsidiaries. However, the payment of dividends or other statutorily permissible distributions by the Bermuda subsidiaries is subject to the need to maintain shareholders' equity at a level adequate to support the level of insurance and reinsurance operations. During the nine months ended September 30, 2001, dividends of \$105 million and \$154 million were declared by ACE Tempest Life Re and ACE Bermuda, respectively.

The payment of any dividends from ACE Global Markets or its subsidiaries would be subject to applicable United Kingdom insurance law including those promulgated by the Society of Lloyd's. No dividends were received from ACE Global Markets during the nine months ended September 30, 2001, and the Company does not anticipate receiving dividends from ACE Global Markets during the remainder of 2001.

ACE INA has issued debt to provide partial financing for the ACE INA Acquisition and for other operating needs. Cash flow requirements to service this debt are expected to be met primarily by upstreaming dividend payments from ACE INA's insurance subsidiaries. ACE INA Holdings received dividends of \$16 million from its subsidiaries during the nine months ended September 30, 2001. Under various U.S. insurance laws to which ACE INA's U.S. insurance subsidiaries are subject, ACE INA's U.S. insurance subsidiaries may pay a dividend only from earned surplus subject to the maintenance of a minimum capital requirement, without prior regulatory approval. ACE INA's international subsidiaries are also subject to various insurance laws and regulations in the countries in which they operate. These regulations include restrictions that limit the amount of dividends that can be paid without prior approval of the insurance regulatory authorities. No dividends have been received by ACE Limited from ACE INA during the nine months ended September 30, 2001, and the Company does not anticipate receiving dividends from ACE INA during the remainder of 2001.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION (cont'd.)**

ACE Financial Services' U.S. insurance subsidiaries are also subject to various U.S. insurance laws under which subsidiaries may pay a dividend only from earned surplus subject to the maintenance of a minimum capital requirement, without prior regulatory approval. No dividends have been received from ACE Financial Services during the nine months ended September 30, 2001, and the Company does not anticipate receiving dividends from ACE Financial Services during the remainder of 2001.

The Company's consolidated sources of funds consist primarily of net premiums written, investment income, and proceeds from sales and maturities of investments. Funds are used primarily to pay claims, operating expenses and dividends and for the purchase of investments.

The Company's insurance and reinsurance operations provide liquidity in that premiums are normally received substantially in advance of the time claims are paid. The Company's consolidated net cash flow from operating activities was \$961 million for the nine months ended September 30, 2001, compared with \$(375) million for the nine months ended September 30, 2000. The positive operating cash flows were generated from strong premium volume during the current year. Generally cash flows are affected by claim payments which, due to the nature of the Company's operations, may comprise large loss payments on a limited number of claims and therefore can fluctuate significantly from year to year. The irregular timing of these loss payments, for which the source of cash can be from operations, available net credit facilities or routine sales of investments, can create significant variations in cash flows from operations between periods. The Company believes that it has sufficient liquidity to meet its anticipated cash flow obligations from the September 11th tragedy. Although the Company's ongoing operations continue to generate positive cash flows from operations, the Company's cash flows are currently impacted by a large book of loss reserves from businesses in run-off. The run-off operations generated negative cash flows of \$516 million and \$599 million for the nine months ended September 30, 2001 and 2000, respectively, primarily due to claim payments. The run-off book of business continues to require cash to meet its liabilities and cash flows are very dependent on the timing of claim settlements. Net loss and loss expense payments amounted to \$2.8 billion for both the nine months ended September 30, 2001, and the nine months ended September 30, 2000.

On October 25, 2001, the Company completed a public offering of 32,890,000 Ordinary Shares (which included the over-allotment option of 4,290,000 shares) in which it raised aggregate net proceeds of approximately \$1.1 billion. The Company expects to use the net proceeds of the Ordinary Share offering to expand its net underwriting capacity, either through internal growth and/or through acquisitions of lines of business or companies and for general corporate purposes.

The Board of Directors, on November 17, 2000, authorized the repurchase of any ACE issued debt or capital securities including ACE's Ordinary Shares, up to an aggregate total of \$250 million. During the nine months ended September 30, 2001, the Company repurchased and cancelled 6,760,900 Ordinary Shares under the program for an aggregate cost of \$179.4 million. Approximately \$71 million of the Board authorization has not been utilized.

On January 12, 2001, and April 13, 2001, the Company paid dividends of 13 cents per share to shareholders of record on December 29, 2000, and March 30, 2001, respectively. On July 13, 2001 and October 12, 2001, the Company paid dividends of 15 cents per share to shareholders of record on July 29, 2001 and September 28, 2001 respectively. The declaration and payment of future dividends is at the discretion of the Board of Directors and will be dependent upon the profits and financial requirements of the Company and other factors, including legal restrictions on the payment of dividends and such other factors as the Board of Directors deems relevant.

In April 2001, the Company renewed its \$800 million, 364-day revolving credit facility. This facility, together with the Company's \$250 million, five-year revolving credit facility, which was last renewed in May 2000, is available for general corporate purposes and each of the facilities may also be used as commercial paper back-up facilities. The five-year facility also permits the issuance of letters of credit. Under these facilities the Company and various subsidiaries are named borrowers and guarantors. Each facility requires that the Company and/or certain of its subsidiaries maintain specific covenants, including a consolidated tangible net worth covenant and a maximum leverage covenant.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (cont'd.)

In June 1999, the Company arranged certain commercial paper programs. The programs use revolving credit facilities as back-up facilities and provide for up to \$2.8 billion in commercial paper issuance (subject to the availability of back-up facilities, which currently total \$1.05 billion) for ACE and for ACE INA. At September 30, 2001, short-term debt consisted of \$268 million of commercial paper issued by ACE INA, \$25 million in bank borrowings by ACE Financial Services and \$158 million in bank borrowings by ACE INA. Following the September 11th tragedy, ACE INA's ability to access the commercial paper markets was disrupted, partly because certain of the Company's debt ratings were placed on "negative watch". As a result, ACE INA replaced commercial paper that matured between September 11, 2001 and September 30, 2001, with borrowings of \$158 million under the \$800 million 364-day revolving credit facility at a rate of 3.8 percent. Commercial paper rates during the quarter ended September 30, 2001, averaged 4.0 percent and 6.1 percent during the nine months ended September 30, 2001. With the exception of the Standard and Poors rating, the "negative watch" on the Company's debt ratings have now been lifted.

The Company continues to have access to substantial liquidity resources. In addition to its cash and investment portfolios of \$14.6 billion, the Company has approximately \$650 million available under its existing credit facilities. In addition, subsequent to September 30, 2001, the Company has entered into repurchase agreements to replace the \$182 million of commercial paper that has matured since September 30, 2001. Under these repurchase agreements, the Company agrees to sell securities and repurchase them at a date in the future for a predetermined price, thereby creating liquidity for the Company. To date, the agreements entered into have ranged from overnight to 30 days, at rates that approximate the Federal Funds rate at the time of the transaction.

Both internal and external forces influence the Company's financial condition, results of operations and cash flows. Claim settlements, premium levels and investment returns may be impacted by changing rates of inflation and other economic conditions. In many cases, significant periods of time, ranging up to several years or more, may lapse between the occurrence of an insured loss, the reporting of the loss to the Company and the settlement of the Company's liability for that loss. The Company believes that its cash balances, cash flow from operations, routine sales of investments and the liquidity provided by its credit facilities are adequate to meet the Company's expected cash requirements.

NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("FAS 142"). FAS 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition. As required, the Company will adopt FAS 142 on January 1, 2002 and will cease amortizing goodwill at that time. All goodwill recognized in the Company's consolidated balance sheet at January 1, 2002 will be assigned to one or more reporting units. Goodwill in each reporting unit should be tested for impairment by June 30, 2002. An impairment loss recognized as a result of a transitional impairment test of goodwill should be reported as the cumulative effect of a change in accounting principle. The Company does not expect any impairment in goodwill to arise from testing during initial adoption.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION (cont'd.)**

CUMULATIVE EFFECT OF ADOPTING A NEW ACCOUNTING STANDARD

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133"). FAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the consolidated balance sheet and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as a fair value, cash flow or foreign currency hedge. The accounting for changes in the fair value of a derivative (that is, gains and losses) depends on the intended use of the derivative and the resulting designation. Upon initial application of FAS 133, hedging relationships must be designated anew and documented pursuant to the provisions of this statement. The Company adopted FAS 133, as amended, as of January 1, 2001.

The Company maintains investments in derivative instruments such as futures, option contracts and foreign currency forward contracts of which the primary purposes are to manage duration and foreign currency exposure, yield enhancement or to obtain an exposure to a particular financial market. The Company has historically recorded the changes in market value of these instruments as realized gains (losses) in the consolidated statement of operations and, accordingly, has estimated that FAS 133, as amended, is not expected to have a significant impact on the results of operations, financial condition or liquidity in future periods as it relates to these instruments.

Certain products (principally credit protection oriented) issued by the Company have been determined to meet the definition of a derivative under FAS 133. These products consist primarily of credit default swaps, index-based instruments and certain financial guarantee coverages. Effective January 1, 2001, the Company records these products at their fair value.

To reflect the adoption of FAS 133 on January 1, 2001, the Company recorded an expense related to the cumulative effect of adopting a new accounting standard of \$23 million, net of income tax of \$12 million. The Company has recorded in net realized gains (losses) on investments, a pretax loss of \$14 million to reflect the change in the fair value of derivatives for the nine months ended September 30, 2001. The level of such gains and losses is dependent upon a number of factors including changes in interest rates, credit spreads and other market factors. The Company's involvement with derivative instruments and transactions is primarily to offer protection to others or to mitigate its own risk and is not considered speculative in nature.

PART II - OTHER INFORMATION

ITEM 5. OTHER INFORMATION

1. On November 5, 2001, the company announced the appointment of Evan Greenberg, as Vice Chairman of ACE Limited and President and CEO of ACE Tempest Life Re. Evan Greenberg was most recently president and chief operating officer of AIG, a position he held from 1997 until 2000. Mr. Greenberg replaces John Engestrom, who will be retiring, as President and CEO of ACE Tempest Life Re.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

1. Exhibits
 - 10.1 The ACE Limited Supplemental Retirement Plan
 - 10.2 Reimbursement Agreement dated August 24, 2001 among ACE Limited, certain subsidiaries, various lenders and First Union National Bank.
 - 10.3 Second Amendment dated as of October 23, 2001, amending the Amended and Restated 364-day Credit Agreement dated as of May 8, 2000, as amended as of October 23, 2000 and amended and restated as of April 6, 2001 among ACE Limited, certain subsidiaries, various lenders and Morgan Guaranty Trust Company of New York.
 - 10.4 Second Amendment dated as of October 23, 2001, amending the Amended and Restated Five Year Credit Agreement dated as of May 8, 2000, and as amended as of October 23, 2000 among ACE Limited, certain subsidiaries, various lenders and Morgan Guaranty Trust Company of New York.
 - 10.5 Amendment dated as of October 23, 2001, relating to a letter of credit facility agreement dated as of November 19, 1999 and amended November 17, 2000 among ACE Limited, ACE Bermuda Insurance Ltd., Citibank, N.A. as arranger, Barclays Bank plc and ING Barings, as co-security arrangers and Citibank International plc, as agent and trustee and certain financial institutions.
 - 10.6 First Amendment dated as of October 23, 2001 amending the Reimbursement Agreement dated as of August 24, 2001 among ACE Limited, certain subsidiaries, various lenders and First Union National Bank.
2. Reports on Form 8-K

The Company filed a Form 8-K current report (date of earliest event reported: September 12, 2001) pertaining to the estimated impact of the September 11, 2001 tragedy on its September 30, 2001, net operating income.

The Company filed a Form 8-K current report (date of earliest event reported: September 24, 2001) pertaining to the updating of the estimated impact of the September 11, 2001 tragedy on its September 30, 2001, net operating income.

The Company filed a Form 8-K current report (date of earliest event reported: October 25, 2001) pertaining to the announcing of its September 30, 2001, earnings highlights.

The Company filed a Form 8-K current report (date of earliest event reported: October 24, 2001) pertaining to ACE Limited's commencement of a public offering of its Ordinary Shares.

The Company filed a Form 8-K current report (date of earliest event reported: October 30, 2001) pertaining to the announcing of its September 30, 2001, earnings.

SIGNATURES

Pursuant to the requirements 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.

ACE LIMITED

November 14, 2001

/s/ Brian Duperreault

*Brian Duperreault
Chairman and Chief
Executive Officer*

November 14, 2001

/s/ Robert A. Blee

*Robert A. Blee
Chief Accounting Officer*

EXHIBIT INDEX

Exhibit Number -----	Description -----	Numbered Page -----
1.	Exhibits	
10.1	The ACE Limited Supplemental Retirement Plan	
10.2	Reimbursement Agreement dated August 24, 2001 among ACE Limited, certain subsidiaries, various lenders and First Union National Bank.	
10.3	Second Amendment dated as of October 23, 2001, amending the Amended and Restated 364-day Credit Agreement dated as of May 8, 2000, as amended as of October 23, 2000 and amended and restated as of April 6, 2001 among ACE Limited, certain subsidiaries, various lenders and Morgan Guaranty Trust Company of New York.	
10.4	Second Amendment dated as of October 23, 2001, amending the Amended and Restated Five Year Credit Agreement dated as of May 8, 2000, and as amended as of October 23, 2000 among ACE Limited, certain subsidiaries, various lenders and Morgan Guaranty Trust Company of New York.	
10.5	Amendment dated as of October 23, 2001, relating to a letter of credit facility agreement dated as of November 19, 1999 and amended November 17, 2000 among ACE Limited, ACE Bermuda Insurance Ltd., Citibank, N.A. as arranger, Barclays Bank plc and ING Barings, as co-security arrangers and Citibank International plc, as agent and trustee and certain financial institutions.	
10.6	First Amendment dated as of October 23, 2001 amending the Reimbursement Agreement dated as of August 24, 2001 among ACE Limited, certain subsidiaries, various lenders and First Union National Bank.	

Exhibit 10.1

**ACE LIMITED
SUPPLEMENTAL RETIREMENT PLAN**

(as amended and restated effective as of July 1, 2001)

ACE LIMITED SUPPLEMENTAL RETIREMENT PLAN

CERTIFICATE

I, Keith P.White, Chief Administration Officer ACE Limited, hereby certify that the attached document is a full, true and complete copy of ACE LIMITED SUPPLEMENTAL RETIREMENT PLAN as in effect on July 1, 2001.

Dated this ____ day of July, 2001.

Chief Administration Officer as Aforesaid

(Seal)

ACE LIMITED SUPPLEMENTAL RETIREMENT PLAN

SECTION 1

General

1.1. Purpose and Effective Date. ACE Limited (the "Company") has previously established the ACE Limited Employee Retirement Plan (the "Retirement Plan") to provide its eligible employees with retirement income. Contrary to the desire of the Company, the amount of contributions which may be made to the retirement plan for the benefit of an employee may be limited by reason of the application of certain provisions of the Internal Revenue Code of 1986 of the United States of America, as amended (the "Code"). The Company has established the ACE Limited Supplemental Retirement Plan (the "Plan"), effective as of October 1, 1987, to reward past service with the Company and to assure that affected individuals will receive benefits in amounts comparable to the amounts that they would have received under the Retirement Plan if such limitations of the Code did not apply to the Retirement Plan. The Plan has been amended from time to time, and is now amended, restated and continued effective July 1, 2001 (the "Effective Date").

1.2. Employers and Related Companies. The term "Related Company" means any corporation or trade or business during any period during which it is, along with the Company, a member of a controlled group of corporations or a controlled group of trades or businesses, as described in sections 414(b) and 414(c), respectively, of the Code. The Company and each Related Company, which, with the Company's consent, adopts the Plan are referred to below collectively as the "Employers" and individually as an "Employer".

1.3. Definitions, References. Unless the context clearly requires otherwise, any word, term or phrase used in the Plan shall have the same meaning as is assigned to it under the terms of the Retirement Plan. Any reference in the Plan to a provision of the Retirement Plan shall be deemed to include reference to any comparable provision of any amendment of that Plan.

1.4. Plan Administration. The authority to control and manage the operation and administration of the Plan shall be vested in the Committee appointed by the Board of Directors of the Company to act under the Retirement Plan; provided, however, that payment of any benefits to, or on behalf of Participants pursuant to Section 3 may be made at the direction of any two of the following officers of the Company: (a) Chief Executive Officer, (b) Executive Vice President, Underwriting, (c) Senior Vice President, Finance, or (d) Senior Vice President, Administration. In controlling and managing the operation and administration of the Plan, the Committee shall have the same rights, powers and duties as those delegated to it under the Retirement Plan, which includes full and discretionary power and authority

to interpret and construe the provisions of the Plan and to determine the amount of benefits and the rights or eligibility of employees or Participants (as defined in subsection 2.1) under the Plan, and such other power and authority as may be necessary to discharge its duties hereunder. Any interpretation of the Plan and any decision made by the Committee on any matter within the discretion of the Committee shall be binding on all persons. A misstatement or other mistake of fact shall be corrected when it becomes known, and the Committee shall make such adjustment on account thereof as it considers equitable and practicable. The Committee may delegate such of its ministerial or discretionary duties and functions as it may deem appropriate to any employee or group of employees of any Employer.

1.5. Applicable Laws. The Plan shall be construed and administered in accordance with the laws of Bermuda.

1.6. Gender and Number. Where the context admits, words in any gender shall include any other gender, words in the singular shall include the plural and the plural shall include the singular.

1.7. Plan Year. The "Plan Year" shall be the twelve-consecutive month period beginning on each January 1.

1.8. Notices. Any notice or document required to be filed with the Committee under the Plan will be properly filed if delivered or mailed by registered mail, postage prepaid, to the Committee, in care of the Company, at its principal executive offices. Any notice required under the Plan may be waived by the person entitled to notice.

1.9. Form and Time of Elections. Unless otherwise specified herein, any election or consent permitted or required to be made or given by any Participant or other person entitled to benefits under the Plan, and any permitted modification or revocation thereof, shall be made in writing or shall be given by means of such interactive telephone system as the Committee may designate from time to time as the sole vehicle for executing regular transactions under the Plan (referred to generally herein as the "Phone System"). Each Participant shall have a personal identification number or "PIN" for purposes of executing transactions through the Phone System, and entry by a Participant or his PIN shall constitute his valid signature for purposes of any transaction the Committee determines may or should be executed by means of the Phone System. Any election made through the Phone System shall be considered submitted to the Committee on the date it is electronically transmitted.

1.10. Evidence. Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information which the person acting on it considers pertinent and reliable, and signed, made or presented by the proper party or parties.

1.11. Action by Employers. Any action required or permitted to be taken under the Plan by any Employer which is a corporation shall be by resolution of its Board of Directors, or by a person or persons authorized by its Board of Directors. Any action required or permitted to be taken by any Employer which is a partnership shall be by a general partner of such partnership or by a duly authorized officer thereof.

1.12. Limitations on Provisions. The provisions of the Plan and any benefits payable hereunder shall be limited as described herein. Any benefit payable under the Retirement Plans shall be paid solely in accordance with the terms and conditions of the applicable Retirement Plan and nothing in this Plan shall operate or be construed in any way to modify, amend, or affect the terms and provisions of the Retirement Plans.

1.13. Assignment and Alienation; Forfeitures. The benefits payable to any Participant or Beneficiary under the Plan may not be voluntarily or involuntarily pledged, assigned, alienated, transferred or otherwise anticipated. In the event a Participant or Beneficiary attempts to do so, any amount that is subject to the purported pledge, assignment, alienation, transfer or other anticipation shall be immediately forfeited and neither the Participant nor his Beneficiary shall have any further rights to such benefits.

SECTION 2

Participation

2.1. Participation. Each employee of an Employer who participated in the Plan prior to the Effective Date shall continue to be a "Participant" on the Effective Date. Each other employee of an Employer shall become a "Participant" as of any date thereafter on which his Eligible Compensation for Retirement Plan purposes exceeds the limit established by section 401(a)(17) in any Plan Year and his benefits under either the Retirement Plan are limited by any or all of sections 415, 401(a)(17), 402(g), 401(k) or 401(m) of the Code. Once an eligible employee becomes a Participant in the Plan, as long as he continues to have an Account balance under the Plan he will remain a Participant for all purposes under the Plan, except for purposes of the contribution provisions of Section 3.

2.2. Plan Not Contract of Employment. The Plan does not constitute a contract of employment, and participation in the Plan will not give any employee the right to be retained in the employ of the Company nor any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan.

SECTION 3

Amount and Payment of Plan Benefit

3.1. Accounts. The Committee shall maintain "Supplemental Accounts" in the name of each Participant under the Plan which will reflect the amount, expressed in United States dollars, to which the Participant may become entitled under the Plan. A Participant's Supplemental Accounts shall be credited in each Plan Year as follows:

(a) For any Plan Year, in the event the Participant's before-tax elective contributions to the Retirement Plan are limited by the provisions of sections 401(a)(17), 401(k)(3), 402(g) or 415 of the Code, as applicable, his compensation for the Plan Year will continue to be reduced by, and the Participant's Supplemental Before-Tax Account credited with, an amount equal to the amount of before-tax elective contributions that would have been made under the Retirement Plan had the provisions of sections 401(a)(17), 401(k)(3), 402(g) or 415 of the Code, as applicable, not applied to him. Credits to the Participant's Supplemental Before-Tax Account pursuant to this subsection 3.1(a) shall be made at the same time that before-tax elective contributions would otherwise have been credited to his accounts under the Retirement Plan. A Participant's election to make before-tax contributions under the Retirement Plan shall be deemed to be an election to make elective salary deferral contributions under the Plan, and such election shall remain in effect until modified or revoked by the individual in accordance with the terms of the Plan. Notwithstanding the foregoing provisions of this subsection 3.1(a), salary reductions shall continue and an amount shall be credited to the Participant's Supplemental Before-Tax Account in accordance with this subsection 3.1 (a) (and Supplemental Matching Contributions and Supplemental Discretionary Matching Contributions, if any, shall be credited to the Participant's applicable accounts in accordance with subsections 3.1(b) and 3.1(c)) for a Plan Year only if the Participant's before-tax elective contributions to the Retirement Plan have reached the maximum amount permitted under section 402(g) of the Code or the maximum elective contributions permitted under the Plan, in accordance with Treas. Reg. section 1.401(k)(1)(e)(6)(iv); and the Committee shall require that the Participant elect (and not reduce) in the Plan Year the maximum deferral percentage permitted under the Retirement Savings Plan in order to receive a Supplemental Before-Tax Contribution for the Plan Year under this Plan, and shall establish such other administrative procedures as are necessary to comply with such regulations.

(b) Subject to the requirements of subsection 3.1(a), for any Plan Year, a Participant's Supplemental Matching Account shall be credited with an amount equal to the difference, if any, between (a) the matching contributions that would have been contributed on behalf of the Participant to the Retirement Plan for that Plan Year, in accordance with the terms thereof and based on his before-tax elective contributions under the Retirement Plan, determined without regard to the limitations of sections 401(a)(17), 401(k)(3), 401(m), 402(g) or 415 of the Code, and (b) the amount of matching contributions actually made to the Retirement Plan on behalf of the Participant. Credits to the Participant's Supplemental Matching Account pursuant to this subsection 3.1(b) shall be made at the same time that matching contributions would otherwise have been credited to his accounts under the Retirement Plan.

(c) Subject to the requirements of subsection 3.1(a), for any Plan Year, a Participant's Supplemental Discretionary Matching Account shall be credited with an amount equal to the difference, if any, between (a) the discretionary matching contributions that would have been contributed on behalf of the Participant to the Retirement Plan for that Plan Year, in accordance with the terms thereof and based on his before-tax salary deferral election under the Retirement Plan, determined without regard to the limitations of sections 401(a)(17), 401(k)(3), 401(m), 402(g) or 415 of the Code, and (b) the amount of discretionary matching contributions actually made to the Retirement Plan on behalf of the Participant. Credits to the Participant's Supplemental Discretionary Matching Account pursuant to this subsection 3.1(c) shall be made at the same time that discretionary matching contributions would otherwise have been credited to his accounts under the Retirement Plan.

(d) For any Plan Year, a Participant's Supplemental Core Account shall be credited with an amount equal to the difference, if any, between (a) the Employer Core Contribution that would have been contributed on behalf of the Participant to the Retirement Plan for that Plan Year, in accordance with the terms thereof determined without regard to the limitations of sections 401(a)(17) or 415 of the Code and (b) the amount of the Employer Core Contributions actually made to the Retirement Plan on behalf of the Participant. Credits to the Participant's Supplemental Core Account pursuant to this subsection 3.1(d) shall be made at the same time that Employer Core Contributions would otherwise have been credited to his accounts under the Retirement Plan.

3.2. Adjustment of Accounts. Each Participant's Accounts shall be adjusted in accordance with this Section 3 in a uniform manner as of each Valuation Date, as follows:

(a) first, charge to the Account balance the amount of any distributions under the Plan with respect to that Account that have not previously been charged;

(b) then, adjust the Account balance for the applicable Investment Return Rate(s); and

(c) then, credit to the Account balance the amount to be credited to that Account in accordance with subsections 3.1 that have not previously been credited.

Except as otherwise designated by the Committee, the term "Valuation Date" means the last day of each calendar quarter.

3.3. Investment Return Rates. The "Investment Return Rate(s)" with respect to the Account(s), or portions of the Supplemental Account(s), of any Participant for any period shall be the Investment Return Rate(s) elected by the individual in accordance with subsection 3.4 from among such investment alternatives (if any) for that period which, in the discretion of the Committee, are offered from time to time under this paragraph 3.3.

3.4. Participant Selection of Investment Return Rate. The Investment Return Rate alternatives under the Plan, and a Participant's ability to choose among Investment Return Rate alternatives, shall be determined in accordance with rules established by the Committee from time to time; provided, however, that the Company may not modify the Investment Return Rate with respect to periods prior to the adoption of such modification.

3.5. Statement of Accounts. As soon as practicable after the last day of each Plan Year, the Committee will cause to be delivered to each Participant a statement of the balance of his Supplemental Account as of that day.

3.6. Distribution. Subject to the following provisions of this subsection 3.6 and subsection 3.8, a Participant's Supplemental Account balance shall be payable to the Participant in accordance with rules and regulations established from time to time by the Committee, which rules and regulations as in effect on the Effective Date are attached to the Plan as Exhibit A, and in accordance with such other restrictions and limitations imposed by the Committee. Subject to any applicable currency exchange laws, payments shall be made in such currency as the Committee shall elect, based on the currency exchange rate of the Trustee of the Retirement Plan as of the date of payment. In the event of a Participant's death, the amount which would otherwise be payable to the Participant shall be paid to one or more beneficiaries designated by the Participant for purposes of the Plan in a writing filed with the Committee prior to the date of death. Any such designation shall cancel any previous designation by the Participant. If no such designation is on file on the date of the Participant's death, or if the designated beneficiary predeceases the Participant, the Participant's Supplemental Account balance shall be paid to the Participant's estate.

3.7. Distributions to Persons Under Disability. In the event a Participant or his beneficiary is declared incompetent and an conservator or other person legally charged with the care of his person or of his estate is appointed, any benefit to which such Participant or beneficiary is entitled under the Plan shall be paid to such conservator or other person legally charged with the care of his person or of his estate.

3.8. Forfeiture of Certain Accounts. Notwithstanding any provision of the Plan to the contrary, in no event shall any amount attributable to the Participant's Supplemental Account be payable to or on account of a Participant whose Termination Date occurs prior to the Participant's completion of twelve consecutive months of employment with an Employer for any reason other than the death of the Participant.

SECTION 4

Source of Benefit Payments

4.1. Liability for Benefit Payments. The amount of any benefit payable under the Plan shall be paid from the general revenues of the Employer of the Participant with respect to whom the benefit is payable; provided, however, that if a Participant has been employed by more than one Employer, the portion of his Plan benefits payable by any such Employer shall be that portion accrued while the Participant was employed by that Employer, and earnings on such portion. An Employer's obligation under the Plan shall be reduced to the extent that any amounts due under the Plan are paid from one or more trusts, the assets of which are subject to the claims of general creditors of the Employer or any affiliate thereof; provided, however, that nothing in the Plan shall require the Company or any Employer to establish any trust to provide benefits under the Plan.

4.2. No Guarantee. Neither a Participant nor any other person shall, by reason of the Plan, acquire any right in or title to any assets, funds or property of the Employers whatsoever, including, without limitation, any specific funds, assets, or other property which the Employers, in their sole discretion, may set aside in anticipation of a liability under the Plan. A Participant shall have only a contractual right to the amounts, if any, payable under the Plan, unsecured by any assets of the Employers. Nothing contained in the Plan shall constitute a guarantee by any of the Employers that the assets of the Employers shall be sufficient to pay any benefits to any person.

4.3. Successors. The obligations of the Company and each Employer under the Plan shall be binding on any assignee or successor in interest thereto. Prior to any merger, consolidation or sale of assets, the Company, or if applicable, the Employer, shall require any such successor to expressly assume all of the Company's, or if applicable, all of the Employer's, obligations under the Plan.

SECTION 5

Amendment and Termination

The Company may, at any time, amend or terminate the Plan; provided, however, that subject to the provisions of the following sentence, neither an amendment nor a termination shall adversely affect the rights of any Participant under the Plan without the consent of the Participant. The Company, by Plan amendment or termination, may prospectively eliminate the right to have amounts credited to any Supplemental Account pursuant to the provisions of subsection 3.1 or subsection 3.3, or reduce the amount which is required to be credited to any such account pursuant to those provisions.

TABLE OF CONTENTS

Page

SECTION 1	GENERAL	1
	1.1. Purpose and Effective Date	1
	1.2. Employers and Related Companies	1
	1.3. Definitions, References	1
	1.4. Plan Administration	1
	1.5. Applicable Laws	2
	1.6. Gender and Number	2
	1.7. Plan Year	2
	1.8. Notices	2
	1.9. Form and Time of Elections	2
	1.10. Evidence	2
	1.11. Action by Employers	2
	1.12. Limitations on Provisions	3
	1.13. Assignment and Alienation; Forfeitures	3
SECTION 2	PARTICIPATION	3
	2.1. Participation	3
	2.2. Plan Not Contract of Employment	3
SECTION 3	AMOUNT AND PAYMENT OF PLAN BENEFIT	3
	3.1. Accounts	3
	3.2. Adjustment of Accounts	5
	3.3. Investment Return Rates	5
	3.4. Participant Selection of Investment Return Rate	5
	3.5. Statement of Accounts	6
	3.6. Distribution	6
	3.7. Distributions to Persons Under Disability	6
	3.8. Forfeiture of Certain Accounts	6
SECTION 4	SOURCE OF BENEFIT PAYMENTS	6
	4.1. Liability for Benefit Payments	6
	4.2. No Guarantee	7
	4.3. Successors	7
SECTION 5	AMENDMENT AND TERMINATION	7

REIMBURSEMENT AGREEMENT

among

**ACE LIMITED
ACE BERMUDA INSURANCE LTD.
ACE TEMPEST REINSURANCE LTD.,**
as Account Parties,

THE BANKS NAMED HEREIN,

FLEET NATIONAL BANK,
as Documentation Agent,

and

FIRST UNION NATIONAL BANK,
as Issuing Bank and as Administrative Agent

\$450,000,000 Letter of Credit Facility

FIRST UNION SECURITIES, INC.
Sole Book Runner and Lead Arranger

Dated as of August 24, 2001

Table of Contents

Page

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01	Certain Defined Terms.....	1
SECTION 1.02	Computation of Time Periods; Other Definitional Provisions...	16
SECTION 1.03	Accounting Terms and Determinations.....	16

ARTICLE II

AMOUNTS AND TERMS OF THE LETTERS OF CREDIT

SECTION 2.01	The Letters of Credit.....	17
SECTION 2.02	Issuance and Renewals and Drawings, Participations and Reimbursement with Respect to Letters of Credit.....	18
SECTION 2.03	Repayment of Advances.....	22
SECTION 2.04	Termination, Reduction or Increase of the LC Commitment Amounts.....	23
SECTION 2.05	Fees.....	24
SECTION 2.06	Increased Costs, Etc.....	25
SECTION 2.07	Payments and Computations.....	26
SECTION 2.08	Taxes.....	27
SECTION 2.09	Sharing of Payments, Etc.....	29
SECTION 2.10	Use of Letters of Credit.....	30
SECTION 2.11	Defaulting Banks.....	30
SECTION 2.12	Replacement of Affected Bank.....	32
SECTION 2.13	Certain Provisions Relating to the Issuing Bank and Letters of Credit.....	32
SECTION 2.14	Downgrade Event with Respect to a Bank.....	34
SECTION 2.15	Downgrade Event or Other Event with Respect to the Issuing Bank.....	35
SECTION 2.16	Non-Dollar Letters of Credit.....	36
SECTION 2.17	Extensions of Expiration Date.....	38
SECTION 2.18	Tranches.....	38
SECTION 2.19	Future Amendment to Provide Collateral.....	41

ARTICLE III

CONDITIONS OF LENDING AND ISSUANCES OF LETTERS OF CREDIT

SECTION 3.01	Conditions Precedent to Effective Date.....	41
SECTION 3.02	Conditions Precedent to Each Issuance, Extension or Increase of a Letter of Credit.....	43
SECTION 3.03	Determinations Under Section 3.01.....	44

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01	Representations and Warranties of the Account Parties.....	44
--------------	--	----

ARTICLE V

COVENANTS OF THE ACCOUNT PARTIES

SECTION 5.01	Affirmative Covenants.....	48
SECTION 5.02	Negative Covenants.....	49
SECTION 5.03	Reporting Requirements.....	53
SECTION 5.04	Financial Covenants.....	56

ARTICLE VI

EVENTS OF DEFAULT

SECTION 6.01 Events of Default.....56
SECTION 6.02 Actions in Respect of the Letters of Credit upon Default.....58

ARTICLE VII

THE GUARANTY

SECTION 7.01	The Guaranty.....	59
SECTION 7.02	Guaranty Unconditional.....	59
SECTION 7.03	Discharge Only upon Payment in Full; Reinstatement in Certain Circumstances.....	60
SECTION 7.04	Waiver by the Account Parties.....	60
SECTION 7.05	Subrogation.....	60
SECTION 7.06	Stay of Acceleration.....	61
SECTION 7.07	Continuing Guaranty; Assignments.....	61

ARTICLE VIII

THE AGENTS

SECTION 8.01	Authorization and Action.....	62
SECTION 8.02	Agents' Reliance, Etc.....	62
SECTION 8.03	First Union and Affiliates.....	62
SECTION 8.04	Bank Credit Decision.....	63
SECTION 8.05	Indemnification.....	63
SECTION 8.06	Successor Administrative Agent.....	63

ARTICLE IX

MISCELLANEOUS

SECTION 9.01	Amendments, Etc.....	64
SECTION 9.02	Notices, Etc.....	65
SECTION 9.03	No Waiver; Remedies.....	65
SECTION 9.04	Costs and Expenses.....	65
SECTION 9.05	Right of Set-off.....	66
SECTION 9.06	Binding Effect.....	67
SECTION 9.07	Assignments and Participations.....	67
SECTION 9.08	Execution in Counterparts.....	70
SECTION 9.09	No Liability of the Issuing Bank.....	70
SECTION 9.10	Confidentiality.....	70
SECTION 9.11	Jurisdiction, Etc.....	71
SECTION 9.12	Governing Law.....	71
SECTION 9.13	Waiver of Jury Trial.....	71
SECTION 9.14	Disclosure of Information.....	71

Schedule I	LC Commitment Amounts
Schedule I - Part 2	Domestic Lending Offices
Schedule II	Existing Letters of Credit
Schedule 4.01(b)	Subsidiaries
Schedule 5.02(a)	Liens

Exhibit A	Assignment and Acceptance
Exhibit B	Replacement Letter of Credit Insert
Exhibit C-1	Form of Opinion of Maples and Calder
Exhibit C-2	Form of Opinion of Mayer, Brown & Platt
Exhibit C-3	Form of Opinion of Conyers, Dill & Pearman

REIMBURSEMENT AGREEMENT

REIMBURSEMENT AGREEMENT dated as of August 24, 2001, among ACE Limited, a Cayman Islands company (the "Parent"), ACE Bermuda Insurance Ltd., a Bermuda company ("ACE Bermuda"), and ACE Tempest Reinsurance Ltd., a Bermuda company ("Tempest") (ACE Bermuda and Tempest, together with the Parent, the "Account Parties" and individually an "Account Party"), the banks, financial institutions and other institutional lenders listed on the signature pages hereof as the Initial Banks (the "Initial Banks"), First Union National Bank ("First Union"), as Issuing Bank (as hereinafter defined), Fleet National Bank ("Fleet"), as documentation agent (Fleet, together with any successor documentation agent appointed pursuant to Article VIII, the "Documentation Agent"), and First Union, as administrative agent (together with any successor administrative agent appointed pursuant to Article VIII, the "Administrative Agent" and, together with the Documentation Agent, the "Agents") for the Banks.

PRELIMINARY STATEMENTS:

The Account Parties have requested that the Issuing Bank and the Banks make available to the Account Parties a credit facility in an amount up to \$450,000,000 to provide for the issuance of letters of credit for the account of one or more of the Account Parties. The Issuing Bank and the Banks have indicated their willingness to agree to make such letters of credit available on the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements contained herein, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01 Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Account Parties" has the meaning specified in the recital of parties to this Agreement.

"ACE Bermuda" has the meaning specified in the recital of parties to this Agreement.

"ACE INA" means ACE INA Holdings Inc., a Delaware corporation.

"Adjusted Consolidated Debt" means, at any time, an amount equal to (i) the then outstanding Consolidated Debt of the Parent and its Subsidiaries plus (ii) to the extent exceeding an amount equal to 15% of Total Capitalization, the then issued and outstanding amount of Preferred Securities (other than any Mandatorily Convertible Securities).

"Administrative Agent" has the meaning specified in the recital of parties to this Agreement.

"Administrative Agent's Account" means the account of the Administrative Agent maintained by the Administrative Agent at First Union National Bank, Charlotte Plaza Building CP-23, 201 South College Street, Charlotte, North Carolina 28288-0680, Account No. 5000000027444, Re: ACE Ltd., Attn: Syndication Agency Services, or such other account as the Administrative Agent shall specify in writing to the Banks.

"Advance" means a Letter of Credit Advance.

"Affected Bank" means any Bank that (i) has made, or notified any Account Party that an event or circumstance has occurred which may give rise to, a demand for compensation under Section 2.06(a) or (b) or Section 2.08 (but only so long as the event or circumstance giving rise to such demand or notice is continuing) or (ii) is a Downgraded Bank.

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person. For purposes of this definition, the term "control" (including the terms "controlling", "controlled by" and "under common control with") of a Person means the possession, direct or indirect, of the power to vote 5% or more of the Voting Interests of such Person or to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Interests, by contract or otherwise.

"Agent" has the meaning specified in the recital of parties to this Agreement.

"Agreement Currency" has the meaning specified in Section 2.16(g).

"Applicable Account Party" with respect to any outstanding or proposed Letter of Credit means the Account Party for the account of which such Letter of Credit was or is proposed to be issued.

"Applicable Commitment Fee Percentage" means, as of any date, a percentage per annum determined by reference to the Public Debt Rating in effect on such date as set forth below:

Public Debt Rating S&P/Moody's	Applicable Commitment Fee Percentage
Level 1 A+/A1 and above	0.060%
Level 2 A/A2	0.080%
Level 3 A-/A3	0.100%
Level 4 BBB+/Baa1	0.125%
Level 5 Lower than Level 4	0.150%

"Applicable Lending Office" means, with respect to each Bank, such Bank's Domestic Lending Office.

"Applicable Margin" means, as of any date, with respect to either Type of Letter of Credit, a percentage per annum determined by reference to such Type and the Public Debt Rating in effect on such date as set forth below:

Public Debt Rating S&P/Moody's	Applicable Margin for Intercompany Letters of Credit	Applicable Margin for Third Party Letters of Credit
Level 1 A+/A1 and above	0.300%	0.350%
Level 2 A/A2	0.400%	0.425%
Level 3 A-/A3	0.450%	0.475%
Level 4 BBB+/Baa1	0.500%	0.525%
Level 5 Lower than Level 4	0.600%	0.625%

provided, however, that at all times during which the Available Amount with respect to Intercompany Letters of Credit exceeds \$125,000,000, then for purposes of Section 2.05(c)(i) the Applicable Margin for the portion of the Available Amount of such Intercompany Letters of Credit in excess of \$125,000,000 shall be determined as if such Letters of Credit were Third Party Letters of Credit.

"Approved Investment" means any Investment that was made by the Parent or any of its Subsidiaries pursuant to investment guidelines set forth by the board of directors of the Parent which are consistent with past practices.

"Arranger" means First Union Securities, Inc.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Bank and an Eligible Assignee, and accepted by the Administrative Agent, in accordance with Section 9.07 and in substantially the form of Exhibit A hereto.

"Available Amount" of any Letter of Credit means, at any time, the maximum amount available to be drawn under such Letter of Credit at such time or at any future time (assuming compliance at such time or such future time with all conditions to drawing) (including without limitation amounts which have been the subject of drawings by the applicable beneficiary but which have not yet been paid by the Issuing Bank); provided that, except as otherwise expressly provided in this Agreement, the Available Amount of each Replacement Letter of Credit, determined at any time until the Initial Availability Time, shall be equal to zero (or to the excess, if any, by which the Available Amount thereof (determined as provided hereinabove) at such time exceeds the Available Amount of the corresponding Existing Letter of Credit at such time). At all times after the Initial Availability Time, the Available Amount of such Replacement Letter of Credit shall be determined as provided in this definition without regard to the foregoing proviso.

"Bankruptcy Law" means any proceeding of the type referred to in Section 6.01(f) or Title 11, U.S. Code, or any similar foreign, federal or state law for the relief of debtors.

"Banks" means the Initial Banks and each Person that shall become a Bank hereunder pursuant to Section 2.04(b) or Section 9.07(a), (b) and (c) for so long as such Initial Bank or Person, as the case may be, shall be a party to this Agreement.

"Base Rate" means a fluctuating interest rate per annum in effect from time to time, which rate per annum shall at all times be equal to the rate of interest announced publicly by First Union in Charlotte, North Carolina from time to time, as First Union's prime rate (which may not be its best lending rate) or, if higher on the day in question, 1/2 of 1% above the Federal Funds Rate.

"Business Day" means a day of the year on which banks are not required or authorized by law to close in Charlotte, North Carolina.

"Capitalized Leases" means all leases that have been or should be, in accordance with GAAP, recorded as capitalized leases.

"Change of Control" means the occurrence of any of the following:

(a) any Person or two or more Persons acting in concert shall have acquired beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934), directly or indirectly, of Voting Interests of the Parent (or other securities convertible into such Voting Interests) representing 30% or more of the combined voting power of all Voting Interests of the Parent; or (b) a majority of the board of directors of the Parent shall not be Continuing Members; or (c) any Person or two or more Persons acting in concert shall have acquired by contract or otherwise, or shall have entered into a contract or arrangement that results in its or their acquisition of the power to exercise, directly or indirectly, a controlling influence over the management or policies of the Parent.

"Commitment Amount" means an LC Commitment Amount or the Letter of Credit Issuance Commitment Amount.

"Commitment Banks" has the meaning specified in Section 2.18(a).

"Committed Facility" means, at any time, the aggregate amount of the Banks' LC Commitment Amounts at such time.

"Confidential Information" means information that any Loan Party furnishes to any Agent or any Bank, but does not include any such information that is or becomes generally available to the public other than as a result of a breach by any Agent or any Bank of its obligations hereunder or that is or becomes available to such Agent or such Bank from a source other than the Loan Parties that is not, to the best of such Agent's or such Bank's knowledge, acting in violation of a confidentiality agreement with a Loan Party.

"Consolidated" refers to the consolidation of accounts in accordance with GAAP.

"Consolidated Net Income" means, for any period, the net income of the Parent and its Consolidated Subsidiaries, determined on a Consolidated basis for such period.

"Consolidated Net Worth" means at any date the Consolidated stockholders' equity of the Parent and its Consolidated Subsidiaries determined as of such date, provided that such determination for purposes of Section 5.04 shall be made without giving effect to adjustments pursuant to Statement No. 115 of the Financial Accounting Standards Board of the United States of America.

"Contingent Obligation" means, with respect to any Person, any obligation or arrangement of such Person to guarantee or intended to guarantee any Debt, leases, dividends or other payment obligations ("primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, (a) the direct or indirect guarantee, endorsement (other than for collection or deposit in the ordinary course of business), co-making, discounting with

recourse or sale with recourse by such Person of the obligation of a primary obligor, (b) the obligation to make take-or-pay or similar payments, if required, regardless of nonperformance by any other party or parties to an agreement or (c) any obligation of such Person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (A) for the purchase or payment of any such primary obligation or (B) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, assets, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the holder of such primary obligation against loss in respect thereof; provided, however, that Contingent Obligations shall not include any obligations of any such Person arising under insurance contracts entered into in the ordinary course of business. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made (or, if less, the maximum amount of such primary obligation for which such Person may be liable pursuant to the terms of the instrument evidencing such Contingent Obligation) or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder), as determined by such Person in good faith.

"Continuing Member" means a member of the Board of Directors of the Parent who either (i) was a member of the Parent's Board of Directors on the date of execution and delivery of this Agreement by the Parent and has been such continuously thereafter or (ii) became a member of such Board of Directors after such date and whose election or nomination for election was approved by a vote of the majority of the Continuing Members then members of the Parent's Board of Directors.

"Conversion to Tranche System" has the meaning specified in Section 2.18(a).

"Current Expiration Date" has the meaning specified in Section 2.17.

"Debenture" means debt securities issued by ACE INA or the Parent to a Special Purpose Trust in exchange for proceeds of Preferred Securities and common securities of such Special Purpose Trust.

"Debt" of any Person means, without duplication for purposes of calculating financial ratios, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of property or services (other than trade payables incurred in the ordinary course of such Person's business), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all obligations of such Person as lessee under Capitalized Leases (excluding imputed interest), (f) all obligations of such Person under acceptance, letter of

credit or similar facilities, (g) all obligations of such Person to purchase, redeem, retire, defease or otherwise make any payment in respect of any Equity Interests (except for obligations to pay for Equity Interests within customary settlement periods) in such Person or any other Person or any warrants, rights or options to acquire such capital stock (excluding payments under a contract for the forward sale of ordinary shares of such Person issued in a public offering), valued, in the case of Redeemable Preferred Interests, at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends, (h) all Contingent Obligations of such Person in respect of Debt (of the types described above) of any other Person and (i) all indebtedness and other payment obligations referred to in clauses (a) through (h) above of another Person secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien on property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such indebtedness or other payment obligations; provided, however, that the amount of Debt of such Person under clause (i) above shall, if such Person has not assumed or otherwise become liable for any such Debt, be limited to the lesser of the principal amount of such Debt or the fair market value of all property of such Person securing such Debt; provided further that "Debt" shall not include obligations in respect of insurance or reinsurance contracts entered into in the ordinary course of business; provided further that, solely for purposes of Section 5.04 and the definitions of "Adjusted Consolidated Debt" and "Total Capitalization", "Debt" shall not include (x) any contingent obligations of any Person under or in connection with acceptance, letter of credit or similar facilities or (y) obligations of the Parent or ACE INA under any Debentures or under any subordinated guaranty of any Preferred Securities or obligations of a Special Purpose Trust under any Preferred Securities.

"Default" means any Event of Default or any event that would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

"Defaulted Amount" means, with respect to any Bank at any time, any amount required to be paid by such Bank to any Agent or any other Bank hereunder or under any other Loan Document at or prior to such time that has not been so paid as of such time, including, without limitation, any amount required to be paid by such Bank to (a) the Issuing Bank pursuant to Section 2.02(e) to purchase a portion of a Letter of Credit Advance made by the Issuing Bank and (b) any Agent or the Issuing Bank pursuant to Section 8.05 to reimburse such Agent or the Issuing Bank for such Bank's ratable share of any amount required to be paid by the Banks to such Agent or the Issuing Bank as provided therein.

"Defaulting Bank" means, at any time, any Bank that, at such time, (a) owes a Defaulted Amount or (b) shall take any action or be the subject of any action or proceeding of a type described in Section 6.01(f).

"Documentation Agent" has the meaning specified in the recital of parties to this Agreement.

"Dollar Equivalent" has the meaning specified in Section 2.16(h).

"Domestic Lending Office" means, with respect to any Bank, the office of such Bank specified as its "Domestic Lending Office" opposite its name on Part 2 of Schedule I hereto or in the Assignment and Acceptance pursuant to which it became a Bank, as the case may be, or such other office of such Bank as such Bank may from time to time specify to any Account Party and the Administrative Agent.

"Downgrade Account" has the meaning specified in Section 2.14(a).

"Downgrade Event" means, with respect to any Bank, a reduction of the credit rating for the senior unsecured unsupported long-term debt of such Bank by S&P or Moody's.

"Downgrade Notice" has the meaning specified in Section 2.14(a).

"Downgraded Bank" means any Bank which has a credit rating of less than A- (in the case of S&P) or A3 (in the case of Moody's) for its senior unsecured unsupported long-term debt or which does not have any credit rating on such debt from one of S&P or Moody's.

"Effective Date" means the first date on which the conditions set forth in Article III shall have been satisfied.

"Eligible Assignee" means (i) a Bank, (ii) an Affiliate of a Bank, or (iii) a commercial bank, a savings bank or other financial institution that is approved by the Administrative Agent and the Issuing Bank and, unless an Event of Default has occurred and is continuing at the time any assignment is effected pursuant to Section 9.07, the Parent (such approval of the Parent not to be unreasonably withheld or delayed); provided, however, that neither any Loan Party nor any Affiliate of a Loan Party shall qualify as an Eligible Assignee under this definition.

"Environmental Action" means any action, suit, demand, demand letter, claim, notice of non-compliance or violation, notice of liability or potential liability, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law, any Environmental Permit or Hazardous Material or arising from alleged injury or threat to health, safety or the environment, including, without limitation, (a) by any governmental or regulatory authority for enforcement, cleanup, removal, response, remedial or other actions or damages and (b) by any governmental or regulatory authority or third party for damages, contribution, indemnification, cost recovery, compensation or injunctive relief.

"Environmental Law" means any Federal, state, local or foreign statute, law, ordinance, rule, regulation, code, order, writ, judgment, injunction, decree or judicial or agency interpretation, policy or guidance relating to pollution or protection of the environment, health, safety or natural resources, including, without limitation, those relating to the use, handling, transportation, treatment, storage, disposal, release or discharge of Hazardous Materials.

"Environmental Permit" means any permit, approval, identification number, license or other authorization required under any Environmental Law.

"Equity Interests" means, with respect to any Person, shares of capital stock of (or other ownership or profit interests in) such Person, warrants, options or other rights for the purchase or other acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or other acquisition from such Person of such shares (or such other interests), and other ownership or profit interests in such Person (including, without limitation, partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are authorized or otherwise existing on any date of determination.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"ERISA Affiliate" means any Person that for purposes of Title IV of ERISA is a member of the controlled group of any Loan Party, or under common control with any Loan Party, within the meaning of Section 414 of the Internal Revenue Code or Section 4001 of ERISA.

"Events of Default" has the meaning specified in Section 6.01.

"Existing Letters of Credit" means the letters of credit issued by Mellon pursuant to the Mellon Reimbursement Agreement and outstanding on the Effective Date, which letters of credit are listed on Schedule II hereto.

"Expiration Date" shall mean August 23, 2002, as such date may be extended in accordance with Section 2.17 hereof.

"Extension Request" has the meaning specified in Section 2.17.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Fee Letter" means the fee letter dated July 11, 2001 among the Parent, First Union and the Arranger, as amended.

"First Union" has the meaning specified in the recital of parties to this Agreement.

"Fiscal Year" means the fiscal year of the Parent and its Consolidated Subsidiaries ending on December 31 in any calendar year.

"Fleet" has the meaning specified in the recital of parties to this Agreement.

"Foreign Government Scheme or Arrangement" has the meaning specified in Section 4.01(n)(iv).

"Foreign Plan" has the meaning specified in Section 4.01(n)(iv).

"GAAP" has the meaning specified in Section 1.03.

"Guaranty" means the undertaking by each of the Account Parties under Article VII.

"Hazardous Materials" means (a) petroleum or petroleum products, by-products or breakdown products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls and radon gas and (b) any other chemicals, materials or substances designated, classified or regulated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

"Hedge Agreements" means interest rate swap, cap or collar agreements, interest rate future or option contracts, currency swap agreements, currency future or option contracts and other hedging agreements.

"Increase Request" has the meaning specified in Section 2.04(b).

"Indemnified Party" has the meaning specified in Section 9.04(b).

"Initial Availability Time" means, with respect to any Replacement Letter of Credit, the first time at which the applicable conditions to availability for drawing thereunder, as described on Exhibit B hereto, shall have been satisfied and such Replacement Letter of Credit becomes available for drawing in whole or in part.

"Initial Banks" has the meaning specified in the recital of parties to this Agreement.

"Intercompany Letter of Credit" means a Letter of Credit issued for the account of any Account Party (whether alone or jointly with any one or more other wholly owned Subsidiaries of the Parent) in favor of one or more beneficiaries each of which is a wholly owned Subsidiary of the Parent (whether or not any such beneficiary is an Account Party hereunder).

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"Investment" in any Person means any loan or advance to such Person, any purchase or other acquisition of any Equity Interests or Debt or the assets comprising a division or business unit or a substantial part or all of the business of such Person, any capital contribution to such Person or any other direct or indirect investment in such Person, including, without limitation, any acquisition by way of a merger or consolidation and any arrangement pursuant to which the investor incurs Debt of the types referred to in clause (h) or (i) of the definition of "Debt" in respect of such Person; provided, however, that any purchase by any Loan Party or any Subsidiary of any catastrophe-linked instruments which are (x) issued for the purpose of transferring traditional reinsurance risk to the capital markets and (y) purchased by such Loan Party or Subsidiary in accordance with its customary reinsurance underwriting procedures, or the entry by any Loan Party or any Subsidiary into swap instruments relating to such instruments in accordance with such procedures, shall be deemed to be the entry by such Person into a reinsurance contract and shall not be deemed to be an Investment by such Person.

"Issuing Bank" means (i) Mellon (solely with respect to the Existing Letters of Credit), (ii) First Union (with respect to all other Letters of Credit), and (iii) any "New Issuing Bank" appointed in accordance with Section 2.15.

"Judgment Currency" has the meaning specified in Section 2.16(g).

"LC Commitment Amount" means, with respect to any Bank at any time, the amount set forth opposite such Bank's name on Schedule I hereto under the caption "LC Commitment Amount" or, if such Bank has entered into one or more Assignment and Acceptances or a joinder to this Agreement pursuant to Section 2.04(b), set forth for such Bank in the Register maintained by the Administrative Agent pursuant to Section 9.07(d) as such Bank's "LC Commitment Amount", as such amount may be reduced or increased at or prior to such time pursuant to Section 2.04. If the Conversion to Tranche System shall have occurred, the LC Commitment Amount of a Bank which is not a Commitment Bank will also be reduced, in the event of a reduction of the Available Amount under (except, for so long as a drawing is not reimbursed, as a result of a drawing under) any Letter of Credit (including upon expiration or termination thereof) with respect to which such Bank has a funding obligation (or with respect to which such Bank would have had a funding obligation if a drawing had occurred prior to such expiration or termination), by an amount equal to such reduction.

"LC Participation Obligations" has the meaning specified in Section 2.14(a).

"L/C Related Documents" has the meaning specified in Section 2.03(a)(ii).

"L/C Termination Date" has the meaning specified in Section 2.18(a).

"Letter of Credit Advance" has the meaning specified in Section 2.02(f).

"Letter of Credit Agreement" has the meaning specified in Section 2.02(a).

"Letter of Credit Business Day" means a Business Day.

"Letter of Credit Exposure" at any time means the sum at such time of (a) the aggregate outstanding amount of Letter of Credit Advances, (b) the aggregate Available Amounts of all outstanding Letters of Credit (including, without limitation, all outstanding Existing Letters of Credit) and (c) the aggregate Available Amounts of all Letters of Credit which have been requested by an Account Party to be issued hereunder but have not yet been so issued.

"Letter of Credit Issuance Commitment Amount" means at any time the lesser of (a) \$450,000,000 (or such lesser amount as may be agreed in writing among the Account Parties, the Administrative Agent and the Issuing Bank, or such greater amount as may be established pursuant to the commitment increase provisions of Section 2.04(b)) and (b) the aggregate amount of the LC Commitment Amounts then in effect.

"Letter of Credit Participating Interest" has the meaning specified in Section 2.02(d).

"Letter of Credit Participating Interest Commitment" has the meaning specified in Section 2.02(d).

"Letter of Credit Participating Interest Percentage" means, for any Bank, a fraction, expressed as a percentage, the numerator of which is such Bank's LC Commitment Amount and the denominator of which is the aggregate LC Commitment Amounts of all the Banks.

"Letters of Credit" has the meaning specified in Section 2.01.

"Lien" means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, including, without limitation, the lien or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to real property.

"Loan Documents" means (i) this Agreement, (ii) the Fee Letter and (iii) each Letter of Credit Agreement, in each case as amended.

"Loan Parties" means the Account Parties.

"Mandatorily Convertible Preferred Securities" means units comprised of (i) Preferred Securities or preferred shares of Parent and (ii) a contract for the sale of ordinary shares of the Parent (including "Feline Prides(TM)", "Rhinos(TM)" or any substantially similar securities).

"Margin Stock" has the meaning specified in Regulation U.

"Material Adverse Change" means any material adverse change in the business, financial condition, operations or properties of the Parent and its Subsidiaries, taken as a whole.

"Material Adverse Effect" means a material adverse effect on (a) the business, condition, operations or properties of the Parent and its Subsidiaries, taken as a whole, (b) the rights and remedies of the Administrative Agent, the Issuing Bank or any Bank under any Loan Document or (c) the ability of the Loan Parties, taken as a whole, to perform their obligations under the Loan Documents.

"Material Financial Obligation" means a principal amount of Debt and/or payment obligations in respect of any Hedge Agreement of the Parent and/or one or more of its Subsidiaries arising in one or more related or unrelated transactions exceeding in the aggregate \$25,000,000.

"Mellon" means Mellon Bank, N.A.

"Mellon Reimbursement Agreement" means the Reimbursement Agreement, dated as of September 8, 1999, among the Account Parties, the banks and other lenders named therein, the Documentation Agents named therein, and Mellon, as Issuing Bank and as Administrative Agent, as amended.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which any Loan Party or any ERISA Affiliate is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"Non-Dollar Letters of Credit" has the meaning specified in Section 2.16(a).

"OECD" means the Organization for Economic Cooperation and Development.

"Other Taxes" has the meaning specified in Section 2.08(b).

"Overnight Rate" has the meaning specified in Section 2.16(h).

"Parent" has the meaning specified in the recital of parties to this Agreement.

"PBGC" means the Pension Benefit Guaranty Corporation (or any successor).

"Pension Plan" means a "pension plan", as such term is defined in section 3(2) of ERISA, which is subject to title IV of ERISA (other than any "multiemployer plan" as such term is defined in section 4001(a)(3) of ERISA), and to which any Loan Party or any ERISA Affiliate may have any liability, including any liability by reason of having been a substantial employer within the meaning of section 4063 of ERISA at any time during the preceding five years, or by reason of being deemed to be a contributing sponsor under section 4069 of ERISA.

"Permitted Liens" means such of the following as to which no enforcement, collection, execution, levy or foreclosure proceeding shall have been commenced or which are being contested in good faith by appropriate proceedings: (a) Liens for taxes, assessments and governmental charges or levies not yet due and payable; (b) Liens imposed by law, such as materialmen's, mechanics', carriers', workmen's and repairmen's Liens and other similar Liens arising in the ordinary course of business securing obligations that are not overdue for a period of more than 90 days; (c) pledges or deposits to secure obligations under workers' compensation laws or similar legislation or to secure public or statutory obligations; and (d) easements, rights of way and other encumbrances on title to real property that do not render title to the property encumbered thereby unmarketable or materially adversely affect the use of such property for its present purposes.

"Person" means an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"Preferred Interests" means, with respect to any Person, Equity Interests issued by such Person that are entitled to a preference or priority over any other Equity Interests issued by such Person upon any distribution of such Person's property and assets, whether by dividend or upon liquidation.

"Preferred Securities" means (i) preferred securities issued by a Special Purpose Trust which shall provide, among other things, that dividends shall be payable only out of proceeds of interest payments on the Debentures, or (ii) other instruments that may be treated in whole or in part as equity for rating agency purposes while being treated as debt for tax purposes.

"Pro Rata" has the meaning specified in Section 2.18.

"Pro Rata Share" means, for any Bank, its share determined Pro Rata, in accordance with the definition of the term "Pro Rata" in Section 2.18 (a) hereof.

"Public Debt Rating" means, as of any date, the higher rating that has been most recently announced by either S&P or Moody's, as the case may be, for any class of non-credit enhanced long-term senior unsecured debt issued by the Parent; provided that if at any time the difference between the ratings of such type most recently announced by S&P and Moody's is more than one rating grade, the Public Debt Rating shall be the rating that is one grade below the higher of such two ratings. For purposes of the foregoing, (a) if only one of S&P and Moody's shall have in effect a rating for any class of non-credit enhanced long-term senior unsecured debt issued by the Parent, the Public Debt Rating shall be the available rating; (b) if neither S&P nor Moody's shall have in effect a rating for any class of non-credit enhanced long-term senior unsecured debt issued by the Parent, the Public Debt Rating shall be the rating which is three rating levels below the Parent's S&P financial strength rating at such time, provided that, in the event that the Parent's S&P financial strength rating is affirmed at (i) A+, the applicable Level will be Level 2 and (ii) A+ and on credit watch/review with negative implications, the applicable Level will be Level 3; (c) if any rating established by S&P or Moody's shall be changed, such change shall be effective as of the date on which such change is first announced publicly by the rating agency making such change; and (d) if S&P or Moody's shall change the basis on which ratings are established, each reference herein to ratings announced by S&P or Moody's, as the case may be, shall refer to the then equivalent rating by S&P or Moody's, as the case may be.

"Redeemable" means, with respect to any Equity Interest, any Debt or any other right or obligation, any such Equity Interest, Debt, right or obligation that (a) the issuer has undertaken to redeem at a fixed or determinable date or dates, whether by operation of a sinking fund or otherwise, or upon the occurrence of a condition not solely within the control of the issuer or (b) is redeemable at the option of the holder.

"Register" has the meaning specified in Section 9.07(d).

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Replacement Letter of Credit" means a Letter of Credit issued by the Issuing Bank in replacement of and substitution for an Existing Letter of Credit and including language substantially as set forth on Exhibit B hereto.

"Required Banks" means, at any time, Banks owed or holding at least a majority in interest of the sum of (a) aggregate principal amount of the Letter of Credit Advances outstanding at such time and (b) the aggregate Available Amount of all Letters of Credit outstanding at such time, or, if no such principal amount and no Letters of Credit are outstanding at such time, Banks having LC Commitment Amounts constituting at least a majority in interest of the aggregate of the LC Commitment Amounts; provided, however, that if any Bank shall be a Defaulting Bank at such time, there shall be excluded from the determination of Required Banks at such time (A) the aggregate principal amount of the interest of such Bank in Letter of Credit Advances and outstanding at such time, (B) such Bank's Pro Rata Share of the aggregate Available Amount of all Letters of Credit outstanding at such time and (C) the Unused LC Commitment Amount of such Bank at such time.

"Required Commitment Banks" has the meaning specified in Section 2.18(a).

"Responsible Officer" means the Chairman, Chief Executive Officer, President, Chief Financial Officer, Chief Accounting Officer or Treasurer of the Parent.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

"Securitization Transaction" means any sale, assignment or other transfer by Parent or any Subsidiary of any accounts receivable, premium finance loan receivables, lease receivables or other payment obligations owing to Parent or such Subsidiary or any interest in any of the foregoing, together in each case with any collections and other proceeds thereof, any collection or deposit accounts related thereto, and any collateral, guaranties or other property or claims in favor of Parent or such Subsidiary supporting or securing payment by the obligor thereon of, or otherwise related to, any such receivables.

"Significant Subsidiary" means a Subsidiary of Parent that is a "significant subsidiary" of the Parent under Regulation S-X promulgated by the Securities and Exchange Commission.

"Solvent" and "Solvency" mean, with respect to any Person on a particular date, that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including, without limitation, contingent liabilities, of such Person, (b) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay such debts and liabilities as they mature and (d) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute an unreasonably small capital. The amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"Special Expiration Date" has the meaning specified in Section 2.18(a).

"Special Purpose Trust" means a special purpose business trust established by the Parent or ACE INA of which the Parent or ACE INA will hold all the common securities, which will be the issuer of the Preferred Securities, and which will loan to the Parent or ACE INA (such loan being evidenced by the Debentures) the net proceeds of the issuance and sale of the Preferred Securities and common securities of such Special Purpose Trust.

"Subsidiary" of any Person means any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (b) the interest in the capital or profits of such partnership, joint venture or limited liability company or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries.

"Subsidiary Guarantors" means the Account Parties (other than the Parent).

"Supplement to Tranche System" has the meaning specified in Section 2.18(a).

"Taxes" has the meaning specified in Section 2.08(a).

"Tempest" has the meaning specified in the recital of parties to this Agreement.

"Third Party Letter of Credit" means a Letter of Credit other than an Intercompany Letter of Credit.

"Total Capitalization" means, at any time, an amount (without duplication) equal to (i) the then outstanding Consolidated Debt of the Parent and its Subsidiaries plus (ii) Consolidated stockholders equity of the Parent and its Subsidiaries plus (without duplication) (iii) the then issued and outstanding amount of Preferred Securities (including Mandatorily Convertible Preferred Securities) and (without duplication) Debentures.

"Tranche 1 Bank" and other defined terms beginning with the word "Tranche" have the respective meanings specified in Section 2.18(a).

"Type", with respect to any Letter of Credit, means and refers to whether such Letter of Credit is an Intercompany Letter of Credit or a Third Party Letter of Credit.

"Unused LC Commitment Amount" means, with respect to any Bank at any time, (a) such Bank's LC Commitment Amount at such time minus (b) such Bank's Pro Rata Share of (i) the aggregate Available Amount of all Letters of Credit hereunder (including, without limitation, all Existing Letters of Credit) and (ii) the aggregate principal amount of all Letter of Credit Advances made by the Issuing Bank pursuant to Section 2.02(f) and outstanding at such time (whether held by the Issuing Bank or the Banks). If the Conversion to Tranche System shall have occurred, the Unused LC Commitment Amount of any Bank which is not a Commitment Bank shall be zero.

"Voting Interests" means shares of capital stock issued by a corporation, or equivalent Equity Interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

"Welfare Plan" means a welfare plan, as defined in Section 3(1) of ERISA, that is maintained for employees of any Loan Party or in respect of which any Loan Party could have liability.

"Withdrawal Liability" has the meaning specified in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02 Computation of Time Periods; Other Definitional Provisions. In this Agreement and the other Loan Documents in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding". References in the Loan Documents to any agreement or contract "as amended" shall mean and be a reference to such agreement or contract as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with its terms.

SECTION 1.03 Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with generally accepted accounting principles as in effect from time to time ("GAAP"), applied on a basis consistent (except for changes concurred in by the Parent's independent public accountants) with the most recent audited consolidated financial statements of the Parent and its Subsidiaries delivered to the Banks; provided that, if the Parent notifies the Administrative Agent that the Parent wishes to amend any covenant in Article V to eliminate the effect of any change in generally accepted accounting principles on the operation of such covenant (or if the Administrative Agent notifies the Parent that the Required Banks wish to amend Article V for such purpose), then the Parent's compliance with such covenant shall be determined on the basis of generally accepted accounting principles in effect immediately before the relevant change in generally accepted accounting principles became effective (and, concurrently with the delivery of any financial statements required to be delivered hereunder, the Parent shall provide a statement of reconciliation conforming such financial information to such generally accepted accounting principles as previously in effect), until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Parent and the Required Banks.

ARTICLE II

AMOUNTS AND TERMS OF THE LETTERS OF CREDIT

SECTION 2.01 The Letters of Credit. The Issuing Bank agrees, on the terms and subject to the conditions herein set forth, to issue standby letters of credit (the "Letters of Credit") for the account of any Account Party on any Letter of Credit Business Day from time to time during the period from the Effective Date to the Expiration Date. The agreement of the Issuing Bank in the preceding sentence includes the agreement of Mellon (in its capacity as Issuing Bank with respect to the Existing Letters of Credit) to maintain the Existing Letters of Credit as Letters of Credit hereunder. From and after the Effective Date, the Existing Letters of Credit shall be Letters of Credit hereunder. Letters of Credit may be issued as Intercompany Letters of Credit or Third Party Letters of Credit, subject to the terms and conditions of this Agreement. The Issuing Bank shall have no obligation to issue, and no Account Party will request the issuance of, any Letter of Credit hereunder if either (a) at the time of issuance of such Letter of Credit and after giving effect thereto, the Letter of Credit Exposure would exceed the Letter of Credit Issuance Commitment Amount, or

(b) any Bank's Pro Rata Share of the Available Amount of such Letter of Credit exceeds, immediately before the time of such issuance, an amount equal to such Bank's Pro Rata Share of the total Unused LC Commitment Amounts of the Banks at such time (as such amount shall be advised by the Administrative Agent to the Issuing Bank as contemplated by Section 2.02). Unless all the Banks consent otherwise in writing, the Issuing Bank shall have no obligation to issue, and no Account Party shall request the issuance of, any Letter of Credit hereunder if the Available Amount of such Letter of Credit exceeds, immediately before the time of such issuance, an amount equal to the total Unused LC Commitment Amounts of the Banks at such time (as such amount shall be advised by the Administrative Agent to the Issuing Bank as contemplated by Section 2.02). The Issuing Bank shall have no obligation to issue, and no Account Party shall request the issuance of, any Letter of Credit except within the following limitations: (i) subject to the provisions of Section 2.16, each Letter of Credit shall be denominated in U.S. dollars, (ii) each Letter of Credit shall be payable only against sight drafts (and not time drafts) and (iii) no Letter of Credit shall have an expiration date (including all rights of the Applicable Account Party or the beneficiary to require renewal) later than one year after the date of issuance thereof, but a Letter of Credit may by its terms be automatically renewable annually unless the Issuing Bank notifies the beneficiary thereof of its election not to renew such Letter of Credit. The Issuing Bank shall have no obligation to issue any letter of credit which is unsatisfactory in form, substance or beneficiary to the Issuing Bank in the exercise of its reasonable judgment consistent with its customary practice. Letters of Credit may be issued for the account of any Subsidiary of the Parent that is not an Account Party hereunder, provided that the Parent shall be a joint applicant and account party with respect to any such Letter of Credit. By their execution of this Agreement, the Banks party hereto as of the Effective Date that are also party to the Mellon Reimbursement Agreement as "Banks" thereunder hereby waive, in their capacity as the "Required Banks" under the Mellon Reimbursement Agreement, the requirement of three Business Days' prior written notice for the termination of the LC Commitment Amounts (as defined in the Mellon Reimbursement Agreement) pursuant to Section 2.04 thereof, and agree that such notice may be given on the Effective Date of this Agreement.

SECTION 2.02 Issuance and Renewals and Drawings, Participations and Reimbursement with Respect to Letters of Credit.

(a) Request for Issuance. An Account Party may from time to time request, upon at least three Letter of Credit Business Days' notice (given not later than 11:00 A.M. Charlotte, North Carolina time on the last day permitted therefor), the Issuing Bank to issue or renew (other than any automatic renewal thereof) a Letter of Credit by:

(i) delivering to the Issuing Bank either (x) a written request to such effect or (y) a request made in electronic form through the Issuing Bank's remote access system and in accordance with the terms and conditions (including any written agreements between the Issuing Bank and any Account Party) applicable thereto, in each case specifying the date on which such Letter of Credit is to be issued (which shall be a Letter of Credit Business Day), the expiration date thereof, the Available Amount thereof (which, for purposes of a request for a Replacement Letter of Credit, shall be specified without regard to the proviso contained in the definition of "Available Amount"), the name and address of the beneficiary thereof and the form thereof, and in each case with a copy of such request (or, in the case of clause (y) above, a written or electronic summary thereof) to the Administrative Agent, and

(ii) in the case of the issuance of a Letter of Credit, delivering to the Issuing Bank a completed agreement and application with respect to such Letter of Credit as the Issuing Bank may specify for use in connection with such requested Letter of Credit (a "Letter of Credit Agreement"), together with such other certificates, documents and other papers or information as are specified in such Letter of Credit Agreement or as may be required pursuant to the Issuing Bank's customary practices for the issuance of letters of credit (including requirements relating to requests made through the Issuing Bank's remote access system).

The Administrative Agent shall, promptly upon receiving such notice, notify the Banks of such proposed Letter of Credit (which notice shall specify the Available Amount (in the case of a Replacement Letter of Credit, without regard to the proviso contained in the definition of "Available Amount") and term of such proposed Letter of Credit) or such proposed renewal of a Letter of Credit (which notice shall specify the term of such renewal), and shall determine, as of 11:00 A.M. (Charlotte, North Carolina time) on the Business Day immediately preceding such proposed issuance, whether such proposed Letter of Credit complies with the limitations set forth in Section 2.01 hereof. If such limitations set forth in Section 2.01 are not satisfied or if the Required Banks have given notice to the Administrative Agent to cease issuing or renewing Letters of Credit as contemplated by this Agreement, the Administrative Agent shall immediately notify the Issuing Bank (in writing or by telephone immediately confirmed in writing) that the Issuing Bank is not authorized to issue or renew, as the case may be, such Letter of Credit. If the Issuing Bank issues or renews a Letter of Credit, it shall deliver the original of such Letter of Credit to the beneficiary thereof or as the Applicable Account Party shall otherwise direct, and shall promptly notify the Administrative Agent thereof and furnish a copy thereof to the Administrative Agent. The Issuing Bank may issue Letters of Credit through any of its branches or Affiliates (whether domestic or foreign) that issue letters of credit, and each Account Party authorizes and directs the Issuing Bank to select the branch or Affiliate that will issue or process any Letter of Credit.

(b) Request for Extension or Increase. An Account Party may from time to time request the Issuing Bank to extend the expiration date of an outstanding Letter of Credit issued for its account or increase (or, with the consent of the beneficiary, decrease) the Available Amount of or the amount available to be drawn on such Letter of Credit. Such extension or increase shall for all purposes hereunder be treated as though such Account Party had requested issuance of a replacement Letter of Credit (except only that the Issuing Bank may, if it elects, issue a notice of extension or increase in lieu of issuing a new Letter of Credit in substitution for the outstanding Letter of Credit).

(c) Limitations on Issuance, Extension, Renewal and Amendment. As between the Issuing Bank, on the one hand, and the Agents and the Banks, on the other hand, the Issuing Bank shall be justified and fully protected in issuing or renewing a proposed Letter of Credit unless it shall have received notice from the Administrative Agent as provided in Section 2.02(a) hereof that it is not authorized to do so (and, in the case of automatic renewals, ten days shall have passed following the date of the Issuing Bank's receipt of such notice), notwithstanding any subsequent notices to the Issuing Bank, any knowledge of a Default, any knowledge of failure of any condition specified in Article III hereof to be satisfied, any other knowledge of the Issuing Bank, or any other event, condition or circumstance whatsoever. The Issuing Bank may amend, modify or supplement Letters of Credit or Letter of Credit Agreements, or waive compliance with any condition of issuance, renewal or payment, without the consent of, and without liability to, any Agent or any Bank, provided that any such amendment, modification or supplement that extends the expiration date or increases the Available Amount of or the amount available to be drawn on an outstanding Letter of Credit shall be subject to Section 2.01. Notwithstanding anything in this Section 2.01 or elsewhere in this Agreement to the contrary, (x) no Account Party will request that any Existing Letter of Credit be amended (other than to reduce the Available Amount thereunder), renewed or extended, and the Account Parties hereby request that Mellon, as Issuing Bank with respect to the Existing Letters of Credit, provide timely notice of non-renewal to the beneficiaries thereof with respect to each Existing Letter of Credit that has automatic renewal provisions (to the extent any such Existing Letter of Credit remains outstanding up until the deadline for notice of non-renewal), and

(y) all Letters of Credit issued under this Agreement (excluding the Existing Letters of Credit, but including any Replacement Letters of Credit and any other Letters of Credit issued in replacement of or in substitution for the Existing Letters of Credit) shall be issued by First Union (or any New Issuing Bank, as the case may be) in its capacity as Issuing Bank. Solely with respect to the Existing Letters of Credit and any Letter of Credit Agreements delivered in connection therewith, Mellon (in its capacity as issuer of the Existing Letters of Credit) shall have all rights and benefits afforded to, and shall be bound by all duties and obligations of, the "Issuing Bank" under this Agreement, and for such purpose all references herein to the "Issuing Bank" shall be deemed to be references to Mellon in such capacity.

(d) Letter of Credit Participating Interests. Concurrently with the issuance of each Letter of Credit (and upon the Effective Date, with respect to each Existing Letter of Credit, and without any further action by any party to this Agreement), the Issuing Bank automatically shall be deemed, irrevocably and unconditionally, to have sold, assigned, transferred and conveyed to each other Bank, and each other Bank automatically shall be deemed, irrevocably and unconditionally, severally to have purchased, acquired, accepted and assumed from the Issuing Bank, without recourse to, or representation or warranty by, the Issuing Bank, an

undivided interest, in a proportion equal to such Bank's Pro Rata Share, in all of the Issuing Bank's rights and obligations in, to or under such Letter of Credit, the related Letter of Credit Agreement, all reimbursement obligations with respect to such Letter of Credit, and all collateral, guarantees and other rights from time to time directly or indirectly securing the foregoing (such interest of each Bank being referred to herein as a "Letter of Credit Participating Interest", it being understood that the Letter of Credit Participating Interest of the Issuing Bank is the interest not otherwise attributable to the Letter of Credit Participating Interests of the other Banks). Each Bank irrevocably and unconditionally agrees to the immediately preceding sentence, such agreement being herein referred to as such Bank's "Letter of Credit Participating Interest Commitment". Amounts, other than Letter of Credit Advances made by a Bank other than the Issuing Bank and other than Letter of Credit commissions under Section 2.05(c)(i), payable from time to time under or in connection with a Letter of Credit or Letter of Credit Agreement shall be for the sole account of the Issuing Bank. On the date that any assignee becomes a party to this Agreement in accordance with Section 9.07 hereof, Letter of Credit Participating Interests in all outstanding Letters of Credit held by the Bank from which such assignee acquired its interest hereunder shall be proportionately reallocated between such assignee and such assignor Bank (and, to the extent such assignor Bank is the Issuing Bank, the assignee Bank shall be deemed to have acquired a Letter of Credit Participating Interest from the Issuing Bank to such extent). Notwithstanding any other provision hereof except the next succeeding sentence, each Bank hereby agrees that its obligation to participate in each Letter of Credit, its obligation to make the payments specified in Section 2.02(e), and the right of the Issuing Bank to receive such payments in the manner specified therein, are each absolute, irrevocable and unconditional and shall not be affected by any event, condition or circumstance whatever. Notwithstanding anything to the contrary herein contained, no Bank shall have any participation or funding obligation with respect to any drawing under a Replacement Letter of Credit unless the related Existing Letter of Credit shall have been cancelled or shall have terminated, in each case without any unreimbursed drawing thereunder. The failure of any Bank to make any such payment shall not relieve any other Bank of its funding obligation hereunder on the date due, but no Bank shall be responsible for the failure of any other Bank to meet its funding obligations hereunder.

(e) Payment by Banks on Account of Unreimbursed Draws. If the Issuing Bank makes a payment under any Letter of Credit and is not reimbursed in full therefor on such payment date in accordance with Section 2.03(a), the Issuing Bank may notify the Administrative Agent thereof (which notice may be by telephone), and the Administrative Agent shall forthwith notify each Bank (which notice may be by telephone promptly confirmed in writing) thereof. No later than the Administrative Agent's close of business on the date such notice is given (if notice is given by 2:00 P.M. Charlotte, North Carolina time) or 10:00 A.M. Charlotte, North Carolina time the following day (if notice is given after 2:00 P.M. Charlotte, North Carolina time or in the case of any Bank whose Applicable Lending Office is located in Europe), each Bank will pay to the Administrative Agent, for the account of the Issuing Bank, in immediately available funds, an amount equal to such Bank's Pro Rata Share of the unreimbursed portion of such payment by the Issuing Bank. Amounts received by the Administrative Agent for the account of the Issuing Bank shall be forthwith transferred, in immediately available funds, to the Issuing Bank. If and to the extent that any Bank fails to make such payment to the Administrative Agent for the account of the Issuing Bank on such date, such Bank shall pay such amount on demand, together with interest, for the Issuing Bank's own account, for each day from and including the date such payment is due from such Bank to the Issuing Bank to but not including the date of repayment to the Issuing Bank (before and after judgment) at a rate per annum for each day (i) from and including the date such payment is due from such Bank to the Issuing Bank to and including the second Business Day thereafter equal to the Federal Funds Rate and (ii) thereafter equal to the Base Rate.

(f) Letter of Credit Advances. The term "Letter of Credit Advance" is used in this Agreement in accordance with the meanings set forth in this paragraph 2.02(f). The making of any payment by the Issuing Bank under a Letter of Credit is sometimes referred to herein as the making of a Letter of Credit Advance by the Issuing Bank in the amount of such payment. The making of any payment by a Bank for the account of the Issuing Bank under

Section 2.02(e) on account of an unreimbursed drawing on a Letter of Credit is sometimes referred to herein as the making of a Letter of Credit Advance to the Applicable Account Party by such Bank. The making of such a Letter of Credit Advance by a Bank with respect to an unreimbursed drawing on a Letter of Credit shall reduce, by a like amount, the outstanding Letter of Credit Advance of the Issuing Bank with respect to such unreimbursed drawing.

(g) Letter of Credit Reports. The Issuing Bank will furnish to the Administrative Agent prompt written notice of each issuance of a Letter of Credit (including the Available Amount and expiration date thereof), amendment to a Letter of Credit, cancellation of a Letter of Credit and payment on a Letter of Credit. The Administrative Agent will furnish (A) to each Bank prior to the tenth Business Day of each calendar quarter a written report summarizing issuance and expiration dates of Letters of Credit issued during the preceding calendar quarter and payments and reductions in Available Amount during such calendar quarter on all Letters of Credit and (B) to each Bank prior to the tenth Business Day of each calendar quarter a written report setting forth the average daily aggregate Available Amount during the preceding calendar quarter of all Letters of Credit.

(h) Replacement Letters of Credit. With respect to any Replacement Letter of Credit, First Union (in its capacity as Issuing Bank) will deliver to the beneficiary thereof the written confirmation that such Replacement Letter of Credit is operative for drawing, as contemplated by the provisions of Exhibit B hereto, promptly upon its receipt of written confirmation from Mellon (in its capacity as Issuing Bank), which shall be in form and substance satisfactory to First Union, that the corresponding Existing Letter of Credit has been validly cancelled.

SECTION 2.03 Repayment of Advances.

(a) Account Parties' Reimbursement Obligation.

(i) Each Account Party hereby agrees to reimburse the Issuing Bank (by making payment to the Administrative Agent for the account of the Issuing Bank in accordance with Section 2.07) in the amount of each payment made by the Issuing Bank under any Letter of Credit issued for such Account Party's account, such reimbursement to be made on the date such payment under such Letter of Credit is made by the Issuing Bank (but not earlier than the date which is one Business Day after notice of such payment under such Letter of Credit or of the drawing giving rise to such payment under such Letter of Credit is given to such Account Party). Such reimbursement obligation shall be payable without further notice, protest or demand, all of which are hereby waived, and an action therefor shall immediately accrue. To the extent such payment by such Account Party is not timely made, such Account Party hereby agrees to pay to the Administrative Agent, for the respective accounts of the Issuing Bank and the Banks which have funded their respective shares of such amount remaining unpaid by such Account Party, on demand, interest thereon at a rate per annum for each day equal to 2% plus the Base Rate in effect on such day.

(ii) The obligation of each Account Party to reimburse the Issuing Bank for any payment made by the Issuing Bank under any Letter of Credit, and the obligation of each Bank under Section 2.02(e) with respect thereto, shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement, the applicable Letter of Credit Agreement and any other applicable agreement or instrument under all circumstances, including, without limitation, the following circumstances:

(A) any lack of validity or enforceability of any Loan Document, any Letter of Credit Agreement, any Letter of Credit or any other agreement or instrument relating thereto (all of the foregoing being, collectively, the "L/C Related Documents");

(B) any change in the time, manner or place of payment of, or in any other term of, all or any of the obligations of any Account Party or any other Person in respect of any L/C Related Document or any other amendment or waiver of or any consent to departure from all or any of the L/C Related Documents;

(C) the existence of any claim, set-off, defense or other right that any Account Party or any other Person may have at any time against any beneficiary or any transferee of a Letter of Credit (or any Persons for which any such beneficiary or any such transferee may be acting), the Issuing Bank or any other Person, whether in connection with the transactions contemplated by the L/C Related Documents or any unrelated transaction;

(D) any statement or any other document presented under a Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(E) payment by the Issuing Bank under a Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit;

(F) any exchange, release or non-perfection of any collateral, or any release or amendment or waiver of or consent to departure from the Guaranty or any other guarantee, for all or any of the obligations of any Account Party or any other Person in respect of the L/C Related Documents; or

(G) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including, without limitation, any other circumstance that might otherwise constitute a defense available to, or a discharge of, any Account Party or a guarantor.

(b) Rescission. If any amount received by the Issuing Bank on account of any Letter of Credit Advance shall be avoided, rescinded or otherwise returned or paid over by the Issuing Bank for any reason at any time, whether before or after the termination of this Agreement (or the Issuing Bank believes in good faith that such avoidance, rescission, return or payment is required, whether or not such matter has been adjudicated), each Bank will (except to the extent a corresponding amount received by such Bank on account of its Letter of Credit Advance relating to the same payment on a Letter of Credit has been avoided, rescinded or otherwise returned or paid over by such Bank), promptly upon notice from the Administrative Agent or the Issuing Bank, pay over to the Administrative Agent for the account of the Issuing Bank its Pro Rata Share of such amount, together with its Pro Rata Share of any interest or penalties payable with respect thereto.

SECTION 2.04 Termination, Reduction or Increase of the LC Commitment Amounts.

(a) The Parent may, upon at least three Business Days' notice to the Administrative Agent, terminate in whole or reduce in part the unused portion of the LC Commitment Amounts; provided, however, that each partial reduction (i) shall be in an aggregate amount of \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof, (ii) shall be made ratably among the Banks in accordance with their LC Commitment Amounts and (iii) shall automatically reduce the Issuing Bank's Letter of Credit Issuance Commitment Amount, as contemplated by the definition of that term.

(b) The Parent may, on one occasion at any time prior to the initial Expiration Date, make a written request (an "Increase Request") to the Administrative Agent that the aggregate LC Commitment Amounts of the Banks be increased by an amount of up to \$25,000,000. Such Increase Request shall include a certification by the Chief Financial Officer of the Parent as to the matters described in clauses (i) and (ii) of Section 3.02(a), and the continued accuracy of such certification as of the effective date of the requested increase shall be a condition to its effectiveness. Upon its receipt of the Increase Request, the Administrative Agent, in consultation with the Parent, shall determine how best to increase the aggregate LC Commitment Amounts as requested, which may include, without limitation, solicitation of additional commitments from existing Banks (with any additional commitment by an existing Bank being made in such Bank's sole discretion), solicitation of one or more new Banks (each of which shall be an Eligible Assignee), or a combination thereof; provided that the Parent shall have the right to effect the Increase Request by designating one or more new Banks (each of which shall be an Eligible Assignee approved by the Administrative Agent). Any such new Bank that agrees to provide an LC Commitment Amount shall become a party to this Agreement by executing and delivering a counterpart hereof or a joinder hereto in form and substance satisfactory to the Administrative Agent. Promptly after any increase in the LC Commitment Amounts is effective, the Administrative Agent shall notify the Banks in writing of such increase and the respective LC Commitment Amounts of the Banks after giving effect thereto. In the event any Letter of Credit Advances are outstanding as of the Increase Date, the Banks shall (through the Administrative Agent) make proportionate adjustments among themselves in order to reallocate such Letter of Credit Advances in accordance with their respective LC Commitment Amounts after giving effect to the increases therein.

SECTION 2.05 Fees.

(a) Commitment Fee. The Account Parties jointly and severally agree to pay to the Administrative Agent for the account of the Banks a commitment fee, from the Effective Date in the case of each Initial Bank and from the effective date specified in the Assignment and Acceptance pursuant to which it became a Bank in the case of each other Bank until the Expiration Date, payable in arrears quarterly on the last Business Day of each March, June, September and December and on the Expiration Date, at the rate of the Applicable Commitment Fee Percentage on the average daily Unused LC Commitment Amount of each Bank during such quarter (or shorter period); provided, however, that no commitment fee shall accrue on the LC Commitment Amount of a Defaulting Bank so long as such Bank shall be a Defaulting Bank; and provided further that, solely for purposes of this Section 2.05(a), to the extent a Replacement Letter of Credit has a positive Available Amount prior to the Initial Availability Time, such Available Amount shall not be taken into account (i.e., shall not be deemed usage) in the calculation of the Unused LC Commitment Amounts of the Banks until the Initial Availability Time.

(b) Administrative Agent's Fees. The Account Parties jointly and severally agree to pay to the Administrative Agent for its own account such fees as may from time to time be agreed between the Parent and the Administrative Agent.

(c) Letter of Credit Fees, Etc.

(i) The Account Parties jointly and severally agree to pay to the Administrative Agent for the account of each Bank a commission, payable in arrears quarterly on the last Business Day of each calendar quarter commencing September 28, 2001, on the date of the earliest to occur of the full drawing, expiration, termination or cancellation of any Letter of Credit, and on the Expiration Date, on such Bank's Pro Rata Share of the average daily aggregate Available Amount during such quarter (or shorter period) of all Letters of Credit of each Type outstanding from time to time at the rate equal to the then Applicable Margin with respect to such Type of Letters of Credit; provided, however, that, solely for purposes of this Section 2.05(c)(i), to the extent a Replacement Letter of Credit has a positive Available Amount prior to the Initial Availability Time, such Replacement Letter of Credit shall not be deemed outstanding until the Initial Availability Time.

(ii) The Account Parties jointly and severally agree to pay to the Issuing Bank, for its own account, (x) the facing fee referred to the Fee Letter, on the terms set forth therein, and (y) the Issuing Bank's customary issuance, presentation, amendment and other processing fees, and other standard costs and charges, relating to letters of credit as are from time to time in effect; provided, however, that for purposes of clause (x) above, no Replacement Letter of Credit shall be deemed issued and outstanding until the Initial Availability Time. With respect to the Existing Letters of Credit, Mellon shall be entitled to receive the fees and other amounts provided for under this Section 2.05(c)(ii) (to the extent not previously paid to Mellon pursuant to the Mellon Reimbursement Agreement) as if the Existing Letters of Credit were issued hereunder on the Effective Date.

SECTION 2.06 Increased Costs, Etc.

(a) If, due to either (i) the introduction of or any change in or in the interpretation of, in each case after the date hereof, any law or regulation or (ii) the compliance with any guideline or request issued after the date hereof from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the cost to any Bank of agreeing to issue or of issuing or maintaining or participating in Letters of Credit (excluding, for purposes of this Section 2.06, any such increased costs resulting from (x) Taxes or Other Taxes (as to which Section 2.08 shall govern) and (y) changes in the basis of taxation of overall net income or overall gross income by the United States or by the foreign jurisdiction or state under the laws of which such Bank is organized or has its Applicable Lending Office or any political subdivision thereof), then the Account Parties jointly and severally agree to pay, from time to time, within five days after demand by such Bank (with a copy of such demand to the Administrative Agent), which demand shall include a statement of the basis for such demand and a calculation in reasonable detail of the amount demanded, to the Administrative Agent for the account of such Bank additional amounts sufficient to compensate such Bank for such increased cost. A certificate as to the amount of such increased cost, submitted to the Account Parties by such Bank, shall be conclusive and binding for all purposes, absent manifest error.

(b) If, due to either (i) the introduction of or any change in or in the interpretation of any law or regulation, in each case after the date hereof, or (ii) the compliance with any guideline or request issued after the date hereof from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the amount of capital required or expected to be maintained by any Bank or any corporation controlling such Bank as a result of or based upon the existence of such Bank's commitment to lend hereunder and other commitments of such type, then, within five days after demand by such Bank or such corporation (with a copy of such demand to the Administrative Agent), which demand shall include a statement of the basis for such demand and a calculation in reasonable detail of the amount demanded, the Account Parties jointly and severally agree to pay to the Administrative Agent for the account of such Bank, from time to time as specified by such Bank, additional amounts sufficient to compensate such Bank in the light of such circumstances, to the extent that such Bank reasonably determines such increase in capital to be allocable to the existence of such Bank's commitment to issue or participate in Letters of Credit hereunder or to the issuance or maintenance of or participation in any Letters of Credit. A certificate as to such amounts submitted to the Account Parties by such Bank shall be conclusive and binding for all purposes, absent manifest error.

(c) Each Bank shall promptly notify the Account Parties and the Administrative Agent of any event of which it has actual knowledge which will result in, and will use reasonable commercial efforts available to it (and not, in such Bank's good faith judgment, otherwise disadvantageous to such Bank) to mitigate or avoid any obligation by the Account Parties to pay any amount pursuant to subsection (a) or (b) above or pursuant to Section 2.08 (and, if any Bank has given notice of any such event and thereafter such event ceases to exist, such Bank shall promptly so notify the Account Parties and the Administrative Agent). Without limiting the foregoing, each Bank will designate a different Applicable Lending Office if such designation will avoid (or reduce the cost to the Account Parties of) any event described in the preceding sentence and such designation will not, in such Bank's good faith judgment, be otherwise disadvantageous to such Bank.

(d) Notwithstanding the provisions of subsections (a) and (b) above or Section 2.08 (and without limiting subsection (c) above), if any Bank fails to notify the Account Parties of any event or circumstance that will entitle such Bank to compensation pursuant subsection (a) or (b) above or Section 2.08 within 120 days after such Bank obtains actual knowledge of such event or circumstance, then such Bank shall not be entitled to compensation from the Account Parties for any amount arising prior to the date which is 120 days before the date on which such Bank notifies the Account Parties of such event or circumstance. For avoidance of doubt, it is noted that the term "Bank" as used in this Section 2.06 and in other Sections of this Agreement includes the Issuing Bank in its capacity as such.

SECTION 2.07 Payments and Computations.

(a) The Account Parties shall make each payment hereunder irrespective of any right of counterclaim or set-off (except as otherwise provided in Section 2.11), not later than 11:00 A.M. (Charlotte, North Carolina time) on the day when due, in U.S. dollars, to the Administrative Agent at the Administrative Agent's Account in same day funds, with payments being received by the Administrative Agent after such time being deemed to have been received on the next succeeding Business Day. The Administrative Agent will promptly thereafter cause like funds to be distributed (i) if such payment by such Account Party is in respect of principal, interest, commitment fees or any other amount then payable hereunder to more than one Bank, to such Banks for the account of their respective Applicable Lending Offices ratably in accordance with the amounts of such respective amount then payable to such Banks and (ii) if such payment by such Account Party is in respect of any amount then payable hereunder to one Bank, to such Bank for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 9.07(d), from and after the effective date of such Assignment and Acceptance, the Administrative Agent shall make all payments hereunder in respect of the interest assigned thereby to the Bank assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

(b) Each Account Party hereby authorizes each Bank, if an Event of Default under Section 6.01(a) has occurred and is continuing, to charge from time to time against any or all of such Account Party's accounts with such Bank any amount that resulted in such Event of Default.

(c) All computations of interest on Letter of Credit Advances (and any other amount payable by reference to the Base Rate) when the Base Rate is determined by reference to First Union's prime rate shall be made by the Administrative Agent on the basis of a year of 365 or, if applicable, 366 days; all other computations of interest, fees and Letter of Credit commissions shall be made by the Administrative Agent on the basis of a year of 360 days. All such computations shall be made for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest, fees or commissions are payable. Each determination by the Administrative Agent of an interest rate, fee or commission hereunder shall be conclusive and binding for all purposes, absent manifest error.

(d) Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or fee, as the case may be.

SECTION 2.08 Taxes.

(a) Any and all payments by any Loan Party hereunder shall be made, in accordance with Section 2.07, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Bank and each Agent, taxes that are imposed on its overall net income by the United States and taxes that are imposed on its overall net income (and franchise taxes imposed in lieu thereof) by the state or foreign jurisdiction under the laws of which such Bank or such Agent, as the case may be, is organized or any political subdivision thereof and, in the case of each Bank, taxes that are imposed on its overall net income (and franchise taxes imposed in lieu thereof) by the state or foreign jurisdiction of such Bank's Applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities in respect of payments hereunder being herein referred to as "Taxes"). If any Loan Party shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or to any Bank or any Agent, (i) the sum payable by such Loan Party shall be increased as may be necessary so that after such Loan Party and the Administrative Agent have made all required deductions (including deductions applicable to additional sums payable under this Section 2.08) such Bank or such Agent, as the case may be, receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Loan Party shall make all such deductions and (iii) such Loan Party shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, each Loan Party shall pay any present or future stamp, documentary, excise, property or similar taxes, charges or levies that arise from any payment made hereunder or from the execution, delivery or registration of, performance under, or otherwise with respect to, this Agreement or any other Loan Document (herein referred to as "Other Taxes").

(c) Each Loan Party shall indemnify each Bank and each Agent for and hold them harmless against the full amount of Taxes and Other Taxes, and for the full amount of taxes of any kind imposed by any jurisdiction on amounts payable under this Section 2.08, imposed on or paid by such Bank or such Agent (as the case may be) and any liability (including penalties, additions to tax, interest and expenses) arising therefrom or with respect thereto. This indemnification payment shall be made within 30 days from the date such Bank or such Agent (as the case may be) makes written demand therefor.

(d) Within 30 days after the date of any payment of Taxes, each Loan Party shall furnish to the Administrative Agent, at its address referred to in Section 9.02, the original or a certified copy of a receipt evidencing such payment. In the case of any payment hereunder by or on behalf of a Loan Party through an account or branch outside the United States or by or on behalf of a Loan Party by a payor that is not a United States person, if such Loan Party determines that no Taxes are payable in respect thereof, such Loan Party shall furnish, or shall cause such payor to furnish, to the Administrative Agent, at such address, an opinion of counsel acceptable to the Administrative Agent stating that such payment is exempt from Taxes. For purposes of subsections (d) and (e) of this Section 2.08, the terms "United States" and "United States person" shall have the meanings specified in Section 7701(a)(9) and 7701(a)(10) of the Internal Revenue Code, respectively.

(e) Each Bank organized under the laws of a jurisdiction outside the United States shall, on or prior to the date of its execution and delivery of this Agreement in the case of each Initial Bank or the Issuing Bank, as the case may be, and on the date of the Assignment and Acceptance pursuant to which it becomes a Bank in the case of each other Bank, and from time to time thereafter as requested in writing by the Parent (but only so long thereafter as such Bank remains lawfully able to do so), provide each of the Administrative Agent and the Parent with two original Internal Revenue Service forms W-8BEN or W-8ECI or (in the case of a Bank that has certified in writing to the Administrative Agent that it is not a "bank" as defined in Section 881(c)(3)(A) of the Internal Revenue Code) form W-8 (and, if such Bank delivers a form W-8, a certificate representing that such Bank is not a "bank" for purposes of Section 881(c)(3)(A) of the Internal Revenue Code, is not a 10-percent shareholder (within the meaning of Section 871(h)(3)(B) of the Internal Revenue Code) of the Parent and is not a controlled foreign corporation related to the Parent (within the meaning of

Section 864(d)(4) of the Internal Revenue Code)), as appropriate, or any successor or other form prescribed by the Internal Revenue Service, certifying that such Bank is exempt from or entitled to a reduced rate of United States withholding tax on payments pursuant to this Agreement or, in the case of a Bank providing a form W-8, certifying that such Bank is a foreign corporation, partnership, estate or trust. If the forms provided by a Bank at the time such Bank first becomes a party to this Agreement indicate a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from Taxes unless and until such Bank provides the appropriate forms certifying that a lesser rate applies, whereupon withholding tax at such lesser rate only shall be considered excluded from Taxes for periods governed by such forms; provided, however, that if, at the effective date of the Assignment and Acceptance pursuant to which a Bank becomes a party to this Agreement, the Bank assignor was entitled to payments under subsection (a) of this Section 2.08 in respect of United States withholding tax with respect to interest paid at such date, then, to such extent, the term Taxes shall include (in addition to withholding taxes that may be imposed in the future or other amounts otherwise includable in Taxes) United States withholding tax, if any, applicable with respect to the Bank assignee on such date. If any form or document referred to in this subsection (e) requires the disclosure of information, other than information necessary to compute the tax payable and information required on the date hereof by Internal Revenue Service form W-8BEN, W-8ECI or W-8 (and the related certificate described above), that the Bank reasonably considers to be confidential, the Bank shall give notice thereof to the Parent and shall not be obligated to include in such form or document such confidential information.

(f) For any period with respect to which a Bank which may lawfully do so has failed to provide the Parent with the appropriate form described in subsection (e) above (other than if such failure is due to a change in law occurring after the date on which a form originally was required to be provided or if such form otherwise is not required under subsection (e) above), such Bank shall not be entitled to indemnification under subsection

(a) or (c) of this Section 2.08 with respect to Taxes imposed by the United States by reason of such failure; provided, however, that should a Bank become subject to Taxes because of its failure to deliver a form required hereunder, the Parent shall take such steps as such Bank shall reasonably request to assist such Bank to recover such Taxes.

(g) Each Bank represents and warrants to the Account Parties that, as of the date such Bank becomes a party to this Agreement, such Bank is entitled to receive payments hereunder from the Account Parties without deduction or withholding for or on account of any Taxes.

SECTION 2.09 Sharing of Payments, Etc. If any Bank shall obtain at any time any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise, other than as a result of an assignment pursuant to Section 9.07) (a) on account of obligations due and payable to such Bank hereunder at such time in excess of its ratable share (according to the proportion of (i) the amount of such obligations due and payable to such Bank at such time to (ii) the aggregate amount of the obligations due and payable to all Banks hereunder at such time) of payments on account of the obligations due and payable to all Banks hereunder at such time obtained by all the Banks at such time or (b) on account of obligations owing (but not due and payable) to such Bank hereunder at such time in excess of its ratable share (according to the proportion of (i) the amount of such obligations owing to such Bank at such time to (ii) the aggregate amount of the obligations owing (but not due and payable) to all Banks hereunder at such time) of payments on account of the obligations owing (but not due and payable) to all Banks hereunder at such time obtained by all of the Banks at such time, such Bank shall forthwith purchase from the other Banks such interests or participating interests in the obligations due and payable or owing to them, as the case may be, as shall be necessary to cause such purchasing Bank to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Bank, such purchase from each other Bank shall be rescinded and such other Bank shall repay to the purchasing Bank the purchase price to the extent of such Bank's ratable share (according to the proportion of (i) the purchase price paid to such Bank to (ii) the aggregate purchase price paid to all Banks) of such recovery together with an amount equal to such Bank's ratable share (according to the proportion of (i) the amount of such other Bank's required repayment to (ii) the total amount so recovered from the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered. Each Account Party agrees that any Bank so purchasing an interest or participating interest from another Bank pursuant to this Section 2.09 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such interest or participating interest, as the case may be, as fully as if such Bank were the direct creditor of such Account Party in the amount of such interest or participating interest, as the case may be.

SECTION 2.10 Use of Letters of Credit. The Letters of Credit shall be used for the general corporate purposes of the Account Parties and their respective Subsidiaries.

SECTION 2.11 Defaulting Banks.

(a) In the event that, at any one time, (i) any Bank shall be a Defaulting Bank, (ii) such Defaulting Bank shall owe a Defaulted Amount to any Agent or any of the other Banks and (iii) any Account Party shall make any payment hereunder or under any other Loan Document to the Administrative Agent for the account of such Defaulting Bank, then the Administrative Agent may, on its behalf or on behalf of such other Banks and to the fullest extent permitted by applicable law, apply at such time the amount so paid by such Account Party to or for the account of such Defaulting Bank to the payment of each such Defaulted Amount to the extent required to pay such Defaulted Amount. In the event that the Administrative Agent shall so apply any such amount to the payment of any such Defaulted Amount on any date, the amount so applied by the Administrative Agent shall constitute for all purposes of this Agreement and the other Loan Documents payment, to such extent, of such Defaulted Amount on such date. Any such amount so applied by the Administrative Agent shall be retained by the Administrative Agent or distributed by the Administrative Agent to such other Banks, ratably in accordance with the respective portions of such Defaulted Amounts payable at such time to the Administrative Agent and such other Banks and, if the amount of such payment made by such Account Party shall at such time be insufficient to pay all Defaulted Amounts owing at such time to the Administrative Agent, such other Agents and such other Banks, in the following order of priority:

(i) first, to the Agents for any Defaulted Amounts then owing to the Agents;

(ii) second, to the Issuing Bank for any amount then due and payable to it, in its capacity as such, by such Defaulting Bank, ratably in accordance with such amounts then due and payable to the Issuing Bank; and

(iii) third, to any other Banks for any Defaulted Amounts then owing to such other Banks, ratably in accordance with such respective Defaulted Amounts then owing to such other Banks.

Any portion of such amount paid by such Account Party for the account of such Defaulting Bank remaining, after giving effect to the amount applied by the Administrative Agent pursuant to this subsection (a), shall be applied by the Administrative Agent as specified in subsection (b) of this

Section 2.11.

(b) In the event that, at any one time, (i) any Bank shall be a Defaulting Bank, (ii) such Defaulting Bank shall not owe a Defaulted Amount and (iii) any Account Party, any Agent or other Bank shall be required to pay or distribute any amount hereunder or under any other Loan Document to or for the account of such Defaulting Bank, then such Account Party or such Agent or such other Bank shall pay such amount to the Administrative Agent to be held by the Administrative Agent, to the fullest extent permitted by applicable law, in escrow or the Administrative Agent shall, to the fullest extent permitted by applicable law, hold in escrow such amount otherwise held by it. Any funds held by the Administrative Agent in escrow under this subsection (b) shall be deposited by the Administrative Agent in an account with First Union in the name and under the control of the Administrative Agent, but subject to the provisions of this subsection (b). The terms applicable to such account, including the rate of interest payable with respect to the credit balance of such account from time to time, shall be First Union's standard terms applicable to escrow accounts maintained with it. Any interest credited to such account from time to time shall be held by the Administrative Agent in escrow under, and applied by the Administrative Agent from time to time in accordance with the provisions of, this subsection (b). The Administrative Agent shall, to the fullest extent permitted by applicable law, apply all funds so held in escrow from time to time to the extent necessary to make any Advances required to be made by such Defaulting Bank and to pay any amount payable by such Defaulting Bank hereunder and under the other Loan Documents to the Administrative Agent or any other Bank, as and when such Advances or amounts are required to be made or paid and, if the amount so held in escrow shall at any time be insufficient to make and pay all such Advances and amounts required to be made or paid at such time, in the following order of priority:

(i) first, to the Agents for any amounts then due and payable by such Defaulting Bank to the Agents hereunder;

(ii) second, to the Issuing Bank for any amount then due and payable to it, in its capacity as such, by such Defaulting Bank, ratably in accordance with such amounts then due and payable to such Issuing Bank; and

(iii) third, to any other Banks for any amount then due and payable by such Defaulting Bank to such other Banks hereunder, ratably in accordance with such respective amounts then due and payable to such other Banks.

In the event that any Bank that is a Defaulting Bank shall, at any time, cease to be a Defaulting Bank, any funds held by the Administrative Agent in escrow at such time with respect to such Bank shall be distributed by the Administrative Agent to such Bank and applied by such Bank to the obligations owing to such Bank at such time under this Agreement and the other Loan Documents ratably in accordance with the respective amounts of such obligations outstanding at such time.

(c) The rights and remedies against a Defaulting Bank under this Section 2.11 are in addition to other rights and remedies that any Agent or any Bank may have against such Defaulting Bank with respect to any Defaulted Amount.

SECTION 2.12 Replacement of Affected Bank. At any time any Bank is an Affected Bank, the Account Parties may replace such Affected Bank as a party to this Agreement with one or more other Banks and/or Eligible Assignees, and upon notice from the Account Parties such Affected Bank shall assign pursuant to an Assignment and Acceptance, and without recourse or warranty, its LC Commitment Amount, its Letter of Credit Advances, its obligations to fund Letter of Credit payments, its participation in, and its rights and obligations with respect to, Letters of Credit, and all of its other rights and obligations hereunder to such other Banks and/or Eligible Assignees for a purchase price equal to the sum of the principal amount of the Letter of Credit Advances so assigned, all accrued and unpaid interest thereon, such Affected Bank's ratable share of all accrued and unpaid fees payable pursuant to Section 2.05 and all other obligations owed to such Affected Bank hereunder.

SECTION 2.13 Certain Provisions Relating to the Issuing Bank and Letters of Credit.

(a) Letter of Credit Agreements. The representations, warranties and covenants by the Account Parties under, and the rights and remedies of the Issuing Bank under, any Letter of Credit Agreement relating to any Letter of Credit are in addition to, and not in limitation or derogation of, representations, warranties and covenants by the Account Parties under, and rights and remedies of the Issuing Bank and the Banks under, this Agreement and applicable law. Each Account Party acknowledges and agrees that all rights of the Issuing Bank under any Letter of Credit Agreement shall inure to the benefit of each Bank to the extent of its Letter of Credit Participating Interest Commitment as fully as if such Bank was a party to such Letter of Credit Agreement. In the event of any inconsistency between the terms of this Agreement and any Letter of Credit Agreement, this Agreement shall prevail.

(b) Certain Provisions. The Issuing Bank shall have no duties or responsibilities to any Agent or any Bank except those expressly set forth in this Agreement, and no implied duties or responsibilities on the part of the Issuing Bank shall be read into this Agreement or shall otherwise exist. The duties and responsibilities of the Issuing Bank to the Banks and the Agents under this Agreement and the other Loan Documents shall be mechanical and administrative in nature, and the Issuing Bank shall not have a fiduciary relationship in respect of any Agent, any Bank or any other Person. The Issuing Bank shall not be liable for any action taken or omitted to be taken by it under or in connection with this Agreement or any Loan Document or Letter of Credit, except as specifically set forth in Section 9.09. The Issuing Bank shall not be under any obligation to ascertain, inquire or give any notice to any Agent or any Bank relating to (i) the performance or observance of any of the terms or conditions of this Agreement or any other Loan Document on the part of any Account Party, (ii) the business, operations, condition (financial or otherwise) or prospects of the Account Parties or any other Person, or (iii) the existence of any Default. The Issuing Bank shall not be under any obligation, either initially or on a continuing basis, to provide any Agent or any Bank with any notices, reports or information of any nature, whether in its possession presently or hereafter, except for such notices, reports and other information expressly required by this Agreement to be so furnished. The Issuing Bank shall not be responsible for the execution, delivery, effectiveness, enforceability, genuineness, validity or adequacy of this Agreement or any Loan Document.

(c) Administration. The Issuing Bank may rely upon any notice or other communication of any nature (written, electronic or oral, including but not limited to telephone conversations and transmissions through the Issuing Bank's remote access system, whether or not such notice or other communication is made in a manner permitted or required by this Agreement or any other Loan Document) purportedly made by or on behalf of the proper party or parties, and the Issuing Bank shall not have any duty to verify the identity or authority of any Person giving such notice or other communication. The Issuing Bank may consult with legal counsel (including, without limitation, in-house counsel for the Issuing Bank or in-house or other counsel for the Account Parties), independent public accountants and any other experts selected by it from time to time, and the Issuing Bank shall not be liable for any action taken or omitted to be taken in good faith in accordance with the advice of such counsel, accountants or experts. Whenever the Issuing Bank shall deem it necessary or desirable that a matter be proved or established with respect to any Account Party, any Agent or any Bank, such matter may be established by a certificate of such Account Party, such Agent or such Bank, as the case may be, and the Issuing Bank may conclusively rely upon such certificate. The Issuing Bank shall not be deemed to have any knowledge or notice of the occurrence of any Default unless the Issuing Bank has received notice from a Bank, an Agent or an Account Party referring to this Agreement, describing such Default, and stating that such notice is a "notice of default".

(d) Indemnification of Issuing Bank by Banks. Each Bank hereby agrees to reimburse and indemnify the Issuing Bank and each of its directors, officers, employees and agents (to the extent not reimbursed by the Account Parties and without limitation of the obligations of the Account Parties to do so), in accordance with its Pro Rata Share, from and against any and all amounts, losses, liabilities, claims, damages, expenses, obligations, penalties, actions, judgments, suits, costs or disbursements of any kind or nature (including, without limitation, the reasonable fees and disbursements of counsel (other than in-house counsel) for the Issuing Bank or such other Person in connection with any investigative, administrative or judicial proceeding commenced or threatened, whether or not the Issuing Bank or such other Person shall be designated a party thereto) that may at any time be imposed on, incurred by or asserted against the Issuing Bank, in its capacity as such, or such other Person, as a result of, or arising out of, or in any way related to or by reason of, this Agreement, any other Loan Document or any Letter of Credit, any transaction from time to time contemplated hereby or thereby, or any transaction financed in whole or in part or directly or indirectly with the proceeds of any Letter of Credit, provided, that no Bank shall be liable for any portion of such amounts, losses, liabilities, claims, damages, expenses, obligations, penalties, actions, judgments, suits, costs or disbursements to the extent resulting from the gross negligence or willful misconduct of the Issuing Bank or such other Person, as finally determined by a court of competent jurisdiction.

(e) Issuing Bank in its Individual Capacity. With respect to its commitments and the obligations owing to it, the Issuing Bank shall have the same rights and powers under this Agreement and each other Loan Document as any other Bank and may exercise the same as though it were not the Issuing Bank, and the term "Banks" and like terms shall include the Issuing Bank in its individual capacity as such. The Issuing Bank and its affiliates may, without liability to account to any Person, make loans to, accept deposits from, acquire debt or equity interests in, act as trustee under indentures of, act as agent under other credit facilities for, and engage in any other business with, any Account Party and any stockholder, subsidiary or affiliate of any Account Party, as though the Issuing Bank were not the Issuing Bank hereunder.

SECTION 2.14 Downgrade Event with Respect to a Bank.

(a) If a Downgrade Event shall occur with respect to (i) any Downgraded Bank or (ii) any other Bank and, as a result thereof, such other Bank becomes a Downgraded Bank, then the Issuing Bank may, by notice to such Downgraded Bank, the Administrative Agent and the Parent within 45 days after such Downgrade Event (any such notice, a "Downgrade Notice"), request that the Account Parties use reasonable efforts to replace such Bank as a party to this Agreement pursuant to Section 2.12. If such Bank is not so replaced within 45 days after receipt by the Account Parties of such Downgrade Notice, then (x) if no Default exists and such Downgraded Bank has not exercised its right to remain a Bank hereunder pursuant to clause

(y) below, the following shall occur concurrently:

(A) the Committed Facility shall be reduced by the amount of the LC Commitment Amount of such Downgraded Bank,

(B) the Account Parties shall prepay all amounts owed to such Downgraded Bank hereunder or in connection herewith

(C) if, upon the reduction of the Committed Facility under clause (A) above and the payment under clause (B) above, the sum of the principal amount of all Advances plus the Available Amount of all Letters of Credit (valuing the Available Amount of, and Letter of Credit Advances of the Issuing Bank in respect of, any Non-Dollar Letter of Credit at the Dollar Equivalent thereof as of the time of such calculation) would exceed the amount of the Committed Facility, then the Account Parties will immediately eliminate such excess by paying Advances and/or causing the Available Amount of one or more Letters of Credit to be reduced, and

(D) upon completion of the events described in clauses (A), (B) and (C) above, such Downgraded Bank shall cease to be a party to this Agreement;

or (y) if a Default exists or, not later than 30 days after receipt of such Downgrade Notice, such Downgraded Bank notifies the Account Parties, the Issuing Bank and the Administrative Agent that such Downgraded Bank elects to provide (in a manner reasonably satisfactory to the Issuing Bank) cash collateral to the Issuing Bank for (or if such Downgraded Bank is unable, without regulatory approval, to provide cash collateral, a letter of credit reasonably satisfactory to the Issuing Bank covering) its contingent obligations to reimburse the Issuing Bank for any payment under any Letter of Credit as provided in Section 2.02(e) (its "LC Participation Obligations"), such Downgraded Bank shall be obligated to (and each Bank agrees that in such circumstances it will) deliver to the Issuing Bank (I) immediately, cash collateral (or, as aforesaid, a letter of credit) in an amount equal to its LC Participation Obligations and (II) from time to time thereafter (so long as it is a Downgraded Bank), cash collateral (or, as aforesaid, a letter of credit) sufficient to cover any increase in its LC Participation Obligations as a result of any proposed issuance of or increase in a Letter of Credit. Any funds provided by a Downgraded Bank for such purpose shall be maintained in a segregated deposit account in the name of the Issuing Bank at the Issuing Bank's principal office in the United States (a "Downgrade Account"). The funds so deposited in any Downgrade Account shall be used only in accordance with the following provisions of this Section 2.14.

(b) If any Downgraded Bank shall be required to fund its participation in a payment under a Letter of Credit pursuant to Section 2.02(e), then the Issuing Bank shall apply the funds deposited in the applicable Downgrade Account by such Downgraded Bank to fund such participation. The deposit of funds in a Downgrade Account by any Downgraded Bank shall not constitute a Letter of Credit Advance (and the Downgraded Bank shall not be entitled to interest on such funds except as provided in clause (c) below) unless and until (and then only to the extent that) such funds are used by the Issuing Bank to fund the participation of such Downgraded Bank pursuant to the first sentence of this clause (b).

(c) Funds in a Downgrade Account shall be invested in such investments as may be agreed between the Issuing Bank and the applicable Downgraded Bank, and the income from such investments shall be distributed to such Downgraded Bank from time to time (but not less often than monthly) as agreed between the Issuing Bank and such Downgraded Bank. The Issuing Bank will (i) from time to time, upon request by a Downgraded Bank, release to such Downgraded Bank any amount on deposit in the applicable Downgrade Account in excess of the LC Participation Obligations of such Downgraded Bank and (ii) upon the earliest to occur of (A) the effective date of any replacement of such Downgraded Bank as a party hereto pursuant to an Assignment and Acceptance, (B) the termination of such Downgraded Bank's LC Commitment Amount pursuant to clause (a) or (C) the first Letter of Credit Business Day after receipt by the Issuing Bank of evidence (reasonably satisfactory to the Issuing Bank) that such Bank is no longer a Downgraded Bank, release to such Bank all amounts on deposit in the applicable Downgrade Account.

(d) At any time any Downgraded Bank is required to maintain cash collateral with the Issuing Bank pursuant to this Section 2.14, the Issuing Bank shall have no obligation to issue or increase any Letter of Credit unless such Downgraded Bank has provided sufficient funds as cash collateral to the Issuing Bank to cover all LC Participation Obligations of such Downgraded Bank (including in respect of the Letter of Credit to be issued or increased).

SECTION 2.15 Downgrade Event or Other Event with Respect to the Issuing Bank. At any time that the Issuing Bank is a Downgraded Bank or at such other times as the Issuing Bank and the Account Parties may agree, the Account Parties may, upon not less than three Letter of Credit Business Days' notice to the Issuing Bank (in this Section sometimes referred to as the "Old Issuing Bank") and the Administrative Agent, designate any Bank (so long as such Bank has agreed to such designation) as an additional "Issuing Bank" hereunder (in this Section sometimes referred to as the "New Issuing Bank"). Such notice shall specify the date (which shall be a Letter of Credit Business Day) on which the New Issuing Bank is to become an additional "Issuing Bank" hereunder. From and after such date, all new Letters of Credit requested to be issued hereunder shall be issued by the New Issuing Bank. From and after such date (and until the first date on which no Letters of Credit issued by the Old Issuing Bank are outstanding and no reimbursement obligations are owed to the Old Issuing Bank, on which date the Old Issuing Bank shall cease to be an Issuing Bank hereunder), references in this Agreement to the "Issuing Bank" shall be deemed to refer (a) to the Old Issuing Bank, with respect to Letters of Credit issued by it, (b) to the New Issuing Bank, with respect to Letters of Credit issued or to be issued by it, and (c) to each of the Old Issuing Bank and the New Issuing Bank, with respect to other matters. Notwithstanding the fact that an Old Issuing Bank shall cease to be an "Issuing Bank" hereunder, all of the exculpatory, indemnification and similar provisions hereof in favor of the "Issuing Bank" shall inure to such Old Issuing Bank's benefit as to any actions taken or omitted by it while it was an "Issuing Bank" under this Agreement. The Account Parties agree that after any appointment of a New Issuing Bank hereunder, the Account Parties shall use reasonable commercial efforts to promptly replace (or otherwise cause the applicable beneficiary to return to the Old Issuing Bank for cancellation) each letter of credit issued by the Old Issuing Bank.

SECTION 2.16 Non-Dollar Letters of Credit.

(a) The Account Parties, the Administrative Agent, the Issuing Bank and the Banks (i) agree that the Issuing Bank may (in its sole discretion) issue Letters of Credit ("Non-Dollar Letters of Credit") in currencies other than U.S. dollars and (ii) further agree as set forth in the following paragraphs of this Section with respect to such Non-Dollar Letters of Credit.

(b) The Account Parties agree that their reimbursement obligations under Section 2.03(a) and any resulting Letter of Credit Advance, in each case in respect of a drawing under any Non-Dollar Letter of Credit, (i) shall be payable in Dollars at the Dollar Equivalent of such obligation in the currency in which such Non-Dollar Letter of Credit was issued (determined on the date of payment), and (ii) shall bear interest at a rate per annum equal to the Base Rate plus 2%, for each day from and including the date on which the Applicable Account Party is to reimburse the Issuing Bank pursuant to Section 2.03(a) to but excluding the date such obligation is paid in full.

(c) Each Bank agrees that its obligation to pay the Issuing Bank such Bank's Pro Rata Share of the unreimbursed portion of any payment by the Issuing Bank under Section 2.02(e) in respect of a drawing under any Non-Dollar Letter of Credit shall be payable in Dollars at the Dollar Equivalent of such obligation in the currency in which such Non-Dollar Letter of Credit was issued (calculated on the date of payment), and any such amount which is not paid when due shall bear interest at a rate per annum equal to the Overnight Rate plus, beginning on the third Business Day after such amount was due, 2%.

(d) For purposes of determining whether there is availability for the Account Parties to request any Advance or to request the issuance or extension of, or any increase in, any Letter of Credit, the Dollar Equivalent amount of the Available Amount of each Non-Dollar Letter of Credit shall be calculated as of the date such Advance is to be made or such Letter of Credit is to be issued, extended or increased.

(e) For purposes of determining the letter of credit fee under Section 2.05(c), the Dollar Equivalent amount of the Available Amount of any Non-Dollar Letter of Credit shall be determined on each of (1) the date of an issuance, extension or change in the Available Amount of such Non-Dollar Letter of Credit, (2) the date of any payment by the Issuing Bank in respect of a drawing under such Non-Dollar Letter of Credit, (3) the last day of each calendar month and (4) each day on which the LC Commitment Amounts are to be reduced pursuant to Section 2.04(a) (it being understood that no requested reduction shall be permitted to the extent that, after making a calculation pursuant this clause (e), such reduction would be greater than the unused portion of the LC Commitment Amounts).

(f) If, on the last day of any calendar month, the sum of the principal amount of all Advances plus the Available Amount of all Letters of Credit (valuing the Available Amount of, and Letter of Credit Advances in respect of, any Non-Dollar Letter of Credit at the Dollar Equivalent thereof as of such day) would exceed the amount of the Committed Facility, then the Account Parties will immediately eliminate such excess by paying Advances and/or causing the Available Amount of one or more Letters of Credit to be reduced.

(g) If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due in respect of any Non-Dollar Letter of Credit in one currency into another currency, the rate of exchange used shall be that at which in accordance with its normal banking procedures the Issuing Bank could purchase the first currency with such other currency on the Letter of Credit Business Day preceding that on which final judgment is given. The obligation of any Account Party in respect of any such sum due from it to the Issuing Bank or any Bank hereunder shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than that in which such sum is denominated in accordance with the applicable provisions of this Agreement and the applicable Non-Dollar Letter of Credit (the "Agreement Currency"), be discharged only to the extent that on the Letter of Credit Business Day following receipt by the Issuing Bank or such Bank of any sum adjudged to be so due in the Judgment Currency, the Issuing Bank or such Bank may in accordance with normal banking procedures purchase the Agreement Currency with the Judgment Currency. If the amount of the Agreement Currency so purchased is less than the sum originally due to the Issuing Bank or such Bank in the Agreement Currency, the Applicable Account Party agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Issuing Bank or such Bank, as applicable, against such loss. If the amount of the Agreement Currency so purchased is greater than the sum originally due to the Issuing Bank or such Bank in such currency, the Issuing Bank and each Bank agrees to return the amount of any excess to the Applicable Account Party (or to any other Person who may be entitled thereto under applicable law).

(h) For purposes of this Section, "Dollar Equivalent" means, in relation to an amount denominated in a currency other than U.S. dollars, the amount of U.S. dollars which could be purchased with such amount by the Issuing Bank in accordance with its customary procedures (and giving effect to any transaction costs) at the quoted foreign exchange spot rate of the Issuing Bank at the time of determination; and "Overnight Rate" means, for any day, the rate of interest per annum at which overnight deposits in the applicable currency, in an amount approximately equal to the amount with respect to which such rate is being determined, would be offered for such day by the Issuing Bank to major banks in the London or other applicable offshore interbank market. The Overnight Rate for any day which is not a Letter of Credit Business Day (or on which dealings are not carried on in the applicable offshore interbank market) shall be the Overnight Rate for the immediately preceding Letter of Credit Business Day.

SECTION 2.17 Extensions of Expiration Date. The Parent may, at its option, give the Administrative Agent and the Issuing Bank written notice (an "Extension Request") at any time not more than sixty days, nor less than thirty days, prior to the Expiration Date in effect at such time (the "Current Expiration Date") of the Parent's desire to extend the Expiration Date to a date which is not later than 364 days after the Current Expiration Date. The Administrative Agent shall promptly inform the Banks of such Extension Request. Each Bank which agrees to such Extension Request shall deliver to the Administrative Agent its express written consent thereto no later than ten days prior to the Current Expiration Date. No extension shall become effective unless the express written consent thereto by the Required Commitment Banks and the Issuing Bank is received by the Administrative Agent on or before the tenth day prior to the Current Expiration Date. If the Issuing Bank and the Required Commitment Banks, but not all Commitment Banks, have expressly consented in writing to such Extension Request by such tenth day, then the Administrative Agent shall so notify the Parent and the Parent may, effective as of the Current Expiration Date, take one or both of the following actions: (i) replace (as a party to, and for all purposes of, this Agreement) any Commitment Bank which has not agreed to such Extension Request (a "Nonextending Bank") with another commercial lending institution satisfactory to the Issuing Bank (a "Replacement Bank") by giving notice of the name of such Replacement Bank to the Administrative Agent and the Issuing Bank not later than five Business Days prior to the then Current Expiration Date and (ii) elect to implement a Conversion to Tranche System as contemplated by Section 2.18 hereof (or, if the Conversion to Tranche System has previously been implemented, elect to implement a Supplement to Tranche System as

contemplated by Section 2.18 hereof). In the event that a Nonextending Bank is to be replaced by a Replacement Bank, such Nonextending Bank shall, upon payment to it of all amounts owing to it on the date of its replacement, assign all of its interests hereunder to such Replacement Bank in accordance with the provisions of Section 9.07(c) hereof. If the Issuing Bank and the Required Commitment Banks shall have consented to such Extension Request, then, on the Current Expiration Date, the Expiration Date shall be deemed to have been extended to, and shall be, the date specified in such Extension Request. The Administrative Agent shall promptly after any such extension advise the Banks of any changes in the LC Commitment Amounts and the Letter of Credit Participating Interest Percentages, as well as any changes effected by the election of the Conversion to Tranche System or a Supplement to Tranche System.

SECTION 2.18 Tranches.

(a) Certain Definitions. As used in this Agreement the following terms have the meanings ascribed thereto:

"Commitment Banks" at any time means Banks which have Letter of Credit Participating Interest Commitments at such time and "Commitment Bank" means any one of them.

"Conversion to Tranche System" means the election by the Parent, at a time when the Parent has made an Extension Request pursuant to Section 2.17 hereof and such Extension Request has been consented to in writing by the Issuing Bank and the Required Commitment Banks, but not by all of the Commitment Banks, to classify Letters of Credit as Tranche 1 Letters of Credit and Tranche 2 Letters of Credit, all in accordance with Section 2.18(b) hereof.

"L/C Termination Date" means, with respect to a Letter of Credit, the date which is stated therein to be the last day on which the beneficiary thereof may draw thereon.

"Pro Rata" means: (i) until the first Special Expiration Date, from and to the Banks in accordance with their respective Letter of Credit Participating Interest Percentages and (ii) thereafter, (x) with respect to Tranche 1 Letters of Credit, from and to the Tranche 1 Banks in accordance with their respective Tranche 1 Letter of Credit Participating Interest Percentages, (y) with respect to Tranche 2 Letters of Credit and Tranche 2 Letter of Credit Participating Interest Commitments, from and to the Tranche 2 Banks in accordance with their respective Tranche 2 Letter of Credit Participating Interest Percentages and (z) with respect to each additional Tranche of Letters of Credit (i.e., Tranche 3 Letters of Credit, Tranche 4 Letters of Credit, and so on), if any, from and to the Banks which have Letter of Credit Participating Interest Commitments or Letter of Credit Participating Interests, as applicable, with respect to such Tranche in accordance with their respective related Letter of Credit Participating Interest Percentages.

"Required Commitment Banks" at any time means Commitment Banks which have, in the aggregate, LC Commitment Amounts in excess of 50% of the total outstanding LC Commitment Amounts at such time.

"Special Expiration Date" means the Expiration Date which is in effect immediately prior to the occurrence of the event described in the following clause (iii) after the occurrence of the events described in the following clauses (i) and (ii): (i) the Parent has made an Extension Request pursuant to Section 2.17 hereof, (ii) such Extension Request has been consented to in writing by the Issuing Bank and the Required Commitment Banks, but not by all of the Commitment Banks, and (iii) the Parent has elected to implement a Conversion to Tranche System or a Supplement to Tranche System with respect to such Extension Request and Expiration Date.

"Supplement to Tranche System" means the election by the Parent, at a time when the Conversion to Tranche System has been previously made and when the Parent has made an Extension Request pursuant to Section 2.17 hereof and such Extension Request has been consented to in writing by the Issuing Bank and the Required Commitment Banks, but not by all of the Commitment Banks, to classify additional Letters of Credit as Tranche X Letters of Credit.

"Tranche 1 Bank" shall mean each Bank which is a Bank immediately prior to the first Special Expiration Date.

"Tranche 1 Letter of Credit" means each Letter of Credit which is issued prior to the first Special Expiration Date, but shall not include any such Letter of Credit as to which the L/C Termination Date has been extended to a date after the L/C Termination Date which was in effect on such first Special Expiration Date.

"Tranche 1 Letter of Credit Participating Interest Percentage" for each Tranche 1 Bank means such Bank's Letter of Credit Participating Interest Percentage immediately prior to the first Special Expiration Date.

"Tranche 2 Bank" shall mean each Bank which has a Tranche 2 Letter of Credit Participating Interest Commitment.

"Tranche 2 Letter of Credit" means each Letter of Credit which is issued prior to the second Special Expiration Date, but shall not include any such Letter of Credit as to which the L/C Termination Date has been extended to a date after the L/C Termination Date which was in effect on such second Special Expiration Date and shall not include any Tranche 1 Letter of Credit (it being understood that a Letter of Credit may change from a Tranche 1 Letter of Credit to a Tranche 2 Letter of Credit as a result of the extension, after the first Special Expiration Date, of its L/C Termination Date).

"Tranche 3 Letter of Credit" and "Tranche 4 Letter of Credit" have the meanings set forth in the definition of the term "Tranche X".

"Tranche X" shall mean Tranche 3 if there are existing Tranche 2 Letters of Credit but not Tranche 3 Letters of Credit, Tranche 4 if there are existing Tranche 3 Letters of Credit but not Tranche 4 Letters of Credit, and so on in consecutive integral succession. The terms "Tranche X Bank", "Tranche X Letter of Credit Participating Interest Commitment", "Tranche X LC Commitment Amount" and "Tranche X Letter of Credit Participating Interest Percentage" shall have comparable meanings. The term "Tranche X Letter of Credit" shall have a comparable meaning, but such meaning shall be consistent with the following: (i) the term "Tranche 3 Letter of Credit" means each Letter of Credit which is issued prior to the third Special Expiration Date, but shall not include any such Letter of Credit as to which the L/C Termination Date has been extended to a date after the L/C Termination Date which was in effect on such third Special Expiration Date and shall not include any Tranche 1 Letter or Credit or any Tranche 2 Letter of Credit; (ii) the term "Tranche 4 Letter of Credit" means each Letter of Credit which is issued prior to the fourth Special Expiration Date, but shall not include any such Letter of Credit as to which the L/C Termination Date has been extended to a date after the L/C Termination Date which was in effect on such fourth Special Expiration Date and shall not include any Tranche 1 Letter of Credit, any Tranche 2 Letter of Credit or any Tranche 3 Letter of Credit; (iii) the terms "Tranche 5 Letter of Credit", "Tranche 6 Letter of Credit", and so on shall have comparable meanings (it being understood that a Letter of Credit can change from one Tranche to another as a result of an extension of its L/C Termination Date).

(b) Conversion to Tranche System. If the Parent elects the Conversion to Tranche System with respect to an Extension Request, the following shall occur: (i) the Letter of Credit Participating Interest Commitments of Banks which, with respect to such Extension Request, are Nonextending Banks shall terminate as of the Special Expiration Date related to such Extension Request, but such Nonextending Banks (other than Nonextending Banks which have been replaced as contemplated by Section 2.17 hereof) shall remain parties to this Agreement and shall retain all of their respective obligations with respect to Tranche 1 Letters of Credit and shall retain their respective Letter of Credit Participating Interests in and with respect to Tranche 1 Letters of Credit; (ii) from and after the Special Expiration Date related to such Extension Request, the Letter of Credit Participating Interest Commitment of each Bank which has consented in writing to such Extension Request shall be a "Tranche 2 Letter of Credit Participating Interest Commitment" and the LC Commitment Amount of such Bank shall be its "Tranche 2 LC Commitment Amount" (in addition to being its LC Commitment Amount applicable to Tranche 1 Letters of Credit); (iii) the "Tranche 2 Letter of Credit Participating Interest Percentage" for each Tranche 2 Bank shall mean a fraction, expressed as percentage, the numerator of which is such Tranche 2 Bank's Tranche 2 LC Commitment Amount and the denominator of which is the aggregate Tranche 2 LC Commitment Amounts of all of the Tranche 2 Banks.

(c) Supplement to Tranche System. If the Parent elects a Supplement to Tranche System with respect to an Extension Request, the following shall occur: (i) the Letter of Credit Participating Interest Commitments of Banks which, with respect to such Extension Request, are Nonextending Banks shall terminate, but such Nonextending Banks shall remain parties to this Agreement and shall retain all of their respective obligations with respect to Letters of Credit under existing Tranches and shall retain their respective Letter of Credit Participating Interests in and with respect to existing Letters of Credit; (ii) from and after the Special Expiration Date related to such Extension Request, the Letter of Credit Participating Interest Commitment of each Bank which has consented in writing to such Extension Request shall be a "Tranche X Letter of Credit Participating Interest Commitment" and the LC Commitment Amount of such Lender shall be its "Tranche X LC Commitment Amount" (in addition to being its LC Commitment Amount applicable to prior Tranches of Letters of Credit); (iii) the "Tranche X Letter of Credit Participating Interest Percentage" for each Tranche X Bank shall mean a fraction, expressed as percentage, the numerator of which is such Tranche X Bank's Tranche X LC Commitment Amount and the denominator of which is the aggregate Tranche X LC Commitment Amounts of all of the Tranche X Banks, all as contemplated by the definition of the term "Tranche X" contained in paragraph (a) of this Section 2.18.

SECTION 2.19 Future Amendment to Provide Collateral. It is contemplated that after the Effective Date the Account Parties may (but are not obligated to) propose to the Issuing Bank, the Agents and the Banks amendments to this Agreement to provide for collateral (consisting of securities accounts to which, among other things, security entitlements meeting certain eligibility requirements are credited) with respect to their reimbursement obligations as to certain Letters of Credit issued hereunder and for a reduction of the Applicable Margins hereunder with respect to such Letters of Credit, all as contemplated by the term sheet distributed to the Banks prior to their execution and delivery of this Agreement. The effectiveness of such amendments shall require the written consent of each Agent, the Issuing Bank and all of the Banks.

ARTICLE III

CONDITIONS OF LENDING AND ISSUANCES OF LETTERS OF CREDIT

SECTION 3.01 Conditions Precedent to Effective Date. The occurrence of the Effective Date, and the obligation of the Issuing Bank to issue any Letter of Credit (including any Replacement Letter of Credit) on the Effective Date, is subject to the satisfaction of the following conditions precedent:

(i) The Administrative Agent shall have received the following, each dated the Effective Date (unless otherwise specified), in form and substance reasonably satisfactory to the Administrative Agent (unless otherwise specified) and in sufficient copies for each Bank:

(A) Certified copies of the resolutions of the Board of Directors of each Loan Party approving the transactions contemplated by the Loan Documents and each Loan Document to which it is or is to be a party, and of all documents evidencing other necessary corporate action and governmental and other third party approvals and consents, if any, with transactions contemplated by the Loan Documents and each Loan Document to which it is or is to be a party.

(B) A copy of a certificate of the Secretary of State or other appropriate official of the jurisdiction of incorporation of each Loan Party, dated reasonably near the Effective Date, certifying as to the good standing (or existence) of such Loan Party.

(C) A certificate of each Loan Party, signed on behalf of such Loan Party by its President or a Vice President (or equivalent officer if such Loan Party has no Vice President) and its Secretary or any Assistant Secretary (the statements made in which certificate shall be true on and as of the Effective Date), certifying as to (1) a true and correct copy of the constitutional documents of such Loan Party as in effect on the date on which the resolutions referred to in

Section 3.01(a)(i)(A) were adopted and on the Effective Date,

(2) the due incorporation and good standing or valid existence of such Loan Party as a corporation organized under the laws of the jurisdiction of its incorporation, and the absence of any proceeding for the dissolution or liquidation of such Loan Party, (3) the truth of the representations and warranties contained in the Loan Documents as though made on and as of the Effective Date and

(4) the absence of any event occurring and continuing, or resulting from the Effective Date, that constitutes a Default.

(D) A certificate of the Secretary or an Assistant Secretary of each Loan Party certifying the names and true signatures of the officers of such Loan Party authorized to sign each Loan Document to which it is or is to be a party and the other documents to be delivered hereunder and thereunder.

(E) A favorable opinion of (1) Maples and Calder, Cayman Islands counsel for the Parent, in substantially the form of Exhibit C-1 hereto and as to such other matters as any Bank through the Administrative Agent may reasonably request, (2) Mayer, Brown & Platt, New York counsel for the Loan Parties, in substantially the form of Exhibit C-2 hereto and as to such other matters as any Bank through the Administrative Agent may reasonably request, and (3) Conyers Dill & Pearman, Bermuda counsel for ACE Bermuda and Tempest, in substantially the form of Exhibit C-3 hereto and as to such other matters as any Bank through the Administrative Agent may reasonably request.

(ii) There shall exist no action, suit, investigation, litigation or proceeding affecting any Loan Party or any of its Subsidiaries pending or threatened before any court, governmental agency or arbitrator that (x) could be reasonably expected to have a Material Adverse Effect or (y) would reasonably be expected to materially adversely affect the legality, validity or enforceability of any Loan Document or the other transactions contemplated by the Loan Documents.

(iii) No development or change shall have occurred after December 31, 2000, and no information shall have become known after such date, that has had or could reasonably be expected to have a Material Adverse Effect.

(iv) The Account Parties shall have paid all accrued fees of the Administrative Agent and the Banks and all accrued expenses of the Administrative Agent (including the accrued fees and expenses of counsel to the Administrative Agent and local counsel on behalf of all of the Banks), in each case to the extent then due and payable.

(v) The Administrative Agent shall have received evidence satisfactory to it that all obligations of any Account Party outstanding under the Mellon Reimbursement Agreement (other than fees and expenses of Mellon's counsel) have been repaid and satisfied in full and that, concurrently with the effectiveness of this Agreement, the LC Commitment Amounts (as defined therein) under the Mellon Reimbursement Agreement have been reduced to zero, and Mellon shall have agreed, by its execution and delivery of this Agreement, that the Existing Letters of Credit issued under the Mellon Reimbursement Agreement shall become Letters of Credit hereunder as of the Effective Date.

SECTION 3.02 Conditions Precedent to Each Issuance, Extension or Increase of a Letter of Credit. The obligation of the Issuing Bank to issue, extend or increase a Letter of Credit (including any issuance on the Effective Date) shall be subject to the further conditions precedent that on the date of such issuance, extension or increase (a) the following statements shall be true (and each request for issuance, extension, or increase, and the acceptance by the Account Party that requested such issuance, extension or increase shall constitute a representation and warranty by such Account Party that both on the date of such notice and on the date of such issuance, extension or increase such statements are true):

(i) the representations and warranties contained in each Loan Document are correct in all material respects on and as of such date, before and after giving effect to such issuance, extension or increase, as though made on and as of such date, other than any such representations or warranties that, by their terms, refer to a specific date other the date of such issuance, extension or increase, in which case as of such specific date (provided, however, that the representation and warranty contained in the last sentence of Section 4.01(g) shall be excluded from this clause (i) at all times after (but shall be included on and as of) the Effective Date); and

(ii) no Default has occurred and is continuing, or would result from such issuance, extension or increase;

and (b) the Administrative Agent shall have received such other approvals, opinions or documents as any Bank or the Issuing Bank through the Administrative Agent may reasonably request.

SECTION 3.03 Determinations Under Section 3.01. For purposes of determining compliance with the conditions specified in Section 3.01, each Bank shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to the Banks unless an officer of the Administrative Agent responsible for the transactions contemplated by the Loan Documents shall have received notice from such Bank prior to the Effective Date specifying its objection thereto, provided that such Bank has been given at least one Business Day's notice that the final form of such document or matter is available for its review.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01 Representations and Warranties of the Account Parties. Each Account Party represents and warrants as follows:

(a) Each Loan Party and each of its Subsidiaries (i) is duly organized or formed, validly existing and, to the extent such concept applies, in good standing under the laws of the jurisdiction of its incorporation or formation, (ii) is duly qualified and in good standing as a foreign corporation or other entity in each other jurisdiction in which it owns or leases property or in which the conduct of its business requires it to so qualify or be licensed except where the failure to so qualify or be licensed would not be reasonably likely to have a Material Adverse Effect and (iii) has all requisite power and authority (including, without limitation, all governmental licenses, permits and other approvals) to own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted, except where the failure to have any license, permit or other approval would not be reasonably likely to have a Material Adverse Effect. All of the outstanding Equity Interests in each Account Party (other than the Parent) have been validly issued, are fully paid and non-assessable and (except for any Preferred Securities issued after the date of this Agreement) are owned, directly or indirectly, by the Parent free and clear of all Liens.

(b) Set forth on Schedule 4.01(b) hereto is a complete and accurate list of all Subsidiaries of each Loan Party.

(c) The execution, delivery and performance by each Loan Party of each Loan Document to which it is or is to be a party and the consummation of the transactions contemplated by the Loan Documents, are within such Loan Party's corporate powers, have been duly authorized by all necessary corporate action, and do not (i) contravene such Loan Party's constitutional documents, (ii) violate any law, rule, regulation (including, without limitation, Regulation X of the Board of Governors of the Federal Reserve System), order, writ, judgment, injunction, decree, determination or award, (iii) conflict with or result in the breach of, or constitute a default under, any contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument binding on or affecting any Loan Party, any of its Subsidiaries or any of their properties or (iv) except for the Liens created under the Loan Documents, result in or require the creation or imposition of any Lien upon or with respect to any of the properties of any Loan Party or any of its Subsidiaries. No Loan Party or any of its Subsidiaries is in violation of any such law, rule, regulation, order, writ, judgment, injunction, decree, determination or award or in breach of any such contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument, the violation or breach of which could be reasonably likely to have a Material Adverse Effect.

(d) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for (i) the due execution, delivery, recordation, filing or performance by any Loan Party of any Loan Document to which it is or is to be a party or the other transactions contemplated by the Loan Documents, or (ii) the exercise by the Administrative Agent or any Bank of its rights under the Loan Documents, except for the authorizations, approvals, actions, notices and filings which have been duly obtained, taken, given or made and are in full force and effect.

(e) This Agreement has been, and each other Loan Document when delivered hereunder will have been, duly executed and delivered by each Loan Party party thereto. This Agreement is, and each other Loan Document when delivered hereunder will be, the legal, valid and binding obligation of each Loan Party party thereto, enforceable against such Loan Party in accordance with its terms.

(f) There is no action, suit, investigation, litigation or proceeding affecting any Loan Party or any of its Subsidiaries, including any Environmental Action, pending or threatened before any court, governmental agency or arbitrator that (i) could be reasonably likely to have a Material Adverse Effect or (ii) would reasonably be expected to affect the legality, validity or enforceability of any Loan Document or the transactions contemplated by the Loan Documents.

(g) The Consolidated balance sheets of the Parent and its Subsidiaries as at December 31, 2000, and the related Consolidated statements of income and of cash flows of the Parent and its Subsidiaries for the fiscal year then ended, accompanied by an unqualified opinion of PricewaterhouseCoopers LLP, independent public accountants, and the Consolidated balance sheets of the Parent and its Subsidiaries as at June 30, 2001, and the related Consolidated statements of income and cash flows of the Parent and its Subsidiaries for the six months then ended, duly certified by the Chief Financial Officer of the Parent, copies of which have been furnished to each Bank, fairly present, subject, in the case of said balance sheet as at June 30, 2001, and said statements of income and cash flows for the six months then ended, to year-end audit adjustments, the Consolidated financial condition of the Parent and its Subsidiaries as at such dates and the Consolidated results of operations of the Parent and its Subsidiaries for the periods ended on such dates, all in accordance with generally accepted accounting principles applied on a consistent basis (subject, in the case of the June 30, 2001 balance sheet and statements, to the absence of footnotes). Since December 31, 2000, there has been no Material Adverse Change.

(h) [Reserved.]

(i) No written information, exhibit or report furnished by or on behalf of any Loan Party to any Agent or any Bank in connection with the negotiation and syndication of the Loan Documents or pursuant to the terms of the Loan Documents contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein not misleading as at the date it was dated (or if not dated, so delivered).

(j) Margin Stock will constitute less than 25% of the value of those assets of any Account Party which are subject to any limitation on sale, pledge or other disposition hereunder.

(k) Neither any Loan Party nor any of its Subsidiaries is an "investment company", or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company", as such terms are defined in the Investment Company Act of 1940, as amended. Neither the making of any Advances, nor the issuance of any Letters of Credit, nor the application of the proceeds or repayment thereof by any Account Party, nor the consummation of the other transactions contemplated by the Loan Documents, will violate any provision of such Act or any rule, regulation or order of the Securities and Exchange Commission thereunder.

(l) Neither any Loan Party nor any of its Subsidiaries is a party to any indenture, loan or credit agreement or any lease or other agreement or instrument or subject to any charter or corporate restriction that is reasonably likely to have a Material Adverse Effect.

(m) Each Loan Party is, individually and together with its Subsidiaries, Solvent.

(n) Except to the extent that any and all events and conditions under clauses (i) through (vi) below of this paragraph (n) in the aggregate are not reasonably expected to have a Material Adverse Effect:

(i) Schedule B (Actuarial Information) to the most recent annual report (Form 5500 Series) for each Pension Plan, copies of which have been filed with the Internal Revenue Service, is complete and accurate and fairly presents the funding status of such Pension Plan, and since the date of such Schedule B there has been no material adverse change in such funding status.

(ii) Neither any Loan Party nor any ERISA Affiliate has incurred or is reasonably expected to incur any Withdrawal Liability to any Multiemployer Plan.

(iii) Neither any Loan Party nor any ERISA Affiliate has been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or has been terminated, within the meaning of Title IV of ERISA, and no such Multiemployer Plan is reasonably expected to be in reorganization or to be terminated, within the meaning of Title IV of ERISA.

(iv) With respect to each scheme or arrangement mandated by a government other than the United States (a "Foreign Government Scheme or Arrangement") and with respect to each employee benefit plan that is not subject to United States law maintained or contributed to by any Loan Party or with respect to which any Subsidiary of any Loan Party may have liability under applicable local law (a "Foreign Plan"):

(x) Any employer and employee contributions required by law or by the terms of any Foreign Government Scheme or Arrangement or any Foreign Plan have been made, or, if applicable, accrued, in accordance with normal accounting practices.

(y) The fair market value of the assets of each funded Foreign Plan, the liability of each insurer for any Foreign Plan funded through insurance or the book reserve established for any Foreign Plan, together with any accrued contributions, is sufficient to procure or provide for the accrued benefit obligations, as of the date hereof, with respect to all current and former participants in such Foreign Plan according to the actuarial assumptions and valuations most recently used to account for such obligations in accordance with applicable generally accepted accounting principles.

(z) Each Foreign Plan required to be registered has been registered and has been maintained in good standing with applicable regulatory authorities.

(v) To the extent the assets of any Loan Party are or are deemed under applicable law to be "plan assets" within the meaning of Department of Labor Regulation ss. 2510.3-101, the execution, delivery and performance of the Loan Documents and the consummation of the transactions contemplated therein will not result in a non-exempt prohibited transaction within the meaning of Section 406 of ERISA or Section 4975 of the Internal Revenue Code.

(vi) During the twelve-consecutive-month period to the date of the execution and delivery of this Agreement and prior to the request for any Letter of Credit to be issued hereunder, no steps have been taken to terminate any Pension Plan, no contribution failure has occurred with respect to any Pension Plan sufficient to give rise to a lien under section 302(f) of ERISA and no minimum funding waiver has been applied for or is in effect with respect to any Pension Plan. No condition exists or event or transaction has occurred or is reasonably expected to occur with respect to any Pension Plan which could result in any Loan Party or any ERISA Affiliate incurring any material liability, fine or penalty.

(o) In the ordinary course of its business, each Account Party reviews the effect of Environmental Laws on the operations and properties of such Account Party and its Subsidiaries, in the course of which it identifies and evaluates associated liabilities and costs (including, without limitation, any capital or operating expenditures required for clean-up or closure of properties presently or previously owned, any capital or operating expenditures required to achieve or maintain compliance with environmental protection standards imposed by law or as a condition of any license, permit or contract, any related constraints on operating activities, including any periodic or permanent shutdown of any facility or reduction in the level of or change in the nature of operations conducted thereat, and any actual or potential liabilities to third parties and any related costs and expenses). On the basis of this review, each Account Party has reasonably concluded that such associated liabilities and costs, including the costs of compliance with Environmental Laws, are unlikely to have a Material Adverse Effect. The operations and properties of each Loan Party and each of its Subsidiaries comply in all material respects with all applicable Environmental Laws and Environmental Permits, except for non-compliances which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; Hazardous Materials have not been released, discharged or disposed of on any property currently or formerly owned or operated by any Loan Party or any of its Subsidiaries that would reasonably be expected to have a Material Adverse Effect; and there are no Environmental Actions pending or threatened against any Loan Party or its Subsidiaries, and no circumstances exist that could be reasonably likely to form the basis of any such Environmental

Action, which (in either case), individually or in the aggregate with all other such pending or threatened actions and circumstances, would reasonably be expected to have a Material Adverse Effect.

(p) Each Loan Party and each of its Subsidiaries has filed, has caused to be filed or has been included in all material federal tax returns and all other material tax returns required to be filed and has paid all taxes shown thereon to be due, together with applicable interest and penalties, except to the extent contested in good faith and by appropriate proceedings (in which case adequate reserves have been established therefor in accordance with GAAP).

(q) Set forth on Schedule II hereto is a list of all letters of credit that were issued under the Mellon Reimbursement Agreement and that are outstanding as of the Effective Date.

ARTICLE V

COVENANTS OF THE ACCOUNT PARTIES

SECTION 5.01 Affirmative Covenants. So long as any Advance or any other obligation of any Loan Party under any Loan Document shall remain unpaid, any Letter of Credit shall be outstanding or any Bank shall have any Letter of Credit Participating Interest Commitment or commitment to issue a Letter of Credit hereunder, each Account Party will:

(a) Compliance with Laws, Etc. Comply, and cause each of its Subsidiaries to comply, in all material respects, with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, compliance with Environmental Laws, Environmental Permits, ERISA and the Racketeer Influenced and Corrupt Organizations Chapter of the Organized Crime Control Act of 1970.

(b) Payment of Taxes, Etc. Pay and discharge, and cause each of its Subsidiaries to pay and discharge, before the same shall become delinquent,

(i) all material taxes, assessments and governmental charges or levies imposed upon it or upon its property and (ii) all lawful material claims that, if unpaid, might by law become a Lien upon its property; provided, however, that neither any Account Party nor any of its Subsidiaries shall be required to pay or discharge any such tax, assessment, charge or claim that is being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained.

(c) Maintenance of Insurance. Maintain, and cause each of its Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Parent or such Subsidiary operates (it being understood that the foregoing shall not apply to maintenance of reinsurance or similar matters which shall be solely within the reasonable business judgment of the Parent and its Subsidiaries).

(d) Preservation of Corporate Existence, Etc. Preserve and maintain, and cause each of its Subsidiaries to preserve and maintain, its existence, legal structure, legal name, rights (charter and statutory), permits, licenses, approvals, privileges and franchises; provided, however, that the Parent and its Subsidiaries may consummate any merger or consolidation permitted under Section 5.02(c) and provided further that neither the Parent nor any of its Subsidiaries shall be required to preserve any right, permit, license, approval, privilege or franchise if the Board of Directors of the Parent or such Subsidiary shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Parent or such Subsidiary, as the case may be, and that the loss thereof is not disadvantageous in any material respect to the Parent, such Subsidiary or the Banks.

(e) Visitation Rights. At any reasonable time and from time to time upon prior notice, permit the Administrative Agent (upon request made by any Agent or any Bank), or any agents or representatives thereof, at the expense (so long as no Default has occurred and is continuing) of such Agent or such Bank, as the case may be, to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the Parent and any of its Subsidiaries, and to discuss the affairs, finances and accounts of the Parent and any of its Subsidiaries with any of their officers or directors and with, so long as a representative of the Parent is present, their independent certified public accountants.

(f) Keeping of Books. Keep, and cause each of its Subsidiaries to keep, proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Parent and each such Subsidiary sufficient to permit the preparation of financial statements in accordance with GAAP.

(g) Maintenance of Properties, Etc. Maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, all of its properties that are used or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted.

(h) Transactions with Affiliates. Conduct, and cause each of its Subsidiaries to conduct, all transactions otherwise permitted under the Loan Documents with any of their Affiliates (other than any such transactions between Loan Parties or wholly owned Subsidiaries of Loan Parties) on terms that are fair and reasonable and no less favorable than it would obtain in a comparable arm's-length transaction with a Person not an Affiliate.

(i) Pari Passu Ranking. Each Account Party shall procure that its obligations under the Loan Documents will rank at least pari passu with all its other present and future unsecured and unsubordinated obligations, except for obligations which are mandatorily preferred by law applying to insurance companies generally.

SECTION 5.02 Negative Covenants. So long as any Advance or any other obligation of any Loan Party under any Loan Document shall remain unpaid, any Letter of Credit shall be outstanding or any Bank shall have any Letter of Credit Participating Interest Commitment or commitment to issue a Letter of Credit hereunder, each of the Account Parties will not, at any time:

(a) Liens, Etc. Create, incur, assume or suffer to exist, or permit any of its Subsidiaries to create, incur, assume or suffer to exist, any Lien on or with respect to any of its properties of any character (including, without limitation, accounts) whether now owned or hereafter acquired, or assign or permit any of its Subsidiaries to assign, any accounts or other right to receive income, except:

(i) Permitted Liens;

(ii) Liens described on Schedule 5.02(a) hereto;

(iii) purchase money Liens upon or in real property or equipment acquired or held by the Parent or any of its Subsidiaries in the ordinary course of business to secure the purchase price of such property or equipment or to secure Debt incurred solely for the purpose of financing the acquisition, construction or improvement of any such property or equipment to be subject to such Liens, or Liens existing on any such property or equipment at the time of acquisition or within 180 days following such acquisition (other than any such Liens created in contemplation of such acquisition that do not secure the purchase price), or extensions, renewals or replacements of any of the foregoing for the same or a lesser amount; provided, however, that no such Lien shall extend to or cover any property other than the property or equipment being acquired, constructed or improved, and no such extension, renewal or replacement shall extend to or cover any property not theretofore subject to the Lien being extended, renewed or replaced;

(iv) Liens arising in connection with Capitalized Leases; provided that no such Lien shall extend to or cover any assets other than the assets subject to such Capitalized Leases;

(v) (A) any Lien existing on any asset of any Person at the time such Person becomes a Subsidiary and not created in contemplation of such event, (B) any Lien on any asset of any Person existing at the time such Person is merged or consolidated with or into the Parent or any of its Subsidiaries in accordance with Section 5.02(c) and not created in contemplation of such event and (C) any Lien existing on any asset prior to the acquisition thereof by the Parent or any of its Subsidiaries and not created in contemplation of such acquisition;

(vi) Liens securing obligations under credit default swap transactions determined by reference to, or Contingent Obligations in respect of, Debt issued by the Parent or one of its Subsidiaries; such Debt not to exceed an aggregate principal amount of \$550,000,000;

(vii) Liens arising in the ordinary course of its business which (A) do not secure Debt and (B) do not in the aggregate materially detract from the value of its assets or materially impair the use thereof in the operation of its business;

(viii) Liens on cash and Approved Investments securing Hedge Agreements arising in the ordinary course of business;

(ix) other Liens securing Debt or other obligations outstanding in an aggregate principal or face amount not to exceed at any time 5% of Consolidated Net Worth;

(x) Liens consisting of deposits made by the Parent or any insurance Subsidiary with any insurance regulatory authority or other statutory Liens or Liens or claims imposed or required by applicable insurance law or regulation against the assets of the Parent or any insurance Subsidiary, in each case in favor of policyholders of the Parent or such insurance Subsidiary or an insurance regulatory authority and in the ordinary course of the Parent's or such insurance Subsidiary's business;

(xi) Liens on Investments and cash balances of the Parent or any insurance Subsidiary (other than capital stock of any Subsidiary) securing obligations of the Parent or any insurance Subsidiary in respect of (i) letters of credit obtained in the ordinary course of business and/or (ii) trust arrangements formed in the ordinary course of business for the benefit of cedents to secure reinsurance recoverables owed to them by the Parent or any insurance Subsidiary;

(xii) the replacement, extension or renewal of any Lien permitted by clause (iii) or (vi) above upon or in the same property theretofore subject thereto or the replacement, extension or renewal (without increase in the amount (other than in respect of fees, expenses and premiums, if any) or change in any direct or contingent obligor) of the Debt secured thereby;

(xiii) Liens securing obligations owed by any Loan Party to any other Loan Party or owed by any Subsidiary of the Parent (other than a Loan Party) to the Parent or any other Subsidiary;

(xiv) Liens incurred in the ordinary course of business in favor of financial intermediaries and clearing agents pending clearance of payments for investment or in the nature of set-off, banker's lien or similar rights as to deposit accounts or other funds;

(xv) judgment or judicial attachment Liens, provided that the enforcement of such Liens is effectively stayed;

(xvi) Liens arising in connection with Securitization Transactions; provided that the aggregate principal amount of the investment or claim held at any time by all purchasers, assignees or other transferees of (or of interests in) receivables and other rights to payment in all Securitization Transactions (together with the aggregate principal amount of any other obligations secured by such Liens) shall not exceed U.S. \$250,000,000; and

(xvii) Liens arising in connection with certain equity proceeds received on or about September 12, 2000 (plus interest accrued thereon) placed in a segregated account in support of (or pledged as collateral for) Parent's guaranty of the \$412,372,000 principal amount of Auction Rate Reset Subordinated Notes Series A issued by ACE INA to ACE RHINOS Trust on June 30, 1999.

(b) Change in Nature of Business. Make any material change in the nature of the business of the Parent and its Subsidiaries, taken as a whole, as carried on at the date hereof.

(c) Mergers, Etc. Merge into or consolidate with any Person or permit any Person to merge into it, or permit any of its Subsidiaries to do so, except that:

(i) any Subsidiary of the Parent may merge into or consolidate with any other Subsidiary of the Parent, provided that, in the case of any such merger or consolidation, the Person formed by such merger or consolidation shall be a wholly owned Subsidiary of the Parent, provided further that, in the case of any such merger or consolidation to which an Account Party is a party, the Person formed by such merger or consolidation shall be such Account Party;

(ii) any Subsidiary of any Account Party may merge into or consolidate with any other Person or permit any other Person to merge into or consolidate with it; provided that the Person surviving such merger shall be a wholly owned Subsidiary of the Account Party;

(iii) in connection with any sale or other disposition permitted under Section 5.02(d), any Subsidiary of the Parent may merge into or consolidate with any other Person or permit any other Person to merge into or consolidate with it; and

(iv) the Parent or any Account Party may merge into or consolidate with any other Person; provided that, in the case of any such merger or consolidation, the Person formed by such merger or consolidation shall be the Parent or such Account Party, as the case may be;

provided, however, that in each case, immediately after giving effect thereto, no event shall occur and be continuing that constitutes a Default.

(d) Sales, Etc., of Assets. Sell, lease, transfer or otherwise dispose of, or permit any other Account Party to sell, lease, transfer or otherwise dispose of, all or substantially all of its assets (excluding sales of investment securities in the ordinary course of business).

(e) Restricted Payments. In the case of the Parent, declare or pay any dividends, purchase, redeem, retire, defease or otherwise acquire for value any of its Equity Interests now or hereafter outstanding, return any capital to its stockholders, partners or members (or the equivalent Persons thereof) as such, make any distribution of assets, Equity Interests, obligations or securities to its stockholders, partners or members (or the equivalent Persons thereof) as such or issue or sell any Equity Interests or accept any capital contributions, or permit any of its Subsidiaries to do any of the foregoing, or permit any of its Subsidiaries to purchase, redeem, retire, defease or otherwise acquire for value any Equity Interests in the Parent or to issue or sell any Equity Interests therein, except that, so long as no Default shall have occurred and be continuing at the time of any action described in clause (i) or (ii) below or would result therefrom:

(i) the Parent may (A) declare and pay dividends and distributions payable only in common stock of the Parent, (B) issue and sell shares of its capital stock, (C) purchase, redeem, retire, defease or otherwise acquire for value any of its Equity Interests in an aggregate amount during the term of this Agreement not exceeding \$300,000,000 and (D) declare and pay cash dividends to its stockholders,

(ii) (A) any Loan Party (other than the Parent) may declare and pay cash dividends to another Loan Party and (B) any Subsidiary of the Parent (other than any Loan Party) may (x) declare and pay cash dividends to the Parent or any other wholly owned Subsidiary of the Parent of which it is a Subsidiary and (y) accept capital contributions from its parent, and

(iii) a Special Purpose Trust may issue Preferred Securities and pay dividends thereon with the proceeds of payments of interest on the Debentures.

(f) Accounting Changes. Make or permit, or permit any of its Subsidiaries to make or permit, any change in accounting policies or reporting practices, except as permitted by GAAP.

SECTION 5.03 Reporting Requirements. So long as any Advance or any other obligation of any Loan Party under any Loan Document shall remain unpaid, any Letter of Credit shall be outstanding or any Bank shall have any Letter of Credit Participating Interest Commitment or commitment to issue a Letter of Credit hereunder, the Parent will furnish to the Agents and the Banks:

(a) Default Notice. As soon as possible and in any event within two days after the occurrence of each Default or any event, development or occurrence reasonably likely to have a Material Adverse Effect continuing on the date of such statement, a statement of the chief financial officer of the Parent setting forth details of such Default, event, development or occurrence and the action that the Parent or the applicable Subsidiary has taken and proposes to take with respect thereto.

(b) Annual Financials.

(i) As soon as available and in any event within 90 days after the end of each Fiscal Year, a copy of the annual Consolidated audit report for such year for the Parent and its Subsidiaries, including therein a Consolidated balance sheet of the Parent and its Subsidiaries as of the end of such Fiscal Year and Consolidated statements of income and cash flows of the Parent and its Subsidiaries for such Fiscal Year, all reported on in a manner reasonably acceptable to the Securities and Exchange Commission in each case and accompanied by an opinion of Pricewaterhouse Coopers LLP or other independent public accountants of recognized standing reasonably acceptable to the Required Banks, together with (i) a certificate of the Chief Financial Officer of the Parent stating that no Default has occurred and is continuing, or if a Default has occurred and is continuing, a statement as to the nature thereof and the action that the Parent has taken a proposes to take with respect thereto, and a schedule in form reasonably satisfactory to the Administrative Agent of the computations used by the Parent in determining, as of the end of such Fiscal Year, compliance with the covenants contained in Section 5.04.

(ii) As soon as available and in any event within 120 days after the end of each Fiscal Year, a copy of the annual Consolidated audit report for such year for each Subsidiary Guarantor and its Subsidiaries, including therein a Consolidated balance sheet of such Subsidiary Guarantor and its Subsidiaries as of the end of such Fiscal Year and a Consolidated statement of income and a Consolidated statement of cash flows of such Subsidiary Guarantor and its Subsidiaries for such Fiscal Year, in each case accompanied by an opinion acceptable to the Required Banks of PricewaterhouseCoopers LLP or other independent public accountants of recognized standing acceptable to the Required Banks.

(c) Quarterly Financials. As soon as available and in any event within 45 days after the end of each of the first three quarters of each Fiscal Year, Consolidated balance sheets of the Parent and its Subsidiaries as of the end of such quarter and Consolidated statements of income and a Consolidated statement of cash flows of the Parent and its Subsidiaries for the period commencing at the end of the previous fiscal quarter and ending with the end of such fiscal quarter and Consolidated statements of income and a Consolidated statement of cash flows of the Parent and its Subsidiaries for the period commencing at the end of the previous Fiscal Year and ending with the end of such quarter, setting forth in each case in comparative form the corresponding figures for the corresponding date or period of the preceding Fiscal Year, all in reasonable detail and duly certified (subject to the absence of footnotes and normal year-end audit adjustments) by the Chief Financial Officer of the Parent as having been prepared in accordance with GAAP, together with (i) a certificate of said officer stating that no Default has occurred and is continuing or, if a Default has occurred and is continuing, a statement as to the nature thereof and the action that the Parent has taken and proposes to take with respect thereto and (ii) a schedule in form reasonably satisfactory to the Administrative Agent of the computations used by the Parent in determining compliance with the covenants contained in Section 5.04.

(d) Litigation. Promptly after the commencement thereof, notice of all actions, suits, investigations, litigation and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting any Loan Party or any of its Subsidiaries of the type described in Section 4.01(f).

(e) Securities Reports. Promptly after the sending or filing thereof, copies of all proxy statements, financial statements and reports that the Parent sends to its stockholders generally, and copies of all regular, periodic and special reports, and all registration statements, that any Loan Party or any of its Subsidiaries files with the Securities and Exchange Commission or any governmental authority that may be substituted therefor, or with any national securities exchange.

(f) ERISA.

(i) ERISA Events. Promptly and in any event within 10 days after any Loan Party or any ERISA Affiliate institutes any steps to terminate any Pension Plan or becomes aware of the institution of any steps or any threat by the PBGC to terminate any Pension Plan, or the failure to make a required contribution to any Pension Plan if such failure is sufficient to give rise to a lien under section 302(f) of ERISA, or the taking of any action with respect to a Pension Plan which could result in the requirement that any Loan Party or any ERISA Affiliate furnish a bond or other security to the PBGC or such Pension Plan, or the occurrence of any event with respect to any Pension Plan which could result in any Loan Party or any ERISA Affiliate incurring any material liability, fine or penalty, or any material increase in the contingent liability of any Loan Party or any ERISA Affiliate with respect to any post-retirement Welfare Plan benefit, notice thereof and copies of all documentation relating thereto.

(ii) Plan Annual Reports. Promptly upon request of any Agent or any Bank, copies of each Schedule B (Actuarial Information) to the annual report (Form 5500 Series) with respect to each Pension Plan.

(iii) Multiemployer Plan Notices. Promptly and in any event within 15 Business Days after receipt thereof by any Loan Party or any ERISA Affiliate from the sponsor of a Multiemployer Plan, copies of each notice concerning (A) the imposition of Withdrawal Liability by any such Multiemployer Plan, (B) the reorganization or termination, within the meaning of Title IV of ERISA, of any such Multiemployer Plan or (C) the amount of liability incurred, or that may be incurred, by such Loan Party or any ERISA Affiliate in connection with any event described in clause (A) or (B); provided, however, that such notice and documentation shall not be required to be provided (except at the specific request of any Agent or any Bank, in which case such notice and documentation shall be promptly provided following such request) if such condition or event is not reasonably expected to result in any Loan Party or any ERISA Affiliate incurring any material liability, fine, or penalty.

(g) [Reserved.]

(h) Statutory Statements. As soon as available and in any event within 20 days after submission, each statutory statement of the Loan Parties (or any of them) in the form submitted to The Insurance Division of the Office of Registrar of Companies of Bermuda.

(i) Regulatory Notices, Etc. Promptly after any Responsible Officer of the Parent obtains knowledge thereof, (i) a copy of any notice from the Bermuda Minister of Finance or the Registrar of Companies or any other person of the revocation, the suspension or the placing of any restriction or condition on the registration as an insurer of any Account Party under the Bermuda Insurance Act 1978 (and related regulations) or of the institution of any proceeding or investigation which could result in any such revocation, suspension or placing of such a restriction or condition, (ii) copies of any correspondence by, to or concerning any Loan Party relating to an investigation conducted by the Bermuda Minister of Finance, whether pursuant to Section 132 of the Bermuda Companies Act 1981 (and related regulations) or otherwise and (iii) a copy of any notice of or requesting or otherwise relating to the winding-up or any similar proceeding of or with respect to any Loan Party.

(j) Other Information. Such other information respecting the business, condition (financial or otherwise), operations, performance, properties or prospects of any Loan Party or any of its Subsidiaries as the Administrative Agent, or any Bank through the Administrative Agent, may from time to time reasonably request.

SECTION 5.04 Financial Covenants. So long as any Advance or any other obligation of any Loan Party under any Loan Document shall remain unpaid, any Letter of Credit shall be outstanding or any Bank shall have any Letter of Credit Participating Interest Commitment or commitment to issue a Letter of Credit hereunder, the Parent will:

(a) Adjusted Consolidated Debt to Total Capitalization Ratio. Maintain at all times a ratio of Adjusted Consolidated Debt to Total Capitalization of not more than 0.35 to 1.0.

(b) Consolidated Net Worth. Maintain at all times Consolidated Net Worth in an amount not less than the sum of (i) \$3,600,000,000 plus (ii) 25% of Consolidated Net Income for each fiscal quarter of the Parent ending on or after March 31, 2000 for which such Consolidated Net Income is positive.

ARTICLE VI

EVENTS OF DEFAULT

SECTION 6.01 Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) (i) any Account Party shall fail to pay any principal of any Advance when the same shall become due and payable or (ii) any Account Party shall fail to pay any interest on any Advance, or any Loan Party shall fail to make any other payment under any Loan Document, in each case under this clause (ii) within five Business Days after the same becomes due and payable; or

(b) any representation or warranty made by any Loan Party (or any of its officers) under or in connection with any Loan Document shall prove to have been incorrect in any material respect when made; or

- (c) any Account Party shall fail to perform or observe any term, covenant or agreement contained in Section 2.10, 5.01(d) (with respect to the Parent) or (e), 5.02 or 5.04; or
- (d) any Loan Party shall fail to perform or observe any other term, covenant or agreement contained in any Loan Document on its part to be performed or observed if such failure shall remain unremedied for 30 days after the earlier of the date on which (i) a Responsible Officer becomes aware of such failure or (ii) written notice thereof shall have been given to such Loan Party by any Agent or any Bank; or
- (e) the Parent or any of its Significant Subsidiaries shall fail to pay any Material Financial Obligation (but excluding Debt outstanding hereunder) of the Parent or such Significant Subsidiary (as the case may be), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Material Financial Obligation; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Material Financial Obligation and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Material Financial Obligation or otherwise to cause, or to permit the holder thereof to cause, such Material Financial Obligation to mature; or any such Material Financial Obligation shall be declared to be due and payable or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or an offer to prepay, redeem, purchase or defease such Material Financial Obligation shall be required to be made, in each case prior to the stated maturity thereof; or
- (f) any Loan Party or any of its Subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against any Loan Party or any of its Subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it) that is being diligently contested by it in good faith, either such proceeding shall remain undismissed or unstayed for a period of 30 days or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or any substantial part of its property) shall occur; or any Loan Party or any of its Subsidiaries shall take any corporate action to authorize any of the actions set forth above in this subsection (f); or
- (g) any judgment or order for the payment of money in excess of \$100,000,000 shall be rendered against any Loan Party or any of its Subsidiaries and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(h) any non-monetary judgment or order shall be rendered against any Loan Party or any of its Subsidiaries that could be reasonably likely to have a Material Adverse Effect, and there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(i) any provision of any Loan Document after delivery thereof pursuant to Section 3.01 shall for any reason cease to be valid and binding on or enforceable against any Loan Party party to it (other than as a result of a transaction permitted hereunder), or any such Loan Party shall so state in writing; or

(j) a Change of Control shall occur; or

(k) Any Loan Party or any ERISA Affiliate shall incur or shall be reasonably expected to incur liability in excess of \$25,000,000 in the aggregate with respect to any Pension Plan or any Multiemployer Plan in connection with the occurrence of any of the following events or existence of any of the following conditions:

(i) Institution of any steps by any Loan Party, any ERISA Affiliate or any other Person, including, without limitation, the PBGC to terminate a Pension Plan if as a result of such termination a Loan Party or any ERISA Affiliate could be required to make a contribution to such Pension Plan, or could incur a liability or obligation; or

(ii) A contribution failure occurs with respect to any Pension Plan sufficient to give rise to a lien under section 302(f) of ERISA; or

(iii) Any condition shall exist or event shall occur with respect to a Pension Plan that is reasonably expected to result in any Loan Party or any ERISA Affiliate being required to furnish a bond or security to the PBGC or such Pension Plan, or incurring a liability or obligation; or

(l) any Loan Party or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that it has incurred Withdrawal Liability to such Multiemployer Plan; or

(m) any Loan Party or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, and as a result of such reorganization or termination the aggregate annual contributions of the Loan Parties and the ERISA Affiliates to all Multiemployer Plans that are then in reorganization or being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the plan years of such Multiemployer Plans immediately preceding the plan year in which such reorganization or termination occurs;

then, and in any such event, the Administrative Agent (i) shall at the request, or may with the consent, of the Required Banks, by notice to the Account Parties, declare the obligation of the Issuing Bank to issue Letters of Credit to be terminated, whereupon the same shall forthwith terminate, and/or (ii) shall at the request, or may with the consent, of the Required Banks, by notice to the Account Parties, declare all amounts payable under this Agreement and the other Loan Documents to be forthwith due and payable, whereupon all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Account Parties; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to any Account Party under the Federal Bankruptcy Code, (x) the obligation of the Issuing Bank to issue Letters of Credit shall automatically be terminated and (y) all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Account Parties.

SECTION 6.02 Actions in Respect of the Letters of Credit upon Default. If any Event of Default shall have occurred and be continuing, the Administrative Agent may, or shall at the request of the Required Banks, after having taken any of the actions described in Section 6.01(ii) or otherwise, make demand upon the Account Parties to, and forthwith upon such demand the Account Parties will, pay to the Administrative Agent on behalf of the Banks in same day funds at the Administrative Agent's office designated in such demand, an amount equal to the aggregate Available Amount of all Letters of Credit then outstanding as cash collateral. If at any time during the continuance of an Event of Default the Administrative Agent determines that such funds are subject to any right or claim of any Person other than the Administrative Agent and the Banks or that the total amount of such funds is less than the aggregate Available Amount of all Letters of Credit, the Account Parties will, forthwith upon demand by the Administrative Agent, pay to the Administrative Agent, as additional cash collateral, an amount equal to the excess of (a) such aggregate Available Amount over (b) the total amount of funds, if any, that the Administrative Agent determines to be free and clear of any such right and claim. Upon the drawing of any Letter of Credit, such funds shall be applied to reimburse the Issuing Bank or Banks, as applicable, to the extent permitted by applicable law.

ARTICLE VII

THE GUARANTY

SECTION 7.01 The Guaranty.

(a) Each Account Party hereby jointly and severally, unconditionally, absolutely and irrevocably guarantees the full and punctual payment (whether at stated maturity, upon acceleration or otherwise) of all amounts payable by each of the other Account Parties under the Loan Documents including, without limitation, the principal of and interest on reimbursement obligations owing by such other Account Parties pursuant to this Agreement with respect to Letters of Credit. Upon failure by an Account Party to pay punctually any such amount, each other Account Party agrees to pay forthwith on demand the amount not so paid at the place and in the manner specified in this Agreement.

(b) Each Account Party (other than the Parent), and by its acceptance of this Guaranty, the Administrative Agent and each other Bank, hereby confirms that it is the intention of all such Persons that this Guaranty and the obligations of each Account Party hereunder not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar foreign, federal or state law to the extent applicable to this Guaranty and the obligations of each Account Party (other than the Parent) hereunder. To effectuate the foregoing intention, the Administrative Agent, the other Banks and the Account Parties hereby irrevocably agree that the obligations of each Account Party (other than the Parent) under this Article VII at any time shall be limited to the maximum amount as will result in the obligations of such Account Party under this Guaranty not constituting a fraudulent transfer or conveyance.

SECTION 7.02 Guaranty Unconditional. The obligations of each Account Party under this Article VII shall be unconditional, absolute and irrevocable and, without limiting the generality of the foregoing, shall not be released, discharged or otherwise affected by:

(i) any extension, renewal, settlement, compromise, waiver or release in respect of any obligation of any other obligor under any of the Loan Documents, by operation of law or otherwise;

(ii) any modification or amendment of or supplement to any of the Loan Documents;

(iii) any release, non-perfection or invalidity of any direct or indirect security for any obligation of any other obligor under any of the Loan Documents;

(iv) any change in the corporate existence, structure or ownership of any obligor, or any insolvency, bankruptcy, reorganization or other similar proceeding affecting any other obligor or its assets or any resulting release or discharge of any obligation of any other obligor contained in any of the Loan Documents;

(v) the existence of any claim, set-off or other rights which any obligor may have at any time against any other obligor, the Administrative Agent, any Bank or any other corporation or person, whether in connection with any of the Loan Documents or any unrelated transactions, provided that nothing herein shall prevent the assertion of any such claim by separate suit or compulsory counterclaim;

(vi) any invalidity or unenforceability relating to or against any other obligor for any reason of any of the Loan Documents, or any provision of applicable law or regulation purporting to prohibit the payment by any other obligor of principal interest or any other amount payable under any of the Loan Documents; or

(vii) any other act or omission to act or delay of any kind by any obligor, the Administrative Agent, any Bank or any other corporation or person or any other circumstance whatsoever which might, but for the provisions of this paragraph, constitute a legal or equitable discharge of or defense to an Account Party's obligations under this Article VII.

SECTION 7.03 Discharge Only upon Payment in Full; Reinstatement in Certain Circumstances. Each Account Party's obligations under this Article VII shall remain in full force and effect until the commitments of the Banks hereunder shall have terminated, no Letters of Credit shall be outstanding and all amounts payable by the other Account Parties under the Loan Documents shall have been paid in full. If at any time any payment of the principal or interest on any reimbursement obligation or any other amount payable by an Account Party under the Loan Documents is rescinded or must be otherwise restored or returned upon the insolvency, bankruptcy or reorganization of such Account Party or otherwise, each other Account Party's obligations under this Article VII with respect to such payment shall be reinstated as though such payment had been due but not made at such time.

SECTION 7.04 Waiver by the Account Parties. Each Account Party irrevocably waives acceptance hereof, presentment, demand, protest and any notice not provided for herein, as well as any requirement that at any time any action be taken by any corporation or person against any other obligor or any other corporation or person.

SECTION 7.05 Subrogation. Each Account Party hereby unconditionally and irrevocably agrees not to exercise any rights that it may now have or hereafter acquire against any other Account Party, any other Loan Party or any other insider guarantor that arise from the existence, payment, performance or enforcement of such Account Party's obligations under or in respect of this Guaranty or any other Loan Document, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of any Bank against any other Account Party, any other Loan Party or any other insider guarantor or any collateral, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from any other Account Party, any other Loan Party or any other insider guarantor, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right, unless and until all amounts payable under this Guaranty shall have been paid in full in cash, no Letters of Credit shall be outstanding and the commitments of the Banks hereunder shall have expired or been terminated. If any amount shall be paid to any Account Party in violation of the immediately preceding sentence at any time prior to the latest of (a) the payment in full in cash of all amounts payable under this Guaranty, and (b) the Expiration Date, such amount shall be received and held in trust for the benefit of the Banks, shall be segregated from other property and funds of such Account Party and shall forthwith be paid or delivered to the Administrative Agent in the same form as so received (with any necessary endorsement or assignment) to be credited and applied to all amounts payable under this Guaranty, whether matured or unmatured, in accordance with the terms of the Loan Documents, or to be held as collateral for any amounts payable under this Guaranty thereafter arising. If (i) any Account Party shall make payment to any Bank of all or any amounts payable under this Guaranty, (ii) all amounts payable under this Guaranty shall have been paid in full in cash, and (iii) the final Expiration Date shall have occurred, the Banks will, at such Account Party's request and expense, execute and deliver to such Account Party appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to such Account Party of an interest in the obligations resulting from such payment made by such Account Party pursuant to this Guaranty.

SECTION 7.06 Stay of Acceleration. If acceleration of the time for payment of any amount payable by any Account Party under any of the Loan Documents is stayed upon the insolvency, bankruptcy or reorganization of such Account Party, all such amounts otherwise subject to acceleration under the terms of this Agreement shall nonetheless be payable by the other Account Parties under this Article VII forthwith on demand by the Administrative Agent made at the request of the requisite proportion of the Banks.

SECTION 7.07 Continuing Guaranty; Assignments. This Guaranty is a continuing guaranty and shall (a) remain in full force and effect until the latest of (i) the payment in full in cash of all amounts payable under this Guaranty and (ii) the final Expiration Date, (b) be binding upon each Account Party, its successors and assigns and (c) inure to the benefit of and be enforceable by the Banks and their successors, transferees and assigns. Without limiting the generality of clause (c) of the immediately preceding sentence, any Bank may assign or otherwise transfer all or any portion of its rights and obligations under this Agreement (including, without limitation, all or any portion of its Letter of Credit Participating Interest Commitment and the Advances owing to it) to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Bank herein or otherwise, in each case as and to the extent provided in Section 9.07.

ARTICLE VIII

THE AGENTS

SECTION 8.01 Authorization and Action. Each Bank (in its capacity as a Bank) hereby appoints and authorizes each Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement and the other Loan Documents as are delegated to such Agent by the terms hereof and thereof, together with such powers and discretion as are reasonably incidental thereto. As to any matters not expressly provided for by the Loan Documents, no Agent shall be required to exercise any discretion or take any action, but shall be required to act (in the case of the Administrative Agent) or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Banks or all the Banks where unanimity is required, and such instructions shall be binding upon all Banks; provided, however, that no Agent shall be required to take any action that exposes such Agent to personal liability or that is contrary to this Agreement or applicable law. The Administrative Agent agrees to give to each Bank prompt notice of each notice given to it by any Account Party pursuant to the terms of this Agreement.

SECTION 8.02 Agents' Reliance, Etc. Neither any Agent nor any of its respective directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with the Loan Documents, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, each Agent: (a) may consult with legal counsel (including counsel for any Loan Party), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (b) makes no warranty or representation to any Bank and shall not be responsible to any Bank for any statements, warranties or representations (whether written or oral) made in or in connection with the Loan Documents; (c) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of any Loan Document on the part of any Loan Party or to inspect the property (including the books and records) of any Loan Party; (d) shall not be responsible to any Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of, or the perfection or priority of any lien or security interest created or purported to be created under or in connection with, any Loan Document or any other instrument or document furnished pursuant thereto; and (e) shall incur no liability under or in respect of any Loan Document by acting upon any

notice, consent, certificate or other instrument or writing (which may be by telegram or telecopy) reasonably believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 8.03 First Union and Affiliates. With respect to its LC Commitment Amounts, and the Advances, First Union shall have the same rights and powers under the Loan Documents as any other Bank and may exercise the same as though it were not an Agent; and the term "Bank" or "Banks" shall, unless otherwise expressly indicated, include First Union in its individual capacity. First Union and its affiliates may accept deposits from, lend money to, act as trustee under indentures of, accept investment banking engagements from and generally engage in any kind of business with, any Loan Party, any of its Subsidiaries and any Person that may do business with or own securities of any Loan Party or any such Subsidiary, all as if First Union were not an Agent and without any duty to account therefor to the Banks.

SECTION 8.04 Bank Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon any Agent or any other Bank and based on the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon any Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

SECTION 8.05 Indemnification.

(a) Each Bank severally agrees to indemnify each Agent and its officers, directors, employees, agents, advisors and Affiliates (to the extent not promptly reimbursed by the Account Parties) from and against such Bank's ratable share (determined as provided below) of any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against such Agent or any such other Person in any way relating to or arising out of the Loan Documents or any action taken or omitted by such Agent under the Loan Documents; provided, however, that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Agent's or other Person's gross negligence or willful misconduct. Without limitation of the foregoing, each Bank agrees to reimburse each Agent promptly upon demand for its ratable share of any costs and expenses (including, without limitation, fees and expenses of counsel) payable by the Account Parties under Section 9.04, to the extent that such Agent is not promptly reimbursed for such costs and expenses by the Account Parties.

(b) For purposes of this Section 8.05, the Banks' respective ratable shares of any amount shall be determined, at any time, according to the sum of

(i) the aggregate principal amount of the Advances outstanding at such time and owing to the respective Banks, (ii) their respective Pro Rata Shares of the aggregate Available Amounts of all Letters of Credit outstanding at such time and (iii) their respective Unused LC Commitment Amounts at such time. The failure of any Bank to reimburse any Agent promptly upon demand for its ratable share of any amount required to be paid by the Banks to such Agent as provided herein shall not relieve any other Bank of its obligation hereunder to reimburse such Agent for its ratable share of such amount, but no Bank shall be responsible for the failure of any other Bank to reimburse such Agent for such other Bank's ratable share of such amount. Without prejudice to the survival of any other agreement of any Bank hereunder, the agreement and obligations of each Bank contained in this Section 8.05 shall survive the payment in full of principal, interest and all other amounts payable hereunder and under the other Loan Documents.

SECTION 8.06 Successor Administrative Agent. Any Agent may resign at any time by giving written notice thereof to the Banks and the Parent and may be removed at any time with or without cause by the Required Banks. Upon any such resignation or removal of the Administrative Agent, the Required Banks shall have the right to appoint a successor Administrative Agent, subject (so long as no Event of Default exists) to the consent of the Parent (which consent shall not be unreasonably withheld). If no successor Administrative Agent shall have been so appointed by the Required Banks, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent's giving of notice of resignation or the Required Banks' removal of the retiring Administrative Agent, then the retiring Administrative Agent may, on behalf of the Banks, appoint a successor Administrative Agent, which shall be a commercial bank organized under the laws of the United States or of any State thereof and having a combined capital and surplus of at least \$250,000,000. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent such successor Administrative Agent shall succeed to and become vested with all the rights, powers, discretion, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under the Loan Documents. If within 45 days after written notice is given of the retiring Administrative Agent's resignation or removal under this Section 8.06 no successor Administrative Agent shall have been appointed and shall have accepted such appointment, then on such 45th day (i) the retiring Administrative Agent's resignation or removal shall become effective, (ii) the retiring Administrative Agent shall thereupon be discharged from its duties and obligations under the Loan Documents and (iii) the Required Banks shall thereafter perform all duties of the retiring Administrative Agent under the Loan Documents until such time, if any, as the Required Banks appoint a successor Administrative Agent as provided above. After any retiring Agent's resignation or removal hereunder as Agent shall have become effective, the provisions of this Article VIII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement. If Fleet ceases to be a Bank hereunder, it shall be deemed to have resigned as Documentation Agent and no replacement shall be appointed.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01 Amendments, Etc. No amendment or waiver of any provision of this Agreement or any other Loan Document, nor consent to any departure by any Loan Party therefrom, shall in any event be effective unless the same shall be in writing and signed by the Issuing Bank and the Required Banks (and, in the case of an amendment, the Parent), and then any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all of the Banks (other than (A) any Bank that is, at such time, a Defaulting Bank, (B) in the case of clause (v) below, any Bank which is not a Commitment Bank and which is not affected by such amendment, waiver or consent and (C) in the case of clauses (ii), (iii), (vi) and (vii) below, any Bank which is not and will not be (and is not and will not be owed any obligation which is or will be) affected thereby), do any of the following at any time: (i) waive any of the conditions specified in Section 3.01 or, in the case of the Effective Date, Section 3.02, (ii) change the number of Banks or the percentage of (x) the LC Commitment Amounts, (y) the aggregate unpaid principal amount of the Advances or (z) the aggregate Available Amount of outstanding Letters of Credit that, in each case, shall be required for the Banks or any of them to take any action hereunder, (iii) reduce or limit the obligations of any Account Party under Section 7.01 or release such Account Party or otherwise limit such Account Party's liability with respect to the obligations owing to the Agents and the Banks, (iv) amend this Section 9.01, (v) increase the LC Commitment Amounts of the Banks, extend the then applicable Expiration Date or subject the Banks to any additional obligations, (vi) reduce the principal of, or interest on, any reimbursement obligation or any fees or other amounts payable hereunder, or increase any Bank's LC Commitment Amount, (vii) postpone any date fixed for any payment of principal of, or interest on, any reimbursement obligation or any fees or other amounts payable hereunder, or (viii) limit the liability of any Loan Party under any of the Loan Documents; provided

further that no amendment, waiver or consent shall, unless in writing and signed by an Agent in addition to the Banks required above to take such action, affect the rights or duties of such Agent under this Agreement or the other Loan Documents.

SECTION 9.02 Notices, Etc. All notices and other communications provided for hereunder shall be in writing (including telegraphic or telecopy communication) and mailed, telegraphed, telecopied or delivered, if to any Account Party, at its address set forth below on the signature pages hereof; if to any Initial Bank, at its Domestic Lending Office specified opposite its name on Part 2 of Schedule I hereto; if to any other Bank, at its Domestic Lending Office specified in the Assignment and Acceptance pursuant to which it became a Bank; if to First Union (in its capacity as Issuing Bank) at its address at One South Broad Street, Mail Code PA4928, Philadelphia, Pennsylvania 19107, Attn: Standby Letter of Credit Department, Telecopy No. (215) 786-8803; if to Mellon (in its capacity as Issuing Bank) at its address at One Mellon Center, Pittsburgh, Pennsylvania 15258, Attn: Karla Maloof, Telecopy No. (412) 234-8087, with a copy to Letter of Credit Operations, at the same address; and if to the Administrative Agent, at its address at Charlotte Plaza Building CP-23, 201 South College Street, Charlotte, North Carolina 28288-0680, Attn:

Syndication Agency Services, Telecopy No. (704) 383-0288; or, as to any party, at such other address as shall be designated by such party in a written notice to the other parties. All such notices and communications shall, when mailed, telegraphed or telecopied, be effective when deposited in the mails, delivered to the telegraph company or transmitted by telecopier, respectively, except that notices and communications to the Administrative Agent pursuant to Article II, III or VIII shall not be effective until received by the Administrative Agent. Manual delivery by telecopier of an executed counterpart of any amendment or waiver of any provision of this Agreement or of any Exhibit hereto to be executed and delivered hereunder shall be effective as delivery of an original executed counterpart thereof.

SECTION 9.03 No Waiver; Remedies. No failure on the part of any Bank or any Agent to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 9.04 Costs and Expenses.

(a) Each of the Account Parties agrees to pay on demand (i) all reasonable costs and expenses of the Administrative Agent and of the Issuing Bank in connection with the preparation, execution, delivery, administration, modification and amendment of the Loan Documents (including, without limitation, (A) all due diligence, collateral review, syndication, transportation, computer, duplication, appraisal, audit, insurance, consultant, search, filing and recording fees and expenses and (B) the reasonable fees and expenses of a single counsel for the Administrative Agent and a single counsel for the Issuing Bank with respect thereto, with respect to advising the Administrative Agent as to its rights and responsibilities, or the perfection, protection or preservation of rights or interests, under the Loan Documents, with respect to negotiations with any Loan Party or with other creditors of any Loan Party or any of its Subsidiaries arising out of any Default or any events or circumstances that may give rise to a Default and with respect to presenting claims in or otherwise participating in or monitoring any bankruptcy, insolvency or other similar proceeding involving creditors' rights generally and any proceeding ancillary thereto) and (ii) all reasonable costs and expenses of each Agent, the Issuing Bank and each Bank in connection with the enforcement of the Loan Documents, whether in any action, suit or litigation, or any bankruptcy, insolvency or other similar proceeding affecting creditors' rights generally (including, without limitation, the reasonable fees and expenses of counsel for the Administrative Agent, the Issuing Bank and each Bank with respect thereto).

(b) Each of the Account Parties jointly and severally agrees to indemnify and hold harmless each Agent, the Arranger, the Issuing Bank, each Bank and each of their Affiliates and their respective officers, directors, employees, agents and advisors (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of (including, without limitation, in connection with any investigation, litigation or proceeding or preparation of a defense in connection therewith) this Agreement, the actual or proposed use of the proceeds of the Advances, the Loan Documents or any of the transactions contemplated thereby, except to the extent such claim, damage, loss, liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct. In the case of an investigation, litigation or other proceeding to which the indemnity in this Section 9.04(b) applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by any Loan Party, its directors, shareholders or creditors or an Indemnified Party or any Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated by the Loan Documents are consummated. Each of the Account Parties also agrees not to assert any claim against any Agent, the Arranger, any Bank or any of their Affiliates, or any of their respective officers, directors, employees, attorneys and agents, on any theory of liability, for special, indirect, consequential or punitive damages arising out of or otherwise relating to the credit facilities provided hereunder, the actual or proposed use of the proceeds of the Advances or the Letters of Credit, the Loan Documents or any of the transactions contemplated by the Loan Documents.

(c) Without prejudice to the survival of any other agreement of any Loan Party hereunder or under any other Loan Document, the agreements and obligations of the Account Parties contained in Section 2.07 and this Section 9.04 shall survive the payment in full of principal, interest and all other amounts payable hereunder and under any of the other Loan Documents.

SECTION 9.05 Right of Set-off. Upon (a) the occurrence and during the continuance of any Event of Default and (b) the making of the request or the granting of the consent specified by Section 6.01 to authorize the Administrative Agent to declare amounts owing hereunder to be due and payable pursuant to the provisions of Section 6.01, each Agent and each Bank and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and otherwise apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Agent, such Bank or such Affiliate to or for the credit or the account of any Account Party against any and all of the obligations of such Account Party now or hereafter existing under the Loan Documents, irrespective of whether such Agent or such Bank shall have made any demand under this Agreement and although such obligations may be unmaturing. Each Agent and each Bank agrees promptly to notify each Account Party after any such set-off and application; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Agent and each Bank and their respective Affiliates under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) that such Agent, such Bank and their respective Affiliates may have.

SECTION 9.06 Binding Effect. This Agreement shall become effective when it shall have been executed by each Account Party, the Issuing Bank and each Agent and the Administrative Agent shall have been notified by each Initial Bank that such Initial Bank has executed it and thereafter shall be binding upon and inure to the benefit of each Account Party, each Agent, the Issuing Bank and each Bank and their respective successors and assigns, except that no Account Party shall have the right to assign its rights hereunder or any interest herein without the prior written consent of the Banks.

SECTION 9.07 Assignments and Participations.

(a) Each Bank may, and so long as no Default shall have occurred and be continuing, if demanded by any Account Party (following a demand by such Bank pursuant to Section 2.12) upon at least five Business Days notice to such Bank and the Administrative Agent, will, assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its LC Commitment Amount, its Letter of Credit Participating Interest Commitment and the Letter of Credit Advances owing to it); provided, however, that (i) each such assignment shall be of a uniform, and not a varying, percentage of all rights and obligations of such Bank hereunder, except for any non-pro rata assignment made by a Downgraded Bank after a request by the Issuing Bank pursuant to Section 2.14 (and any subsequent non-pro rata assignment of the interest so assigned or by the Downgraded Bank) and any other non-pro rata assignment approved by the Administrative Agent and any Account Party, (ii) except in the case of an assignment to a Person that, immediately prior to such assignment, was a Bank or an Affiliate of any Bank or an assignment of all of a Bank's rights and obligations under this Agreement, the aggregate amount of the LC Commitment Amounts being assigned to such Eligible Assignee pursuant to such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$10,000,000, (iii) each such assignment shall be to an Eligible Assignee, (iv) each assignment made as a result of a demand by any Account Party pursuant to Section 2.12 shall be arranged by such Account Party after consultation with the Administrative Agent and shall be either an assignment of all of the rights and obligations of the assigning Bank under this Agreement or an assignment of a portion of such rights and obligations made concurrently with another such assignment or other such assignments that together cover all of the rights and obligations of the assigning Bank under this Agreement, (v) no Bank shall be obligated to make any such assignment as a result of a demand by any Account Party pursuant to Section 2.12 unless and until such Bank shall have received one or more payments from either such Account Party or other Eligible Assignees in an aggregate amount at least equal to the aggregate outstanding principal amount of the Advances made by such Bank, together with accrued interest thereon to the date of payment of such principal amount and all other amounts payable to such Bank under this Agreement, (vi) as a result of such assignment, no Account Party shall be subject to additional amounts under Section 2.06 or 2.08, (vii) no such assignment shall be permitted without the consent of the Administrative Agent and, so long as no Default shall have occurred and be continuing, the Parent (which consents shall not be unreasonably withheld) and (viii) the parties to each such assignment shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with a processing and recordation fee of \$2,500.00.

(b) Upon such execution, delivery, acceptance and recording, from and after the effective date specified in such Assignment and Acceptance, (i) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Bank, hereunder and (ii) the Bank assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights (other than its rights under Sections 2.06, 2.08 and 9.04 to the extent any claim thereunder relates to an event arising prior to such assignment) and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the remaining portion of an assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto).

(c) By executing and delivering an Assignment and Acceptance, each Bank assignor thereunder and each assignee thereunder confirm to and agree with each other and the other parties thereto and hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Bank makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with any Loan Document or the execution, legality, validity, enforceability, genuineness, sufficiency or value of, or the perfection or priority of any lien or security interest created or purported to be created under or in connection with, any Loan Document or any other instrument or document furnished pursuant thereto; (ii) such assigning Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Loan Party or the performance or observance by any Loan Party of any of its obligations under any Loan Document or any other instrument or document furnished pursuant thereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon any Agent, such assigning Bank or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes each Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Loan Documents as are delegated to such Agent by the terms hereof and thereof, together with such powers and discretion as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Bank.

(d) The Administrative Agent, acting for this purpose (but only for this purpose) as the agent of the Account Parties, shall maintain at its address referred to in Section 9.02 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Banks and the LC Commitment Amount of, and principal amount of the Advances owing to, each Bank from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Account Parties, the Agents and the Banks shall treat each Person whose name is recorded in the Register as a Bank hereunder for all purposes of this Agreement. The Register shall be available for inspection by any Account Party or any Agent or any Bank at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of an Assignment and Acceptance executed by an assigning Bank and an assignee, the Administrative Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit A hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Parent.

(f) Each Bank may sell participations to one or more Persons (other than any Loan Party or any of its Affiliates) in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its LC Commitment Amount, its Letter of Credit Participating Interest Commitment and the Advances owing to it; provided, however, that (i) such Bank's obligations under this Agreement (including, without limitation, its Letter of Credit Participating Interest Commitment) shall remain unchanged, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the Account Parties, the Agents and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement and (iv) no participant under any such participation shall have any right to approve any amendment or waiver of any provision of any Loan Document, or any consent to any departure by any Loan Party therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, reimbursement obligations or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, postpone any date fixed for any payment of principal of, or interest on, the reimbursement obligations or any fees or other amounts payable hereunder, in each case to the extent subject to such participation. Each Bank shall, as agent of the Account Parties solely for the purposes of this Section, record in book entries maintained by such Bank, the name and amount of the participating interest of each Person entitled to receive payments in respect of any participating interests sold pursuant to this Section.

(g) Any Bank may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 9.07, disclose to the assignee or participant or proposed assignee or participant any information relating to any Account Party furnished to such Bank by or on behalf of any Account Party; provided, however, that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to preserve the confidentiality of any Confidential Information received by it from such Bank.

(h) Notwithstanding any other provision set forth in this Agreement, any Bank may at any time create a security interest in all or any portion of its rights under this Agreement (including, without limitation, the Advances owing to it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System.

SECTION 9.08 Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of an original executed counterpart of this Agreement.

SECTION 9.09 No Liability of the Issuing Bank. Each Account Party assumes all risks of the acts or omissions of any beneficiary or transferee of any Letter of Credit with respect to its use of such Letter of Credit. Neither the Issuing Bank nor any of its officers, directors, employees or agents shall be liable or responsible for: (a) the use that may be made of any Letter of Credit or any acts or omissions of any beneficiary or transferee in connection therewith; (b) the validity, sufficiency or genuineness of documents, or of any endorsement thereon, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent or forged; (c) payment by the Issuing Bank against presentation of documents that do not strictly comply with the terms of a Letter of Credit, including failure of any documents to bear any reference or adequate reference to the Letter of Credit; or (d) any other circumstances whatsoever in making or failing to make payment under any Letter of Credit, except that such Account Party shall have a claim against the Issuing Bank, and the Issuing Bank shall be liable to such Account Party, to the extent of any direct, but not consequential, damages suffered by such Account Party that such Account Party proves were caused by (i) the Issuing Bank's willful misconduct or gross negligence as determined in a final, non-appealable judgment by a court of competent jurisdiction in determining whether documents presented under any Letter of Credit comply with the terms of the Letter of Credit or (ii) the Issuing Bank's willful failure to make lawful payment under a Letter of Credit after the presentation to it of a draft and certificates strictly complying with the terms and conditions of the Letter of Credit. In furtherance and not in limitation of the foregoing, the Issuing Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

SECTION 9.10 Confidentiality. Neither any Agent nor any Bank shall disclose any Confidential Information to any Person without the consent of the Parent, other than (a) to such Agent's or such Bank's Affiliates and their officers, directors, employees, agents and advisors and to actual or prospective Eligible Assignees and participants, and then only on a confidential basis, (b) as required by any law, rule or regulation or judicial process, (c) as requested or required by any state, Federal or foreign authority or examiner regulating such Bank and (d) to any rating agency when required by it, provided that, prior to any such disclosure, such rating agency shall undertake to preserve the confidentiality of any Confidential Information relating to the Loan Parties received by it from such Bank.

SECTION 9.11 Jurisdiction, Etc.

(a) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any of the other Loan Documents to which it is a party, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any party may otherwise have to bring any action or proceeding relating to this Agreement or any of the other Loan Documents in the courts of any jurisdiction.

(b) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any of the other Loan Documents to which it is a party in any New York State or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

SECTION 9.12 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 9.13 Waiver of Jury Trial. Each of the Account Parties, the Agents and the Banks irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to any of the Loan Documents, the Advances or the actions of any Agent or any Bank in the negotiation, administration, performance or enforcement thereof.

SECTION 9.14 Disclosure of Information. Each Account Party agrees and consents to the Administrative Agent's and the Arranger's disclosure of information relating to this transaction to Gold Sheets and other similar bank trade publications. Such information will consist of deal terms and other information customarily found in such publications. The Parent shall have the right to review and approve any such disclosure made by the Administrative Agent or the Arranger before such disclosure is made (such approval not to be unreasonably withheld).

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

ACE LIMITED

The Common Seal of ACE Limited was hereunto
affixed in the presence of:

Director

Secretary

ACE BERMUDA INSURANCE LTD.

The Common Seal of ACE Bermuda Insurance Ltd.
was hereunto affixed in the presence of:

Director

Secretary

ACE TEMPEST REINSURANCE LTD.

The Common Seal of ACE Tempest Reinsurance
Ltd. was hereunto affixed in the presence of:

Director

Secretary

Address for each Account Party:

The ACE Building
30 Woodbourne Avenue
Hamilton HM08 Bermuda
Telecopy: (441) 296-0087

(signatures continued)

FIRST UNION NATIONAL BANK, as Administrative Agent, as Issuing Bank and as an Initial Bank

By: _____

Title: _____

FLEET NATIONAL BANK, as Documentation Agent and as an Initial Bank

By: _____

Title: _____

MELLON BANK, N.A., as Issuing Bank and as an Initial Bank

By: _____

Title: _____

**ROYAL BANK OF CANADA, NEW YORK BRANCH, as
an Initial Bank**

By: _____

Title: _____

BANK ONE, N.A., as an Initial Bank

By: _____

Title: _____

(signatures continued)

COMERICA BANK, as an Initial Bank

By: _____

Title: _____

**DEUTSCHE BANK AG, NEW YORK, as an
Initial Bank**

By: _____

Title: _____

**STATE STREET BANK AND TRUST COMPANY, as an
Initial Bank**

By: _____

Title: _____

**THE BANK OF BERMUDA LIMITED, as an
Initial Bank**

By: _____

Title: _____

**THE BANK OF N.T. BUTTERFIELD & SON LIMITED,
as an Initial Bank**

By: _____

Title: _____

(signatures continued)

**CREDIT SUISSE FIRST BOSTON, as an
Initial Bank**

By: _____

Title: _____

SCHEDULE I

LC COMMITMENT AMOUNTS

First Union National Bank	\$60,000,000.00
Fleet National Bank	\$55,000,000.00
Mellon Bank, N.A.	\$45,000,000.00
Royal Bank of Canada, New York Branch	\$45,000,000.00
Bank One, N.A.	\$42,500,000.00
Comerica Bank	\$42,500,000.00
Deutsche Bank AG, New York	\$42,500,000.00
State Street Bank and Trust Company	\$42,500,000.00
The Bank of Bermuda Limited	\$25,000,000.00
The Bank of N.T. Butterfield & Son Limited	\$25,000,000.00
Credit Suisse First Boston	\$25,000,000.00
Total	\$450,000,000.00
	=====

SCHEDULE I - Part 2

DOMESTIC LENDING OFFICES

First Union National Bank	Financial Institutions Group 1339 Chestnut Street, PA 4819 Philadelphia, Pennsylvania 19107 Attn: Joseph DiFrancesco Telephone: (215) 973-2944 Telecopy: (215) 786-4114
Fleet National Bank	777 Main Street Hartford, Connecticut 06115 Attn: Anson Harris Telephone: (860) 986-7518 Telecopy: (860) 986-1264
Mellon Bank, N.A.	One Mellon Center, Room 4401 Pittsburgh, Pennsylvania 15258 Attn: Karla Maloof Telephone: (412) 236-4147 Telecopy: (412) 234-8087
Royal Bank of Canada, New York Branch	One Liberty Plaza, 3rd Floor New York, New York 10006-1404 Attn: Manager, Trade Products Telephone: (212) 428-6235 Telecopy: (212) 428-3015 with a copy of notices to: Royal Bank of Canada One Liberty Plaza, 4th Floor New York, New York 10006-1404 Attn: Alex Birr Telephone: (212) 428-6404 Telecopy: (212) 428-6201
Bank One, N.A.	1 Bank One Plaza, Suite IL1-0085 Chicago, Illinois 60670 Attn: Gretchen Roetzer Telephone: (312) 732-8068 Telecopy: (312) 732-4033
Comerica Bank	500 Woodward Avenue Detroit, Michigan 48226-3331 Attn: Martin G. Ellis Telephone: (313) 222-9443 Telecopy: (313) 222-5466

Deutsche Bank AG, New York

31 West 52nd Street
New York, New York 10019
Attn: Ruth Leung
Telephone: (212) 469-8650
Telecopy: (212) 469-8366

State Street Bank and Trust Company

Domestic Lending Office:
225 Franklin Street
Boston, Massachusetts 02110

Address for notices:
Lafayette Corporate Center
2 Avenue de Lafayette
Boston, Massachusetts 02111
Attn: Edward M. Anderson, VP
Telephone: (617) 662-3782
Telecopy: (617) 662-3778

The Bank of Bermuda Limited

6 Front Street
Hamilton HM 11
Hamilton HM DX, Bermuda
Attn: A. Kerry Davison,
VP-Credit Manager (North America)
Telephone: (441) 299-6219
Telecopy: (441) 299-6519

The Bank of N.T. Butterfield & Son Limited

65 Front Street
Hamilton HM DX, Bermuda
Attn: Jonathan Raynor,
VP-Corporate Banking
Telephone: (441) 298-4774
Telecopy: (441) 296-0380

Credit Suisse First Boston

Eleven Madison Avenue
New York, New York 10010
Attn: Jay Chall
Telephone: (212) 325-9019
Telecopy: (212) 325-8320

SCHEDULE II

EXISTING LETTERS OF CREDIT

1. Mellon Letter of Credit # S864386 Face Amount: \$74,500,000 (amended amount: \$64,968,000) Account Party: ACE Bermuda Insurance Ltd. Beneficiary: State Industrial Insurance System d/b/a Employers Insurance Company of Nevada
2. Mellon Letter of Credit # 1400 (London) Face Amount: GBP57,500,000 Account Party: ACE Limited for and on behalf of ACE Bermuda Insurance Ltd.
Beneficiary: The Chiyoda Fire and Marine Company (Europe) Ltd.
3. Mellon Letter of Credit # S856602 Face Amount: \$427,000 Account Party: ACE Limited for and on behalf of Westchester Surplus Lines Insurance Company and Westchester Fire Insurance Company Beneficiary: International Insurance Company

SCHEDULE 4.01(B)

Subsidiaries

[attached hereto]

EXHIBIT A

Assignment and Acceptance

ASSIGNMENT AND ACCEPTANCE dated as of _____, 20__ between _____ (the "Assignor") and _____ (the "Assignee"), and [consented to and] accepted by First Union National Bank, as administrative agent (the "Administrative Agent")[, and ACE Limited (the "Parent")].

WITNESSETH

WHEREAS, this Assignment and Acceptance (the "Agreement") relates to the Reimbursement Agreement dated as of August 24, 2001 among the Parent and other Account Parties party thereto, the Assignor and the other Banks party thereto, the Documentation Agent party thereto and the Administrative Agent (as amended or otherwise modified from time to time, the "Reimbursement Agreement");

WHEREAS, as provided under the Reimbursement Agreement, the Assignor has a commitment to participate in Letters of Credit and make Letter of Credit Advances to the Account Parties in an aggregate principal amount at any time outstanding not to exceed \$ _____;

WHEREAS, Letters of Credit with a total amount available for drawing thereunder of \$ _____ are outstanding at the date hereof;

WHEREAS, Letter of Credit Advances made to the Account Parties by the Assignor under the Reimbursement Agreement in the aggregate principal amount of \$ _____ are outstanding at the date hereof; and

WHEREAS, the Assignor proposes to assign to the Assignee all of the rights of the Assignor under the Reimbursement Agreement and the other Loan Documents in respect of a portion of its LC Commitment Amount thereunder in an amount equal to \$ _____ (the "Assigned Amount"), together with a corresponding portion of its outstanding Letter of Credit Participating Interest, Letter of Credit Participating Interest Commitment, LC Participation Obligations, Letter of Credit Exposure, and Letter of Credit Advances, if any, and the Assignee proposes to accept assignment of such rights and assume the corresponding obligations from the Assignor on such terms.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the parties hereto agree as follows:

1. Definitions. All capitalized terms not otherwise defined herein shall have the respective meanings set forth in the Reimbursement Agreement.

2. Assignment. The Assignor hereby assigns and sells to the Assignee all of the rights of the Assignor under the Reimbursement Agreement and the other Loan Documents to the extent of the Assigned Amount, and the Assignee hereby accepts such assignment from the Assignor and assumes all of the obligations of the Assignor under the Reimbursement Agreement to the extent of the Assigned Amount, including the outstanding Letter of Credit Participating Interest Commitment and Letter of Credit Exposure, and the amount of the Letter of Credit Advances, if any, outstanding at the date hereof. Upon the execution and delivery hereof by the Assignor, the Assignee[, the Administrative Agent and the Parent] and the payment of the amounts specified in Section 3 required to be paid on the date hereof (i) the Assignee shall, as of the date hereof, succeed to the rights and be obligated to perform the obligations of a Bank under the Reimbursement Agreement with an LC Commitment Amount (in addition to any LC Commitment Amount theretofore held by it) equal to the Assigned Amount, and (ii) the LC Commitment Amount of the Assignor shall, as of the date hereof, be reduced by a like amount and the Assignor shall be released from its obligations under the Reimbursement Agreement to the extent such obligations have been assumed by the Assignee. The assignment provided for herein shall be without recourse to the Assignor.

3. Payments. As consideration for the assignment and sale contemplated in Section 2 hereof, the Assignee shall pay to the Assignor on the date hereof the amount heretofore agreed between them.^{1/} It is understood that commitment and Letter of Credit fees accrued to the date hereof in respect of the Assigned Amount are for the account of the Assignor and such fees accruing from and including the date hereof are for the account of the Assignee. Each of the Assignor and the Assignee hereby agrees that if it receives any amount under the Reimbursement Agreement which is for the account of the other party hereto, it shall receive the same for the account of such other party to the extent of such other party's interest therein and shall promptly pay the same to such other party.

4. [Consent of the Administrative Agent and the Parent. Pursuant to Section 9.07(a) of the Reimbursement Agreement, this Agreement is conditioned upon the consent of the Administrative Agent and, so long as no Default has occurred and is continuing, the Parent. The execution of this Agreement by the Administrative Agent and, if applicable, the Parent is evidence of this consent.]

5. Non-Reliance on Assignor. The Assignor makes no representation or warranty in connection with, and shall have no responsibility with respect to, the solvency, financial condition or statements of the Account Parties or any of their respective Subsidiaries, or the validity and enforceability of the obligations of the Account Parties or any of their respective Subsidiaries in respect of any Loan Document. The Assignee acknowledges that it has, independently and without reliance on the Assignor, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and will continue to be responsible for making its own independent appraisal of the business, affairs and financial condition of the Account Parties and their respective Subsidiaries.

^{1/} Amount should combine the principal amount of any Letter of Credit Advances made by the Assignor together with accrued interest and breakage compensation, if any, to be paid by the Assignee, net of any portion of any upfront fee to be paid by the Assignor to the Assignee. It may be preferable in an appropriate case to specify these amounts generically or by formula rather than as a fixed sum.

6. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

7. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

[ASSIGNOR]

By: _____

Title: _____

[ASSIGNEE]

By: _____

Title: _____

[ACE LIMITED]

By: _____

Title: _____

**FIRST UNION NATIONAL BANK, as
Administrative Agent**

By: _____

Title: _____]

SCHEDULE 5.02(A)

Liens

1. Liens securing letters of credit issued by Citibank for the account of Cigna Europe in an aggregate stated amount not exceeding \$16,000,000 (subject to currency fluctuations).
2. Liens securing letters of credit issued by Citibank for the account of INA(UK) in an aggregate stated amount not exceeding \$8,000,000.
3. \$70,000,000 of Cigna Overseas Insurance Company investments are pledged to Domestic Pool companies under a Regulation 114 trust.
4. Lien arising under a Subordination Agreement dated as of October 27, 1998 among ACE US Holdings, Inc., ACE Limited and The Chase Manhattan Bank encumbering ACE US Holdings, Inc.'s rights under the Subordinated Loan Agreement dated as of October 27, 1998 among ACE US Holdings, Inc., ACE Bermuda Insurance Ltd. and United States Trust Company of New York, as trustee under the Indenture dated October 27, 1998 of ACE US Holdings, Inc.
5. Liens securing Letter of Credit Facility Agreements dated November 17, 2000 among ACE Limited, ACE Bermuda Insurance, Ltd., certain other financial institutions and Citibank International plc, as Agent and Security Trustee.

EXHIBIT A

Assignment and Acceptance

[attached hereto]

EXHIBIT B

Replacement Letter of Credit Language

This Letter of Credit is issued in replacement of and substitution for Letter of Credit No. _____ issued by Mellon Bank, N.A. in your favor (the "Mellon Letter of Credit"). Upon your receipt of this Letter of Credit, you are requested to send the Mellon Letter of Credit, with authorization for cancellation, to the following address:

Mellon Bank, N.A.

One Mellon Bank Center
Pittsburgh, PA 15258

Attn: Mary K. Jones 2/

This Letter of Credit is not presently operative for drawing and shall become operative for drawing only and immediately upon your receipt of a writing from us (which we agree to send to you upon our receipt of a writing from Mellon Bank, N.A. in form and substance satisfactory to us confirming that the Mellon Letter of Credit has been validly cancelled), sent to you at your address set forth above, reading as follows:

"Letter of Credit No. _____ issued by the undersigned in the amount of US \$ _____ is now operative for drawing."

2/ Address subject to change.

Exhibit 10.3

SECOND AMENDMENT

THIS SECOND AMENDMENT dated as of October 23, 2001 (this "Amendment") amends the Amended and Restated 364-Day Credit Agreement dated as of May 8, 2000, as amended as of October 23, 2000 and amended and restated as of April 6, 2001 (the "Credit Agreement") among ACE Limited, a Cayman Islands company (the "Parent"), ACE Bermuda Insurance Ltd. ("ACE Bermuda"), ACE Tempest Reinsurance Ltd., formerly known as Tempest Reinsurance Company Limited ("Tempest"), ACE INA Holdings Inc. ("ACE INA") and ACE Guaranty Re Inc. ("ACE Guaranty") (Ace Bermuda, Tempest, ACE INA and ACE Guaranty, together with the Parent, the "Borrowers"), various financial institutions (the "Lenders"), and Morgan Guaranty Trust Company of New York ("MGT"), as administrative agent (in such capacity, the "Agent"). Terms defined in the Credit Agreement are, unless otherwise defined herein or the context otherwise requires, used herein as defined therein.

WHEREAS, the Borrowers, the Lenders and the Agent have entered into the Credit Agreement; and

WHEREAS, the parties hereto desire to amend the Credit Agreement in certain respects as more fully set forth herein;

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1 Amendment to Negative Covenants. Effective on (and subject to the occurrence of) the Amendment Effective Date (as defined below), Section 5.02 of the Credit Agreement shall be amended as set forth below:

1.1 Amendment to Section 5.02(a)(xvii). Section 5.02(a)(xvii) of the Credit Agreement shall be amended by deleting the word "and" immediately after the semi-colon at the end thereof.

1.2 Amendment to Section 5.02(a)(xviii). Section 5.02(a)(xviii) of the Credit Agreement shall be amended by deleting the period at the end thereof and adding a semi-colon and the word "and" at the end thereof.

1.3 Amendment to Section 5.02(a). Section 5.02(a) of the Credit Agreement shall be amended by adding the following immediately after the word "and" following the semi-colon at the end of subsection (xviii) thereof:

(xix) Liens on securities arising out of repurchase agreements with a term of not more than three months entered into with Lenders (under and as defined in the Amended and Restated Five Year Credit Agreement dated as of May 8, 2000 and as amended as of October 23, 2000 among Parent, ACE Bermuda, Tempest, ACE INA and ACE Financial Services, Inc., various financial institutions, and MGT) or their Affiliates or with securities dealers of recognized standing; provided that the aggregate amount of all assets of the Parent and its Subsidiaries subject to such agreements shall not at any time exceed \$800,000,000.

SECTION 2 Representations and Warranties. Each Borrower represents and warrants to the Agent and the Lenders that (a) each warranty set forth in Article IV of the Credit Agreement is true and correct as of the date of the execution and delivery of this Amendment by the Parent, with the same effect as if made on such date (except to the extent such representations and warranties expressly refer to an earlier date, in which case they were true and correct as of such earlier date), (b) the execution and delivery by the Parent of this Amendment and the performance by each Borrower of its respective obligations under the Credit Agreement, as amended hereby (as so amended, the "Amended Credit Agreement") (i) are within the corporate or limited liability company power, as applicable, of such Borrower (ii) have been duly authorized by all necessary corporate action, as applicable, on the part of such Borrower, (iii) have received all necessary governmental and regulatory approval and (iv) do not and will not contravene or conflict with any provision of law or of the organizational documents of any Borrower or of any indenture, loan agreement or other contract, order or decree which is binding upon any Borrower and (c) the Amended Credit Agreement is the legal, valid and binding obligation of each Borrower, enforceable against such Borrower in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors' rights or by general principles of equity limiting the availability of equitable remedies.

SECTION 3 Effectiveness. The amendments set forth in Section 1 above shall become effective on such date (the "Amendment Effective Date") when the Agent shall have received each of the following documents, each in form and substance satisfactory to the Agent:

3.1 Executed Counterparts. Counterparts of this Amendment executed by the Parent and the Required Lenders.

3.2 Confirmation. A confirmation, substantially in the form of Annex I attached hereto, executed by each existing Guarantor.

3.3 Other Documents. Such other documents as the Agent or any Lender may reasonably request in connection with the authorization, execution and delivery of this Amendment.

SECTION 4 Miscellaneous.

4.1 Continuing Effectiveness, etc. As herein amended, the Credit Agreement shall remain in full force and effect and is hereby ratified and confirmed in all respects. After the Amendment Effective Date, all references in the Credit Agreement and the other Loan Documents to "Credit Agreement", "Agreement" or similar terms shall refer to the Amended Credit Agreement.

4.2 Counterparts. This Amendment may be executed in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original but all such counterparts shall together constitute one and the same Amendment.

4.3 Governing Law. This Amendment shall be a contract made under and governed by the laws of the State of New York applicable to contracts made and to be fully performed within such state.

4.4 Successors and Assigns. This Amendment shall be binding upon each Borrower, the Lenders and the Agent and their respective successors and assigns, and shall inure to the benefit of the Borrowers, the Lenders and the Agent and the respective successors and assigns of the Lenders and the Agent.

Delivered at Chicago, Illinois, as of the day and year first above written.

ACE LIMITED

By:

Name:

Title:

**MORGAN GUARANTY TRUST
COMPANY OF NEW YORK**

By:

Name:

Title:

THE CHASE MANHATTAN BANK

By:

Name:

Title:

BANK OF AMERICA, N.A.

By:

Name:

Title:

S-1

FLEET NATIONAL BANK

By:

Name:

Title:

BARCLAYS BANK PLC

By:

Name:

Title:

THE BANK OF NEW YORK

By:

Name:

Title:

CITIBANK, N.A.

By:

Name:

Title:

S-2

**COMMERZBANK AKTIENGESELLSCHAFT,
NEW YORK AND GRAND CAYMAN
BRANCHES**

By:

Name:

Title:

By:

Name:

Title:

CREDIT LYONNAIS, NEW YORK BRANCH

By:

Name:

Title:

FIRST UNION NATIONAL BANK

By:

Name:

Title:

S-3

LLOYDS TSB BANK PLC

By:

Name:

Title:

By:

Name:

Title:

ROYAL BANK OF CANADA

By:

Name:

Title:

**STATE STREET BANK AND
TRUST COMPANY**

By:

Name:

Title:

WACHOVIA BANK, N.A.

By:

Name:

Title:

S-4

ABN AMRO BANK N.V.

By:

Name:

Title:

By:

Name:

Title:

BANK ONE, N.A.

By:

Name:

Title:

**THE BANK OF TOKYO-MITSUBISHI, LTD.
NEW YORK BRANCH**

By:

Name:

Title:

COMERICA BANK

By:

Name:

Title:

S-5

**DEUTSCHE BANK AG NEW YORK AND/OR
CAYMAN ISLANDS BRANCHES, as Lender**

By:

Name:

Title:

By:

Name:

Title:

MELLON BANK, N.A.

By:

Name:

Title:

S-6

Annex I

CONFIRMATION

Dated as of October 23, 2001

To: Morgan Guaranty Trust Company of New York, individually and as Agent, and the other financial institutions party to the Credit Agreement referred to below

Please refer to: (a) the Amended and Restated 364-Day Credit Agreement dated as of May 8, 2000, as amended as of October 23, 2000 and amended and restated as of April 6, 2001 (the "Credit Agreement") among ACE Limited, ACE Bermuda Insurance Ltd., ACE Tempest Reinsurance Ltd., formerly known as Tempest Reinsurance Company Limited, ACE INA Holdings Inc. and ACE Guaranty Services, Inc. (Ace Bermuda, Tempest, ACE INA and ACE Guaranty, together with ACE Limited, the "Borrowers"), various financial institutions (the "Lenders"), and Morgan Guaranty Trust Company of New York ("MGT"), as administrative agent (in such capacity, the "Agent"); (b) the other "Loan Documents" (as defined in the Credit Agreement), including the Guaranty; and (c) the Second Amendment dated as of October 23, 2001 to the Credit Agreement (the "Second Amendment").

Each of the undersigned hereby confirms to the Agent and the Lenders that, after giving effect to the Second Amendment and the transactions contemplated thereby, each Loan Document to which such undersigned is a party continues in full force and effect and is the legal, valid and binding obligation of such undersigned, enforceable against such undersigned in accordance with its terms.

ACE LIMITED

By:

Name:

Title:

ACE BERMUDA INSURANCE LTD.

By:

Name:

Title:

**ACE TEMPEST REINSURANCE LTD.,
formerly known as TEMPEST REINSURANCE
COMPANY LIMITED**

By:

Name:

Title:

ACE INA HOLDINGS INC.

By:

Name:

Title:

Exhibit 10.4

SECOND AMENDMENT

THIS SECOND AMENDMENT dated as of October 23, 2001 (this "Amendment") amends the Amended and Restated Five Year Credit Agreement dated as of May 8, 2000 and as amended as of October 23, 2000 (the "Credit Agreement") among ACE Limited, a Cayman Islands company (the "Parent"), ACE Bermuda Insurance Ltd. ("ACE Bermuda"), ACE Tempest Reinsurance Ltd., formerly known as Tempest Reinsurance Company Limited ("Tempest"), ACE INA Holdings Inc. ("ACE INA") and ACE Financial Services, Inc. ("ACE Financial")(Ace Bermuda, Tempest, ACE INA and ACE Financial, together with the Parent, the "Borrowers"), various financial institutions (the "Lenders"), and Morgan Guaranty Trust Company of New York ("MGT"), as administrative agent (in such capacity, the "Agent"). Terms defined in the Credit Agreement are, unless otherwise defined herein or the context otherwise requires, used herein as defined therein.

WHEREAS, the Borrowers, the Lenders and the Agent have entered into the Credit Agreement; and

WHEREAS, the parties hereto desire to amend the Credit Agreement in certain respects as more fully set forth herein;

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1 Amendment to Negative Covenants. Effective on (and subject to the occurrence of) the Amendment Effective Date (as defined below), Section 5.02 of the Credit Agreement shall be amended as set forth below:

1.1 Amendment to Section 5.02(a)(xvii). Section 5.02(a)(xvii) of the Credit Agreement shall be amended by deleting the word "and" immediately after the semi-colon at the end thereof.

1.2 Amendment to Section 5.02(a)(xviii). Section 5.02(a)(xviii) of the Credit Agreement shall be amended by deleting the period at the end thereof and adding a semi-colon and the word "and" at the end thereof.

1.3 Amendment to Section 5.02(a). Section 5.02(a) of the Credit Agreement shall be amended by adding the following immediately after the word "and" following the semi-colon at the end of subsection (xviii) thereof:

(xix) Liens on securities arising out of repurchase agreements with a term of not more than three months entered into with Lenders or their Affiliates or with securities dealers of recognized standing; provided that the aggregate amount of all assets of the Parent and its Subsidiaries subject to such agreements shall not at any time exceed \$800,000,000.

SECTION 2 Representations and Warranties. Each Borrower represents and warrants to the Agent and the Lenders that (a) each warranty set forth in Article IV of the Credit Agreement is true and correct as of the date of the execution and delivery of this Amendment by the Parent, with the same effect as if made on such date (except to the extent such representations and warranties expressly refer to an earlier date, in which case they were true and correct as of such earlier date), (b) the execution and delivery by the Parent of this Amendment and the performance by each Borrower of its respective obligations under the Credit Agreement, as amended hereby (as so amended, the "Amended Credit Agreement") (i) are within the corporate or limited liability company power, as applicable, of such Borrower (ii) have been duly authorized by all necessary corporate action, as applicable, on the part of such Borrower, (iii) have received all necessary governmental and regulatory approval and (iv) do not and will not contravene or conflict with any provision of law or of the organizational documents of any Borrower or of any indenture, loan agreement or other contract, order or decree which is binding upon any Borrower and (c) the Amended Credit Agreement is the legal, valid and binding obligation of each Borrower, enforceable against such Borrower in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors' rights or by general principles of equity limiting the availability of equitable remedies.

SECTION 3 Effectiveness. The amendments set forth in Section 1 above shall become effective on such date (the "Amendment Effective Date") when the Agent shall have received each of the following documents, each in form and substance satisfactory to the Agent:

3.1 Executed Counterparts. Counterparts of this Amendment executed by the Parent and the Required Lenders.

3.2 Confirmation. A confirmation, substantially in the form of Annex I attached hereto, executed by each existing Guarantor.

3.3 Other Documents. Such other documents as the Agent or any Lender may reasonably request in connection with the authorization, execution and delivery of this Amendment.

SECTION 4 Miscellaneous.

4.1 Continuing Effectiveness, etc. As herein amended, the Credit Agreement shall remain in full force and effect and is hereby ratified and confirmed in all respects. After the Amendment Effective Date, all references in the Credit Agreement and the other Loan Documents to "Credit Agreement", "Agreement" or similar terms shall refer to the Amended Credit Agreement.

4.2 Counterparts. This Amendment may be executed in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original but all such counterparts shall together constitute one and the same Amendment.

4.3 Governing Law. This Amendment shall be a contract made under and governed by the laws of the State of New York applicable to contracts made and to be fully performed within such state.

4.4 Successors and Assigns. This Amendment shall be binding upon each Borrower, the Lenders and the Agent and their respective successors and assigns, and shall inure to the benefit of the Borrowers, the Lenders and the Agent and the respective successors and assigns of the Lenders and the Agent.

Delivered at Chicago, Illinois, as of the day and year first above written.

ACE LIMITED

By:

Title:

**MORGAN GUARANTY TRUST COMPANY OF
NEW YORK**

By:

Title:

MELLON BANK, N.A.

By:

Title:

BANK OF AMERICA, N.A.

By:

Title:

THE CHASE MANHATTAN BANK

By:

Title:

S-1

**REVOLVING COMMITMENT VEHICLE
CORPORATION, as a Lender**
By: Morgan Guaranty Trust Company of New
York, as Attorney-in-fact for
Revolving Commitment Vehicle
Corporation

By:

Title:

ABN AMRO BANK N.V.

By:

Title:

By:
Title:

THE BANK OF NEW YORK

By:

Title:

BANK ONE, NA

By:

Title:

BARCLAYS BANK PLC

By:

Title:

CITIBANK, N.A.

By:

Title:

**DEUTSCHE BANK AG NEW YORK AND/OR
CAYMAN ISLANDS BRANCHES**

By:

Title:

By:
Title:

FIRST UNION NATIONAL BANK

By:

Title:

FLEET NATIONAL BANK

By:

Title:

ROYAL BANK OF CANADA

By:

Title:

**THE BANK OF TOKYO-MITSUBISHI, LTD.
NEW YORK BRANCH**

By:

Title:

BNP PARIBAS

By:

Title:

By:
Title:

CREDIT LYONNAIS NEW YORK BRANCH

By:

Title:

S-4

LLOYDS TSB BANK PLC

By:

Title:

By:
Title:

**STATE STREET BANK AND TRUST
COMPANY**

By:

Title:

S-5

Annex I

CONFIRMATION

Dated as of October 23, 2001

To: Morgan Guaranty Trust Company of New York, individually and as Agent, and the other financial institutions party to the Credit Agreement referred to below

Please refer to: (a) the Amended and Restated Five Year Credit Agreement dated as of May 8, 2000 and as amended as of October 23, 2000 (the "Credit Agreement") among ACE Limited, ACE Bermuda Insurance Ltd., ACE Tempest Reinsurance Ltd., formerly known as Tempest Reinsurance Company Limited, ACE INA Holdings Inc. and ACE Financial Services, Inc. (Ace Bermuda, Tempest, ACE INA and ACE Financial, together with ACE Limited, the "Borrowers"), various financial institutions (the "Lenders"), and Morgan Guaranty Trust Company of New York ("MGT"), as administrative agent (in such capacity, the "Agent"); (b) the other "Loan Documents" (as defined in the Credit Agreement), including the Guaranty; and (c) the Second Amendment dated as of October 23, 2001 to the Credit Agreement (the "Second Amendment").

Each of the undersigned hereby confirms to the Agent and the Lenders that, after giving effect to the Second Amendment and the transactions contemplated thereby, each Loan Document to which such undersigned is a party continues in full force and effect and is the legal, valid and binding obligation of such undersigned, enforceable against such undersigned in accordance with its terms.

ACE LIMITED

By:

Name Printed:

Title:

ACE BERMUDA INSURANCE LTD.

By:

Name Printed:

Title:

ACE TEMPEST REINSURANCE LTD.,
formerly known as TEMPEST REINSURANCE
COMPANY LIMITED

By:
Name Printed:

Title:

ACE INA HOLDINGS INC.

By:
Name Printed:

Title:

CONFORMED COPY

Dated 23 October 2001

ACE LIMITED
as Account Party

ACE BERMUDA INSURANCE LTD.
as Guarantor

CITIBANK, N.A.
as Arranger

BARCLAYS BANK PLC

And

ING BARINGS
as Co-Arrangers

CITIBANK INTERNATIONAL PLC
as Agent and Security Trustee

and

OTHERS

AMENDMENT AGREEMENT
RELATING TO A LETTER OF CREDIT FACILITY
AGREEMENT, AS PREVIOUSLY AMENDED AND
RESTATED

CONFORMED COPY

THIS AMENDMENT AGREEMENT is made the 23rd day of October 2001

BETWEEN

- (1) ACE LIMITED (the "Account Party");
- (2) ACE BERMUDA INSURANCE LTD. (the "Guarantor");
- (3) CITIBANK, N.A. (the "Arranger");
- (4) BARCLAYS BANK PLC and ING BARINGS (the "Co-Arrangers");
- (5) CITIBANK INTERNATIONAL plc (the "Agent" and "Security Trustee"); and
- (6) THE FINANCIAL INSTITUTIONS named in Schedule 1 (the "Banks").

WHEREAS

(A) By a letter of credit facility agreement dated 19 November 1999 (the "Facility Agreement") the Account Party was granted a letter of credit facility in an aggregate amount of (pounds)290,000,000.

(B) By an amendment and restatement agreement dated 17 November 2000 (the "Amendment and Restatement Agreement") the parties thereto increased the amount of the facility to (pounds)390,000,000 and amended and restated the Facility Agreement upon the terms and subject to the conditions set out therein.

(C) The parties hereto wish to amend the covenants in the Facility Agreement, as amended by the Amendment and Restatement Agreement, (the "Amended and Restated Facility Agreement") as set out below.

IT IS AGREED as follows:

1. INTERPRETATION

1.1 Incorporation of Defined Terms Terms defined in the Amended and Restated Facility Agreement and not otherwise defined herein shall have the same meaning in this Agreement.

1.2 Clauses

(a) In this Agreement any reference to a "Clause" or "Schedule" is, unless the context otherwise requires, a reference to a Clause or Schedule of this Agreement.

(b) Clause and Schedule headings are for ease of reference only.

2. AMENDMENT

2.1 Amendment of the Amended and Restated Facility Agreement With effect from the date hereof the Amended and Restated Facility Agreement shall be amended as set out in Schedule 2 (Amendments to Amended and Restated Facility Agreement).

CONFORMED COPY

3. REPRESENTATIONS

The Account Party and the Guarantor make the Representations set out in Clause 14 (Representations) of the Amended and Restated Facility Agreement as if each reference in those Representations to "this Agreement" includes a reference to (a) this Agreement and (b) the Amended and Restated Facility Agreement.

4. CONTINUITY AND FURTHER ASSURANCE

4.1 Continuing obligations The provisions of the Amended and Restated Facility Agreement shall, save as amended in this Agreement, continue in full force and effect.

4.2 Further assurance Each of the Account Party and the Guarantor shall, at the request of the Agent and at its own expense, do all such acts and things necessary or desirable to give effect to the amendments effected or to be effected pursuant to this Agreement.

5. FEES, COSTS AND EXPENSES

5.1 Transaction expenses The Account Party shall promptly on demand pay the Agent the amount of all costs and expenses (including legal fees) reasonably incurred by the Agent in connection with the negotiation, preparation, printing and execution of this Agreement and any other documents referred to in this Agreement.

5.2 Enforcement costs The Account Party shall, within three Business Days of demand, pay to each Bank the amount of all costs and expenses (including legal fees) incurred by that Bank in connection with the enforcement of, or the preservation of any rights under, this Agreement.

5.3 Stamp taxes The Account Party shall pay and, within three Business Days of demand, indemnify each Bank against any cost, loss or liability that each such Bank incurs in relation to all stamp duty, registration and other similar taxes payable in respect of this Agreement.

6. MISCELLANEOUS

6.1 Governing Law This Agreement shall be governed by and construed in accordance with English Law.

6.2 Incorporation of terms The provisions of clause 30.2 (Partial Invalidity) and Clause 35 (Jurisdiction) of the Amended and Restated Facility Agreement shall apply, mutatis mutandis, hereto.

6.3 Counterparts This Agreement may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

THIS AGREEMENT has been entered into on the date stated at the beginning of this Agreement.

CONFORMED COPY

SCHEDULE 1

THE BANKS

Citibank, N.A.

Barclays Bank PLC

ING Bank N.V., London Branch

National Westminster Bank PLC

Lloyds TSB Bank plc

ABN AMRO Bank N.V., London Branch

Credit Lyonnais New York Branch

CONFORMED COPY

SCHEDULE 2

AMENDMENTS TO AMENDED AND RESTATED FACILITY AGREEMENT

- (1) Sub-clause 15.9.18 of the Amended and Restated Facility Agreement shall be amended by deleting the word "and" immediately after the semi-colon at the end thereof.
- (2) Sub-clause 15.9.19 of the Amended and Restated Facility Agreement shall be amended by replacing the full-stop at the end thereof with a semi-colon followed by the word "and".
- (3) Clause 15.9 (Liens) of the Amended and Restated Facility Agreement shall be amended by inserting the following sub-clause immediately after sub-clause 15.9.19:

15.9.20 Liens on securities arising out of repurchase agreements with a term of not more than three months entered into with "Lenders" (as such term is defined in the Five Year US Facility) or their Affiliates or with securities dealers of recognised standing; provided that the aggregate amount of all assets of the Account Party and its Subsidiaries subject to such agreements shall not at any time exceed US\$800,000,000.

CONFORMED COPY

SIGNATURES

ACE LIMITED as Account Party

By: Chris Marshall, Chief Financial Officer

ACE BERMUDA INSURANCE LTD. as Guarantor

By: Chris Marshall, Director

CITIBANK INTERNATIONAL PLC, on its own behalf as Agent and Security Trustee, and on behalf of:

CITIBANK, N.A as Arranger

BARCLAYS BANK PLC and ING BARINGS as Co-Arrangers

ABN AMRO BANK N.V., LONDON BRANCH

BARCLAYS BANK PLC

CITIBANK, N.A.

CREDIT LYONNAIS NEW YORK BRANCH

ING BANK N.V., LONDON BRANCH

LLOYDS TSB BANK PLC and

NATIONAL WESTMINSTER BANK PLC as Banks

By: Pareejat Singhal

Exhibit 10.6

FIRST AMENDMENT

THIS FIRST AMENDMENT dated as of October 23, 2001 (this "Amendment") amends the Reimbursement Agreement dated as of August 24, 2001 (the "Reimbursement Agreement") among ACE Limited, a Cayman Islands company (the "Parent"), ACE Bermuda Insurance Ltd., a Bermuda company ("ACE Bermuda"), and ACE Tempest Reinsurance Ltd., a Bermuda company ("Tempest") (Ace Bermuda and Tempest, together with the Parent, the "Account Parties"), various financial institutions (the "Banks"), and First Union National Bank ("First Union"), as administrative agent (in such capacity, the "Administrative Agent"). Terms defined in the Reimbursement Agreement are, unless otherwise defined herein or the context otherwise requires, used herein as defined therein.

WHEREAS, the Account Parties, the Banks, Fleet National Bank, as Documentation Agent, First Union, as Issuing Bank, and the Administrative Agent have entered into the Reimbursement Agreement; and

WHEREAS, the parties hereto desire to amend the Reimbursement Agreement in certain respects as more fully set forth herein;

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1. Amendment to Negative Covenants. Effective on (and subject to the occurrence of) the Amendment Effective Date (as defined below), Section 5.02 of the Reimbursement Agreement shall be amended as set forth below:

1.1 Amendment to Section 5.02(a)(xvi). Section 5.02(a)(xvi) of the Reimbursement Agreement shall be amended by deleting the word "and" immediately after the semi-colon at the end thereof.

1.2 Amendment to Section 5.02(a)(xvii). Section 5.02(a)(xvii) of the Reimbursement Agreement shall be amended by deleting the period at the end thereof and adding a semi-colon and the word "and" at the end thereof.

1.3 Amendment to Section 5.02(a). Section 5.02(a) of the Reimbursement Agreement shall be amended by adding the following immediately after the word "and" following the semi-colon at the end of subsection (xvii) thereof:

(xviii) Liens on securities arising out of repurchase agreements with a term of not more than three months entered into with "Lenders" (as such term is defined in the Five Year Credit Agreement) or their Affiliates or with securities dealers of recognized standing; provided that the aggregate amount of all assets of the Parent and its Subsidiaries subject to such agreements shall not at any time exceed \$800,000,000. For purposes of this clause

(xviii), "Five Year Credit Agreement" shall mean the Amended and Restated Five Year Credit Agreement dated as of May 8, 2000 among the Parent, ACE Bermuda, Tempest, ACE INA Holdings Inc. and ACE Financial Services, Inc., as borrowers, various financial institutions, and Morgan Guaranty Trust Company of New York, as administrative agent, as amended, modified, supplemented or restated from time to time.

SECTION 2. Representations and Warranties. Each Account Party represents and warrants to the Administrative Agent and the Banks that (a) each warranty set forth in Article IV of the Reimbursement Agreement is true and correct as of the date of the execution and delivery of this Amendment by the Parent, with the same effect as if made on such date (except to the extent such representations and warranties expressly refer to an earlier date, in which case they were true and correct as of such earlier date), (b) the execution and delivery by the Parent of this Amendment and the performance by each Account Party of its respective obligations under the Reimbursement Agreement, as amended hereby (as so amended, the "Amended Reimbursement Agreement") (i) are within the corporate or limited liability company power, as applicable, of such Account Party, (ii) have been duly authorized by all necessary corporate action, as applicable, on the part of such Account Party, (iii) have received all necessary governmental and regulatory approval and (iv) do not and will not contravene or conflict with any provision of law or of the organizational documents of any Account Party or of any indenture, loan agreement or other contract, order or decree which is binding upon any Account Party and (c) the Amended Reimbursement Agreement is the legal, valid and binding obligation of each Account Party, enforceable against such Account Party in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors' rights or by general principles of equity limiting the availability of equitable remedies.

SECTION 3. Effectiveness. The amendments set forth in Section 1 above shall become effective on such date (the "Amendment Effective Date") when the Administrative Agent shall have received each of the following documents, each in form and substance satisfactory to the Administrative Agent:

3.1 Executed Counterparts. Counterparts of this Amendment executed by the Parent and the Required Banks.

3.2 Confirmation. A confirmation, substantially in the form of Annex I attached hereto, executed by each of ACE Bermuda and Tempest.

3.3 Other Documents. Such other documents as the Administrative Agent or any Bank may reasonably request in connection with the authorization, execution and delivery of this Amendment.

SECTION 4. Miscellaneous.

4.1 Continuing Effectiveness, etc. As herein amended, the Reimbursement Agreement shall remain in full force and effect and is hereby ratified and confirmed in all respects. After the Amendment Effective Date, all references in the Reimbursement Agreement and the other Loan Documents to "Reimbursement Agreement", "Agreement" or similar terms shall refer to the Amended Reimbursement Agreement.

4.2 Counterparts. This Amendment may be executed in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original but all such counterparts shall together constitute one and the same Amendment.

4.3 Governing Law. This Amendment shall be a contract made under and governed by the laws of the State of New York applicable to contracts made and to be fully performed within such state.

4.4 Successors and Assigns. This Amendment shall be binding upon each Account Party, the Banks and the Administrative Agent and their respective successors and assigns, and shall inure to the benefit of the Account Parties, the Banks and the Administrative Agent and the respective successors and assigns of the Banks and the Administrative Agent.

Delivered at Chicago, Illinois, as of the day and year first above written.

ACE LIMITED

By:

Title:

FIRST UNION NATIONAL BANK, as Administrative Agent

By:

Title:

FLEET NATIONAL BANK

By:

Title:

MELLON BANK, N.A.

By:

Title:

ROYAL BANK OF CANADA, NEW YORK BRANCH

By:

Title:

(signatures continued)

S-1

BANK ONE, N.A.

By:

Title:

COMERICA BANK

By:

Title:

DEUTSCHE BANK AG, NEW YORK BRANCH

By:

Title:

By:
Title:

STATE STREET BANK AND TRUST COMPANY

By:

Title:

THE BANK OF BERMUDA LIMITED

By:

Title:

(signatures continued)

THE BANK OF N.T. BUTTERFIELD & SON LIMITED

By:

Title:

CREDIT SUISSE FIRST BOSTON

By:

Title:

S-3

Annex I

CONFIRMATION

Dated as of October 23, 2001

To: First Union National Bank, individually and as Administrative Agent, and the other financial institutions party to the Reimbursement Agreement referred to below

Please refer to: (a) the Reimbursement Agreement dated as of August 24, 2001 (the "Reimbursement Agreement") among ACE Limited, ACE Bermuda Insurance Ltd. and ACE Tempest Reinsurance Ltd. (Ace Bermuda and Tempest, together with ACE Limited, the "Account Parties"), various financial institutions (the "Banks"), and First Union National Bank ("First Union"), as administrative agent (in such capacity, the "Administrative Agent"); (b) the other "Loan Documents" (as defined in the Reimbursement Agreement); and (c) the First Amendment dated as of October 23, 2001 to the Reimbursement Agreement (the "First Amendment").

Each of the undersigned hereby confirms to the Administrative Agent and the Banks that, after giving effect to the First Amendment and the transactions contemplated thereby, each Loan Document to which such undersigned is a party continues in full force and effect and is the legal, valid and binding obligation of such undersigned, enforceable against such undersigned in accordance with its terms.

ACE LIMITED

By:
Name Printed:

Title:

ACE BERMUDA INSURANCE LTD.

By:
Name Printed:

Title:

ACE TEMPEST REINSURANCE LTD.

By:
Name Printed:

Title:

End of Filing

Powered By **EDGAR**
Online

© 2005 | EDGAR Online, Inc.