

ACE LTD

FORM 10-K (Annual Report)

Filed 03/18/02 for the Period Ending 12/31/01

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

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FORM 10-K (Annual Report)

Filed 3/18/2002 For Period Ending 12/31/2001

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Industry	Insurance (Prop. & Casualty)
Sector	Financial
Fiscal Year	12/31

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

FORM 10-K

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

For the fiscal year ended December 31, 2001

OR

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

Commission File No. 1-11778

ACE LIMITED

(Exact name of registrant as specified in its charter)

Cayman Islands	98-0091805
(Jurisdiction of	(I.R.S. Employer
Incorporation)	Identification No.)

ACE Global Headquarters
17 Woodbourne Avenue
Hamilton HM 08
Bermuda
(441) 295-5200

(Address, including zip code, and telephone number,
including area code, of registrant's principal executive offices)

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

Title of Each Class -----	Name of Exchange on which Registered -----
Ordinary Shares, par value \$0.041666667 per share	New York Stock Exchange
ACE Capital Trust I 8.875 percent Trust	
Originated Preferred Securities mature 2029	New York Stock Exchange
Capital Re LLC 7.65 percent Trust Preferred Securities of Subsidiary Trust (and registrant's guaranty with respect thereto) mature 2044	New York Stock Exchange

ACE Limited 8.25 percent FELINE PRIDES mature 2003 New York Stock Exchange

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

None

of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

As of February 28, 2002, there were 260,988,375 Ordinary Shares par value \$0.041666667 of the Registrant outstanding and the aggregate market value of voting stock held by non-affiliates at such date was approximately \$11.4 billion. For the purposes of this computation, shares held by directors and officers of the registrant have been excluded. Such exclusion is not intended, nor shall it be deemed, to be an admission that such persons are affiliates of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of registrant's definitive proxy statement relating to its Annual General Meeting of Shareholders scheduled to be held on May 16, 2002, are incorporated by reference to Part III of this report and certain portions of the 2001 Annual Report to Shareholders are incorporated by reference into Parts II and IV of this report.

ACE LIMITED

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PART I

Item 1. Business

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) actions that rating agencies may take from time to time,
- (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, without suitable replacements being recruited in a reasonable time frame,
- (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", "should", "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.

General

ACE Limited ("ACE") is a holding company incorporated with limited liability under the Cayman Islands Companies Law. ACE maintains its business office in Bermuda. ACE, through its various subsidiaries, provides a broad range of insurance and reinsurance products to insureds worldwide through operations in the United States and almost 50 other countries. In addition, ACE, through ACE Global Markets, provides funds at Lloyd's, primarily in the form of letters of credit, to support underwriting capacity for Lloyd's syndicates managed by Lloyd's managing agencies which are wholly owned subsidiaries of ACE. At December 31, 2001, the Company had total assets of \$37.1 billion and shareholders' equity of \$6.1 billion. The Company derives its revenue principally from premiums, fees and investment income. ACE operates through six business segments: ACE Bermuda, ACE Global Markets, ACE Global Reinsurance (includes both property and casualty reinsurance business and life reinsurance business), ACE USA, ACE International and ACE Financial Services. Unless the context otherwise indicates, the term "Company" refers to one or more of ACE and its consolidated subsidiaries.

The Company's long-term business strategy focuses on achieving underwriting profits and providing value to its clients and shareholders through the utilization of its substantial capital base within the insurance and reinsurance markets. As part of this strategy, the Company has continued to review and expand, where appropriate its product portfolio. In addition, the Company has made a number of strategic acquisitions and entered into strategic alliances to diversify its product lines, both geographically and by product type.

On July 2, 1999, the Company acquired the international and domestic property and casualty businesses of CIGNA Corporation ("CIGNA"). Under the terms of the agreement the Company, through a U.S. holding company, ACE INA Holdings Inc. ("ACE INA"), acquired CIGNA'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. In connection with the acquisition CIGNA agreed to provide a guarantee to ACE to indemnify against unanticipated increases in recorded reserves for losses and loss adjustment expenses of certain subsidiaries being acquired by ACE. CIGNA had the option to replace its guarantee with reinsurance obtained from a mutually agreed upon third party reinsurer. CIGNA exercised this option and replaced its guarantee with reinsurance by directing certain subsidiaries being acquired to transfer \$1.25 billion of investments to National Indemnity Company, a subsidiary of Berkshire Hathaway Inc., for aggregate coverage of \$2.5 billion.

On December 30, 1999, the Company acquired Capital Re Corporation. Following the acquisition, Capital Re Corporation was renamed ACE Financial Services. This transaction added significant depth and expertise to ACE's financial reinsurance capabilities and represents a strategic complement to the Company's diversified portfolio by fully establishing ACE as a key financial guaranty reinsurer.

Information About Segments

Presentation: The business segments presented in this document have been determined under the Statement of Financial Accounting Standard ("FAS") No 131, "Disclosures about Segments of an Enterprise and Related Information" ("FAS 131"). These segments are structured on a geographic basis. Following recent management changes, the Company is reassessing the manner in which it presents its segments.

Competition: Competitive forces in the international property and casualty insurance and reinsurance business are substantial. Results are a function of underwriting and investment performance, direct costs associated with the delivery of insurance products, including the costs of regulation, the frequency and severity of both natural and man-made disasters, as well as inflation (actual, social and judicial), which impact loss costs. Decisions made by insurers concerning their mix of business (offering certain types of coverage but declining to write other types), their methods of operations and the quality and allocation of their assets (including any

reinsurance recoverable balances) will all affect their competitive position. The relative size and reputation of insurers may influence purchasing decisions of present and prospective customers and will contribute to both geographic and industrial sector market penetrations. Oversupply of available capital has historically had the effect of encouraging competition and depressing prices. The Company's competitive position in the property and casualty insurance industry is influenced by all of these factors. Individual competitive information by segment is presented in the segment presentations.

Segment Analysis of Gross Premiums Written: The following table sets forth an analysis of gross premiums written by segment for the years ended December 31, 2001, 2000 and 1999:

	Years ended December 31					
	2001		2000		1999	
	Gross Premiums Written	Percent	Gross Premiums Written	Percent	Gross Premiums Written	Percent
	(in millions of U.S. dollars)					
ACE Bermuda.....	\$ 1,145	11%	\$ 598	8%	\$ 553	14%
ACE Global Markets.....	1,300	13%	1,064	14%	635	16%
ACE Global Reinsurance.....	740	7%	191	2%	182	5%
ACE USA(1).....	4,428	44%	3,380	45%	1,567	41%
ACE International(2).....	2,260	22%	2,027	27%	932	24%
ACE Financial Services(3)....	292	3%	327	4%	--	--
	-----	---	-----	---	-----	---
	\$10,165	100%	\$7,587	100%	\$3,869	100%
	=====	===	=====	===	=====	===

(1) Gross premiums written for fiscal 1999 include premiums from ACE US Holdings and six months of premium from the domestic operations of ACE INA acquired on July 2, 1999.

(2) ACE International's gross premiums written for 1999 reflect premiums from July 2, 1999, the date of acquisition.

(3) As ACE Financial Services was acquired on December 30, 1999, no statement of operations information for ACE Financial Services is reflected in the ACE results for the year ended December 31, 1999.

Analysis of Gross Premiums Written by Geographic Region: The following table sets forth an analysis of gross premiums written by geographic region for the years ended December 31, 2001, 2000 and 1999:

	North America		Europe		Australia & New Zealand		Asia Pacific	Latin America	Other	Total
2001.....	63%	21%		2%		9%		5%	--	100%
2000.....	63%	20%		7%		5%		4%	1%	100%
1999.....	59%	18%		4%		9%		3%	7%	100%

ACE Bermuda

Principal Business

ACE Bermuda provides property and casualty insurance and reinsurance coverage including: excess liability, professional lines, financial solutions, satellite, excess property and political risk. The nature of coverage provided by these lines is generally expected to result in low frequency but high severity of individual losses. The reinsurance market is an integral part of the risk management strategy of ACE Bermuda and coverage has been secured on most major lines of business.

The financial solutions division, ACE Financial Solutions, ("ACE FSI") at December 31, 2001 accounted for approximately 75 percent of ACE Bermuda's gross premiums written. This group provides a variety of non-traditional insurance and finance-related solutions that conventional insurance does not address. These solutions are individually tailored to meet the needs of the insured and have the following common characteristics: multi-

year contract terms; broad coverage that includes stable capacity and pricing for the insured; insured participation in the results of their own loss experience; and aggregate limits.

ACE FSI also enters into loss portfolio transfer contracts from time to time. These contracts, which meet the established criteria for reinsurance accounting, are recorded in the statement of operations when written and generally result in large one-time written and earned premiums with comparable incurred losses.

Sovereign Risk Insurance Ltd., ACE Bermuda's joint venture in the political risk area, provides insurance to financial institutions and major corporations, and reinsurance to multilateral development banks and national export agencies.

Marketing and Underwriting

ACE Bermuda emphasizes quality of underwriting rather than volume of business to obtain a suitable spread of risk. This enables the company to operate with a relatively small number of employees and, together with the reduced costs of operating in favorable regulatory and tax environments, results in a significantly lower administrative expense ratio relative to other companies in the industry.

Policyholders are generally obtained through non-U.S. insurance brokers who typically receive a brokerage commission on any business accepted and bound by the company. All policy applications to ACE Bermuda (both for renewals and new policies) are subject to underwriting and acceptance by ACE Bermuda in its Bermuda office. A substantial number of policyholders meet with the company outside of the United States each year to discuss their insurance coverage. ACE Bermuda believes that conducting its operations through its offices in Bermuda has not materially or adversely affected its underwriting and marketing activities to date.

ACE Bermuda receives business from approximately 38 brokers of which 2 produced approximately 41 percent of the company's business in 2001. The following table sets forth the percentage of the company's insurance business placed through each broker and its affiliates placing more than 10 percent of the company's business.

Name	Years Ended		
	December 31		
	2001	2000	1999
Benfield Group Plc(1)	22%	4%	1%
Aon Corporation	19%	33%	23%
Marsh and McLennan Companies, Inc.(2)	8%	26%	22%

(1) During the year, the Benfield Group acquired EW Blanch. The percentages shown in the table reflect the business placed by the combined entities and their affiliates.

(2) In 1999, Marsh and McLennan Companies, Inc. acquired Sedgwick. The percentages shown in the table reflect the business placed by the combined entities and their affiliates.

Competition

ACE Bermuda operates in a highly competitive worldwide market and competes with most major U.S. and non-U.S. insurers, which may differ across product lines. ACE Bermuda's key marketing advantage is its experienced underwriting staff, its strong capital base, and its ability to market and cross market a number of insurance products to its existing and potential client base. The ability to be flexible in providing contracts, which extend coverages for periods in excess of one year, also enhances its ability to compete in worldwide insurance markets.

Claims Administration

Claims arising under policies issued by ACE Bermuda are managed by ACE Bermuda's claims department. This department maintains a claims database into which all notices of loss are entered. If the claims department determines that a loss is of sufficient severity, it makes a further inquiry of the facts surrounding the loss and, if deemed necessary, retains outside claims counsel to monitor claims. Based upon its evaluation of the claim, the claims department may recommend that a case reserve in a specified amount is established or that all or part of a claim is paid. The claims department monitors all claims and, where appropriate, will recommend the establishment of a new case reserve or the increase or decrease of an existing case reserve with respect to a claim.

With the exception of certain aviation coverages bound before August 1, 2000, ACE Bermuda does not undertake to defend its insureds. It has, in certain instances, provided advice to insureds with respect to the management of claims. ACE Bermuda believes that its experience in resolving large claims and its proactive approach to claims management has contributed to the favorable resolution of several cases. ACE Bermuda does not do business in the U.S., therefore it must often rely on U.S. counsel to assist it in evaluating liability and damages confronting its insureds in the U.S. ACE Bermuda believes that the procedures it follows have not materially or adversely affected its ability to identify, review or settle claims.

ACE Global Markets

Principal Business

ACE Global Markets primarily encompasses the Company's operation in the Lloyd's market, including for segment purposes, the Lloyd's operations owned by ACE Financial Services. ACE Global Markets provides funds at Lloyd's to support underwriting by the ACE managed Lloyd's syndicate. Following the mergers of the ACE managed syndicates for the 2000 year of account, these syndicates comprised Syndicate 2488, the largest syndicate in Lloyd's, and Syndicate 1171, a life syndicate acquired as part of the ACE Financial Services acquisition. Syndicate 1171 ceased underwriting as of December 31, 2000. Syndicate 2488, provides property and casualty insurance and reinsurance as well as accident and health coverage on a worldwide basis through the Lloyd's worldwide licenses. The property and casualty business includes aviation, marine, property, professional lines, inward reinsurance and political risk. The 2488 syndicate is a lead underwriter on a high proportion of the business it transacts in the Lloyd's market. A lead underwriter is involved in setting the terms and conditions of the policies written. ACE Global Markets is an established lead underwriter in the aviation and marine product lines.

For the 2001 year of account, the Company's participation in the underwriting capacity of the ACE managed syndicate was approximately \$943 million out of the total \$1.1 billion of capacity.

For the 2002 year of account, the Company increased the capacity of the syndicate by 24 percent to \$1.3 billion. In addition, for the 2002 year of account ACE will provide 99.6 percent of the capacity of syndicate 2488 compared to 90 percent in 2001.

All syndicates at Lloyd's are managed by managing agencies that receive fees and profit commissions in respect of the underwriting and administrative services they provide to the syndicates. The Company currently owns four managing agencies. As the Company's participation in the syndicates under management has grown, the amount of third party fees and profit commissions received by the Company's managing agencies has decreased substantially.

Marketing and Underwriting

ACE Global Markets differentiates itself in the Lloyd's market by developing and maintaining close, long-term relationships with clients. Lloyd's syndicates generally access business through Lloyd's brokers. For certain

lines of business, however, it is possible to utilize a service company to access and service business from both Lloyd's and non-Lloyd's brokers. The Company's service company, ACE Underwriting Services Limited ("AUS") continues to support and provide an underwriting platform to both syndicate 2488 and ACE Europe.

Competition

Notwithstanding the improvement in market conditions seen in 2001, there remains significant competition in all lines of business written by the syndicates. Depending on the line of business, competition comes from the London market, other Lloyd's syndicates and Institute of London Underwriters ("ILU") Companies, and major international insurers and reinsurers. On international risks, competition also comes from the domestic insurers in the country of origin of the insured.

Claims Administration

With respect to claims arising in Lloyd's syndicates, a claims database is maintained into which all notices of loss are entered. The Lloyd's Claims Office ("LCO"), through a daily electronic data interchange message, notifies the syndicate of claims activity. When a syndicate is a "leading" syndicate on a Lloyd's policy, it acts through its underwriters and claims adjusters, on its own behalf and in conjunction with the LCO, in dealing with the broker and/or insured for any particular claim. This may involve the appointment of attorneys and/or loss adjusters. The LCO advises all syndicates participating on the risk as to movements in case reserves.

All information received with respect to case reserves, whether on "lead business" or on "following business", is monitored and recorded by the syndicates. The syndicates' claims department can vary the case reserves carried from those advised by the LCO and can carry reserves for claims not processed by the LCO. Any such adjustments and entries are specifically identifiable within the claims system.

ACE Global Reinsurance

The ACE Global Reinsurance segment includes both the property catastrophe and casualty reinsurance business and the life reinsurance business. The life reinsurance business completed its first full year of operations in 2001.

Property and Casualty

Principal Business

The principal business of the ACE Global Reinsurance segment is the operations of ACE Tempest Re, which primarily includes property catastrophe reinsurance provided worldwide to insurers of commercial and personal property. Property catastrophe reinsurance protects a ceding company against an accumulation of losses covered by the insurance policies it has issued arising from a common event or "occurrence." ACE Tempest Re underwrites reinsurance principally on an excess of loss basis. Other property reinsurance written by ACE Tempest Re on a limited basis for select clients, includes proportional property and per risk excess of loss treaty reinsurance.

In early 2000, ACE Tempest Re initiated plans to expand its operations to become a multiline global reinsurer. This expansion is expected to reduce volatility and enable ACE Tempest Re to diversify its business and offer a broad range of products to satisfy client demand. An expanded product offering is considered vital to capturing an increasing share of the future reinsurance market. In April 2000, ACE Tempest Re U.S.A. Inc. ("ACE Tempest U.S.") was established in the U.S. ACE Tempest U.S. is wholly owned by ACE INA and acts as an underwriting agency on behalf of two of the U.S. companies in the ACE Group. Its initial focus has been on writing property per risk and casualty reinsurance.

Marketing and Underwriting

ACE Tempest Re markets its reinsurance products worldwide through reinsurance brokers. The underwriting teams build relationships with key brokers and clients by explaining their approach and demonstrating responsiveness to customer needs.

ACE Tempest Re will leverage the strengths of its client relationships, underwriting expertise, rational pricing and capital base in developing its new lines of business which it expects to add in accordance with its strategy to offer risk protection across all lines of reinsurance.

ACE Tempest Re receives business from approximately 28 brokers. The following table sets forth the percentage of ACE Tempest Re's business written through each broker and its affiliates that placed more than 10 percent of ACE Tempest Re's business:

	Years Ended December 31		
	2001	2000	1999
Marsh and McLennan Companies, Inc.(1).....	36%	38%	37%
Benfield Group plc(2).....	28%	26%	19%
Aon Corporation.....	9%	8%	11%

(1) In 1999, Marsh and McLennan Companies Inc., acquired Sedgwick. The percentages shown in the table reflect the business placed by the combined entities and their affiliates.

(2) During the year, the Benfield Group acquired EW Blanch. The percentages shown in the table reflect the business placed by the combined entities and their affiliates.

Rates, limits, retention and other reinsurance terms and conditions are generally established in a worldwide competitive market that evaluates exposure and balances demand for property catastrophe coverage against the available supply. ACE Tempest Re believes it is perceived by the market as being a "lead" reinsurer and is typically involved in the negotiation and quotation of the terms and conditions of the majority of the contracts in which it participates.

Because ACE Tempest Re underwrites property catastrophe reinsurance and has large aggregate exposures to natural and man-made disasters, ACE Tempest Re's claims experience generally will involve infrequent events of considerable severity. ACE Tempest Re seeks to diversify its property catastrophe reinsurance portfolio to moderate the impact of this severity. The principal means of diversification are by geographic coverage and by varying attachment points and imposing coverage limits per program. ACE Tempest Re also establishes zonal accumulation limits to avoid concentrations of risk within particular geographic areas.

ACE Tempest Re applies an underwriting process for property catastrophe risks based on models that use exposure data submitted by prospective reinsureds in accordance with requirements set by ACE Tempest Re's underwriters. The client data is then analyzed using a selection from several available catastrophe analysis tools, including externally developed event based models licensed from leading vendors as well as proprietary models developed in house.

The output from the catastrophe analysis tools is also used for portfolio risk management, enabling ACE Tempest Re to extensively simulate possible combinations of events affecting the portfolio. This analysis also supports the decision making with regard to purchasing retrocessional coverages.

Competition

ACE Tempest Re competes worldwide with major U.S. and non-U.S. reinsurers as well as reinsurance departments of numerous multi-line insurance organizations. The Company also competes with other Bermuda based property catastrophe reinsurers. ACE Global Reinsurance competes effectively because of the strong

capital position of the ACE Group; the quality of service provided to customers; the leading role it plays in setting the terms, pricing and conditions in negotiating contracts; and its customized approach to risk selection.

Claims Administration

Claims arising under contracts written by ACE Tempest Re are maintained in a claims database into which all notices of loss are entered. Those claims are then reviewed and case reserves are established for ACE Tempest Re's portion of the loss. Case reserves are adjusted based on receipt of further notifications from brokers.

Claims handling activities for ACE Tempest Re USA will be managed by the division where the contract is written. Loss notices are received directly from brokers.

Life Reinsurance

Principal Business

The principal business of the ACE Global Life Reinsurance division ("ACE Life Re") is to provide reinsurance coverage to other life insurance companies. These reinsurance transactions will typically help clients (ceding companies) to manage mortality, morbidity, and/or lapse risks embedded in their book of business. In addition to managing these risks and as a by-product, clients may also benefit by locking in and monetizing future profits, releasing capital and/or reduce earnings volatility. Calendar year 2001 represents the first full year of operations for ACE Life Re. The strategic focus of ACE Life Re is to differentiate itself as a niche player in its targeted lines of business: blocks of individual life insurance, annuities (fixed and variable) and group long-term disability. It does not intend to compete on a "traditional" basis for pure mortality business but, instead, it will seek to assist clients as a capital and strategic partner with customized solutions for the management of their risks.

Marketing and Underwriting

ACE Life Re markets its reinsurance products directly to clients as well as through reinsurance intermediaries. The marketing plan seeks to capitalize on the relationships developed by the company's executive officers and underwriters with members of the actuarial profession and executives at client companies. ACE Life Re targets potential ceding insurers that it believes would benefit from its reinsurance products based on analysis of publicly available information and other industry data. In addition, reinsurance transactions are often placed by reinsurance intermediaries and consultants. The company will work with such third party marketers in an effort to maintain a high degree of visibility in the reinsurance marketplace.

ACE Life Re's strategy and business does not depend on a single client or a few clients. To date, it has entered into reinsurance agreements with over 20 clients. However, like most start-up operations, a single large transaction can account for a significant percentage of total revenue. It is anticipated that as business continues to grow, ACE Life Re will have a reasonably diversified source of revenue by number of clients, by revenue and by lines of business.

ACE Life Re underwrites transactions on a qualitative and quantitative basis. Underwriting guidelines have been developed with the objective of controlling the risks of the reinsurance policies written as well as to determine appropriate pricing levels. The guidelines may be amended from time to time in response to changing industry conditions, market developments, changes in technology and other factors.

In implementing the underwriting guidelines, an experienced underwriting team is utilized to select opportunities with acceptable risk/return profiles. Reinsurance business is assumed only after considering many factors, including the type of risks to be covered, actuarial evaluations, historical performance data for the client and the industry as a whole, the client's retention, the product to be reinsured, pricing assumptions, underwriting

standards, reputation and financial strength of the client, the likelihood of establishing a long term relationship with the client and the market share of the client. Pricing of reinsurance products is based on ACE Life Re's sophisticated actuarial and investment models which incorporate a number of factors including assumptions for mortality, morbidity, expenses, demographics, persistency and investment returns as well as certain macroeconomic factors, such as inflation, and certain regulatory factors, such as taxation and surplus requirements.

Competition

The reinsurance industry is highly competitive. Most of the reinsurance companies are well established, have significant operating histories, strong claims paying ability ratings, and have established long-standing client relationships through existing treaties with ceding companies. ACE Life Re's senior management believe primary competitors include major life reinsurers (e.g., Swiss Re and Hannover Re) and smaller specialty companies (e.g., Annuity and Life Re, Scottish Annuity & Life, and Max Re). ACE Life Re competes effectively by leveraging the strength of its client relationships, underwriting expertise, capacity, and the brand name and capital position of the ACE Group.

ACE USA

Principal Business

The principal business of ACE USA is the combined business of ACE US Holdings, which was acquired by the Company January 2, 1998, and the domestic operations of ACE INA acquired on July 2, 1999. The operations of ACE USA include ongoing domestic operations as well as the run-off operations of Brandywine Holdings, Inc. ("Brandywine"), which does not write new policies and "other" operations. The "other" operations include the run-off of Commercial Insurance Services ("CIS"), residual market worker's compensation business, pools and syndicates not attributable to a single business group, the run-off of open market facilities and the run-off results of other various exited lines of business.

During 2001 the ongoing insurance operations, which provide specialty property and casualty products, were organized into seven distinct business groups. The Westchester Specialty Group is comprised of the Westchester specialty business including property, inland marine, specialty casualty, excess casualty, and diversified products, which includes the agri-business and specialty programs. ACE USA's Specialty Property and Casualty ("P&C") Group serves the global property, energy, power products and commercial marine markets, in addition to offering international casualty products for U.S. based companies. The ACE Risk Management Group ("ARM"), which was formerly known as Special Risk Facilities, provides coverage solutions for national accounts casualty and excess business, as well as group casualty and wrap up programs which relate to general liability and worker's compensation coverage for large single or multi-location construction projects. The Professional Risk Group provides insurance policies that protect against management liability and professional liability as well as surety, aviation and satellite risks. The Financial Solutions Group develops non-traditional alternative risk products, which protect clients from financial, operational and enterprise risks. Solutions for these difficult to insure risks might include products that serve to stabilize a client's earnings, provide credit protection or resolve accounting or regulatory issues. During 2001, ACE USA launched the Consumer Solutions Group, which consolidated the existing consumer businesses including warranty, recreational marine and disaster mortgage protection, with the national call center and the direct specialist group to take better advantage of cross selling products, and concentrate marketing and sales efforts in the consumer marketplace. ACE USA will be looking at new opportunities to expand its product offerings in the consumer area. The Accident and Health ("A&H") Group was launched in 2001 to develop opportunities and expand into the U.S. specialty accident and health area. This newly established U.S. group will capitalize on the global accident and health market expertise developed over many years by the ACE International segment.

ACE USA's on-going insurance related operations include those of ESIS Inc. ("ESIS"), the company's in-house third party claims administrator, which provides its clients with claim management and loss cost reduction

services including comprehensive medical managed care and pre-loss control and risk management services. Additional insurance related services are offered by Recovery Services International, which sells salvage and subrogation and health care recovery services. ACE USA also holds a majority ownership interest in several warranty administrators, who distribute warranty insurance products. During 2001 the Consumer Solutions Group acquired YouDecide.com, Inc., which provides client companies an Internet platform where their employees are offered a broad selection of non-employer sponsored financial products, including insurance.

Following the acquisition of the domestic operations of ACE USA on July 2, 1999, the Company made substantial structural and operational changes to enhance profitability and operating controls in the segment. These changes included restructuring the operating divisions from three large groups to the business groups discussed above. These operational changes were made to enhance the Company's ability to better focus on profitable underwriting and cross-market its products between domestic operating groups and other ACE segments. The Company also consolidated locations and closed offices throughout the U.S., outsourced the IT function, and reduced staff by approximately 2,000 people. These cost reduction efforts had a positive impact in both 2001 and 2000 on both the expense ratio and the loss ratio, due to a reduction in unallocated loss adjustment expenses.

As part of the restructuring of the operating divisions, ACE USA critically evaluated all lines of business and has exited contracts and lines of business that did not have a long-term strategic fit. This effort continued into 2001 with the sale of the Company's Financial Institution Specialists Division to SAFECO Corporation. During the year ended December 31, 2000, the culling of unprofitable and non-strategic business amounted to a reduction of gross premiums written of approximately \$160 million. The focus on profitable business together with a commitment to continually promote cost reduction efforts enabled ACE USA to operate for the years ended December 31, 2001 and 2000 at a combined ratio under 100 percent.

In addition to the exited business discussed above, ACE USA sold the renewal rights for all of its CIS business in 1999 and planned to sell the assets and liabilities pertaining to the historical book of business as well as the in-force book of business which it still owned. As of December 31, 2001, the remaining business of CIS continues to run-off and has not been sold.

The Brandywine run-off operation, was created in 1995, before the acquisition by ACE, by the restructuring of ACE INA's domestic operations into two separate operations, ongoing and run-off. Brandywine contains substantially all of ACE INA's asbestos and environmental exposures as well as various run-off insurance and reinsurance businesses. The run-off operations do not actively sell insurance products, but are responsible for the management of run-off policies and related claims including those for asbestos-related and environmental pollution exposures. Certain competitors and policyholders of CIGNA have challenged the regulatory approvals resulting in the creation of Brandywine. In July 1999, the Pennsylvania Supreme Court upheld the action of the Pennsylvania Insurance Commissioner in granting such approvals. In December 1999, competitors of ACE filed an action in the Superior Court of California alleging that the restructuring did not meet the requirements of certain California statutes. The case is in the preliminary stages of litigation.

Marketing and Underwriting

ACE USA primarily distributes its insurance products through a limited group of brokers and wholesale brokers with whom long-term relationships have been forged. ACE USA's management believes the match between its expertise and that of its brokers is one of the key reasons brokers place business with it. Certain products are also distributed through alternative distribution channels such as general agents, independent agents and direct marketing operations. Internet distribution channels have been established for certain product offerings. Through its acquisition of YouDecide.com, Inc, the Consumer Solutions Group is in the process of developing additional e-commerce distribution opportunities.

The following table sets forth the percentage of ACE USA's business written through brokers placing more than 10 percent of ACE USA's business:

Name ----	Years ended December 31 -----		
	2001	2000	1999
Rain & Hail Insurance Services(1).....	16%	11%	14%
Marsh and McLennan Companies, Inc.(2).....	14%	14%	--
Aon Corporation.....	10%	--	--

- (1) Rain & Hail Insurance Services is a managing agency that specializes in crop insurance, most of which is federally reinsured.
- (2) In 1999, Marsh and McLennan Companies, Inc. acquired Sedgwick. The percentage shown in the table reflects the business placed by the combined entities and their affiliates.

Operating in a market in which capacity and price adequacy for its products can change dramatically, ACE USA's underwriting strategy is to employ consistent, disciplined pricing and risk selection in order to maintain an attractive book of business. Management's priority is to ensure that criteria for risk selection are closely adhered to by its underwriting professionals through maintaining high levels of experience and expertise in its underwriting staff. In addition, ACE USA has established a business review structure that ensures control of risk quality and conservative use of policy limits, terms and conditions. Additionally, ACE USA employs sophisticated catastrophe loss and risk modeling techniques to ensure that risks are well distributed and that loss potentials are well within the company's financial capacity. In this regard, ACE USA is also a sophisticated purchaser of reinsurance, which provides the means for greater diversification of risk and serves to further limit the net loss potential of catastrophes and large or unusually hazardous risks. Reinsurers utilized by ACE USA must meet certain financial and experience requirements and are put through a stringent financial review process in order to be pre-approved by a Reinsurance Security Committee, comprised of senior management. As a result of these controls, reinsurance is placed with what ACE USA believes is a select group of only the most financially secure and experienced companies in the reinsurance industry.

ACE USA has the ability to write business on an admitted basis using forms and rates as filed with state insurance regulators and on a non-admitted, or surplus lines basis using flexible forms and rates not filed with state insurance regulators. Having access to non-admitted carriers provides the flexibility to write non-standard coverage.

An integral part of the ACE USA operating strategy is to maximize the efficiency and effectiveness of its operations while reducing operating costs. As part of this strategy, ACE USA is in the process of investing in technology, which will replace numerous existing policy issuance and claims systems with an integrated product currently being utilized by other ACE segments. This action is expected to further facilitate the streamlining of ACE USA's underwriting and claims processing operations.

Competition

ACE USA operates in a highly competitive industry and faces competition from both domestic and foreign insurers. The markets in which ACE USA competes are subject to significant cycles of fluctuating capacity and wide disparities in price adequacy. The domestic operations pursue a specialist strategy and focus on market opportunities where they can compete effectively based on service levels and product design, while still achieving an adequate level of profitability. ACE USA offers experienced claims handling, loss control and risk management staff with proven expertise in specialty fields, including large-risk property and casualty, recreational and ocean marine, aviation, professional risk and workers' compensation. A competitive advantage is also achieved through ACE USA's innovative product offerings such as Risk Management Group bundled business, which combines tailored coverage solutions for large insureds with expert claim management and loss reduction functions provided by ESIS, a nationally recognized leader in the third party claims management field. An additional competitive strength of all the domestic commercial units is the ability to deliver global products and coverages to customers in concert with other ACE Group segments. ACE USA has only just started to leverage cross marketing opportunities with other members of the ACE Group and take advantage of the ACE organization's global presence.

Claims Administration

ACE USA's claims organization supports both the national accounts (Risk Management Group) and the specialty insurance businesses with a national network of claims and risk management services. The Brandywine claim professionals have the unique expertise and experience to manage specialized coverage and coordination issues that arise in asbestos, environmental and other latent exposure claims.

A team of risk control professionals supports each business line to effectively manage loss costs for the risk exposures underwritten by the businesses of ACE USA. Specialized loss cost containment programs are in place for marine risk, aerospace risk, global property risk, warranty programs, excess risk, inland marine risk, diversified products and professional risk services.

The Risk Management Group is supported by ESIS, ACE USA's in-house third party claims administrator. ESIS markets loss control, risk and loss data information management, claims settlement and loss cost reduction services to large corporate customers on a fee-for-service basis.

ACE International

Principal Business

ACE International is a global franchise with a presence in nearly 50 countries. This franchise was created in 1984 through the merger of the Insurance Company of North America ("INA"), which started its international operations over 100 years ago, and the American Foreign Insurance Association ("AFIA").

ACE International's operations provide insurance coverage on a worldwide basis excluding the United States. The principal business operations are focused on property and casualty, accident and health, and consumer-oriented products. Operating management is carried out through four regional teams:

Europe, Far East, Asia Pacific and Latin America.

The international property and casualty operations are conducted through a specialist insurance organization offering capacity and technical expertise in the underwriting and servicing of large and unique risks for targeted commercial customer segments, as well as individual coverages in selected markets. Property insurance products include traditional commercial fire coverage as well as energy industry-related and other technical coverages. Principal casualty products are commercial general liability and liability coverage for multinational organizations. Marine cargo and hull coverages are written in the London market as well as in marine markets throughout the world. The operations also design and implement risk-financing alternatives for customers whose approach to risk management includes some form of self-insurance.

The international accident and health insurance operations provide products that are designed to meet the insurance needs of individuals and groups outside of U.S. insurance markets. These products include accidental death, medical, hospital indemnity and income protection coverages.

The consumer products segment provides specialty products and services designed to meet the needs of specific target markets, and is distributed through non-traditional distribution channels. These products include warranty, auto, homeowners, motor homes, real estate-related services, personal umbrella, recreational marine and other coverages specific to personal risk exposures.

For the year ended December 31, 2001, gross premiums written from accident and health and consumer products accounted for 27 percent of ACE International's premiums.

In conducting its non-U.S. business, ACE International reduces the risks relating to currency fluctuations by maintaining investments in those foreign currencies in which the operation transacts business, with

characteristics of those investments similar to the related liabilities in those currencies. The net asset or liability exposure to the various foreign currencies is regularly reviewed.

Marketing and Underwriting

ACE International maintains a sales or operational presence in major insurance markets around the world. Its property and casualty business is generally written, on both a direct and assumed basis, through major international, regional and local brokers. Accident and health and other consumer lines products are distributed through brokers, agents, financial institutions and various direct marketing channels including e-commerce.

ACE International's operations are diversified by line of business and geographic spread of risk. A global approach to risk management allows each local operation to underwrite and accept large insurance accounts. Centrally coordinated reinsurance mechanisms facilitate appropriate risk transfer and efficient, cost-effective use of external reinsurance markets.

Competition

ACE International's primary competitors include U.S.-based companies with global operations, as well as other, non-U.S. global carriers and indigenous companies in regional and local markets. For the accident and health lines of business, locally based competitors include financial institutions and bank-owned insurance subsidiaries.

The principal competitive factors that affect the international operations are underwriting and pricing, relative operating efficiency, product differentiation, producer relations and the quality of claims and policyholder services. A competitive strength of the international operations is its global network and breadth of insurance programs, which assist individuals and business organizations to meet their risk management objectives.

Claims Administration

ACE International's claims service operations are decentralized, with management of most aspects of claim administration occurring at an individual country level. The claims organization structure in each country is driven by the composition of the business portfolio. The outsourcing of claims settlement, adjusting services, or other claims functions may occur if and when appropriate.

ACE Financial Services

Principal Business

The companies in the ACE Financial Services segment offer value-added insurance, reinsurance and financial derivative products to the insurance and capital markets, which provide protection from credit or financial risks. ACE Financial Services writes municipal and non-municipal financial guaranty reinsurance, single-name and portfolio credit default swaps, mortgage guaranty reinsurance, trade credit reinsurance, title reinsurance and residual value reinsurance.

The ACE Financial Services segment primarily carries out its business through the following legal vehicles: ACE Guaranty Re Inc. ("AGR"), ACE Capital Re International Ltd. ("ACRI"), ACE Capital Mortgage Reinsurance Company ("ACMR"), ACE Capital Re Overseas Ltd. ("ACRO"), ACE Financial Overseas Ltd. ("AFOL") and ACE Capital Title Reinsurance Company ("ACTR").

ACE Financial Services' financial guaranty business is conducted primarily through AGR. AGR serves the U.S. domestic and international financial guaranty reinsurance markets. It is a leading reinsurer (by market share)

of financial guaranties of investment grade debt obligations-principally of municipal and non-municipal obligors. ACRI and ACRO are primarily focused on providing highly structured solutions to problems of financial and risk management through reinsurance and other forms of credit enhancement. ACMR and ACTR are New York regulated monoline reinsurance companies providing mortgage guaranty reinsurance and title reinsurance respectively. AFOL is a company organized under the laws of the United Kingdom, and is registered as a "Category D" company with the UK Financial Services Authority arranging transactions in credit derivatives and other financial swaps.

Financial guaranty insurance is a type of credit enhancement, similar to a surety, which is regulated under the insurance laws of various jurisdictions. Financial guaranty insurance provides an unconditional and irrevocable guaranty that indemnifies the insured against nonpayment of principal and interest on an insured debt obligation when due. Additionally, ACE Financial Services' financial guaranty business provides municipal and non-municipal credit risk protection on a facultative basis to a wide variety of counterparties through both single-name and portfolio credit default swap transactions.

Mortgage guaranty insurance is a specialized class of credit insurance, providing protection to mortgage lending institutions against the default of borrowers on mortgage loans. Title insurance essentially provides the acquirer or the mortgagee of real property with two forms of coverage. The first assures that the search and examination of the real estate records, upon which the acquirer or mortgagee is relying for good and clean title, was properly performed. The second form of coverage assures that all previously existing mortgages and liens will be paid off from the proceeds of the sale or refinancing of the property. Trade credit insurance protects sellers of goods and services from the risk of non-payment of trade receivables and is a large, well-established specialty insurance product, particularly in Western Europe. Policyholders are generally covered for short-term exposures (generally less than 180 days and averaging 60-90 days) to insolvency or payment defaults by domestic and/or foreign buyers. Some export credit policies also cover political events, which can disrupt either the flow of goods and services or payment for goods and services. Residual value reinsurance is generally provided to the captives of motor vehicle manufacturers or lessors, whereby the coverage effectively guarantees the residual value of portfolios of leased vehicles at the termination of the lease term.

Marketing and Underwriting

ACE Financial Services has established and maintains relationships with the major U.S. primary financial guaranty insurers, mortgage guaranty insurers and title insurers, major European trade credit insurers and primary mortgage guaranty insurers in the U.K. and Australia. Major U.S. and European investment banks act as counterparties on credit default swaps.

A portion of ACE Financial Services' reinsurance business is developed through relationships with brokers and reinsurance intermediaries. The title reinsurance business has developed substantially all of its business opportunities through direct contacts with primary title insurers, while the financial guaranty business has been developed through direct contacts with U.S. primary companies and major investment banks in the U.S. and Europe.

For the majority of ACE Financial Services' business the underwriting process is premised on reinsuring investment grade credit risks and risk remote or finite financial risks. The underwriting process is based on multiple levels of credit review, actuarial analysis, stress-based modeling and legal review. Underwriters minimize correlation and aggregation through diversification of exposures by geography, industry sector, credit enhancement/attachment point and rating category of underlying credits.

Competition

ACE Financial Services faces direct and indirect competition from equivalently rated financial institutions on all lines of business. Differentiating factors include pricing, customer service, market perception and historical performance.

In its financial guaranty business, ACE Financial Services faces competition indirectly from other highly rated financial institutions that provide capital substitutes to the primary financial guaranty insurance companies. Competition is also a function of the ease with which primary insurers can raise capital in the private or public equity markets. Increased primary capital increases the ability of insurers to retain risk and the need for reinsurance in general is diminished.

For mortgage reinsurance business, competition comes from some non-U.S. mortgage reinsurers and, in a minor way, from U.S. multiline insurers. In the title business, the large title insurers have traditionally provided reinsurance capacity.

In its trade credit business, the segment faces a high degree of competition from traditional participants in these markets, including large multiline insurers and reinsurers.

Claims Administration

ACE Financial Services operates an internal claims management, administration and payment function. Use of external actuarial and legal consultants is made where this is deemed prudent by management.

Unpaid Losses and Loss Expenses

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 become available and are reviewed, as new or improved methodologies are developed or as current laws change. Any such revisions could result in future changes in estimates of losses or reinsurance recoverables, and would be reflected in the Company's results of operations in the period in which the estimates are changed.

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 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 continually evaluates its estimates of reserves in light of developing information and in light of discussions and negotiations with its insureds. While the Company is unable at this time to determine whether additional reserves, (which could have a material adverse effect upon the financial condition, results of operations and cash flows of the Company) may be necessary in the future, the Company believes that its reserve for unpaid losses and loss expenses are adequate as of December 31, 2001.

The Company engages independent actuarial firms to review the methods and assumptions used by the Company in estimating the unpaid losses and loss expenses. As stated in their actuarial reviews, the firms believe that the methods and assumptions used by the Company are reasonable and appropriate for use in setting loss reserves at December 31, 2001.

Losses and loss expenses are charged to income as incurred. The reserve for unpaid losses and loss expenses represents the estimated ultimate losses and loss expenses less paid losses and loss expenses and is comprised of case reserves, loss expense reserves and IBNR loss reserves. During the loss settlement period, which can be

many years in duration, additional facts regarding individual claims and trends often will become known. As these become apparent, case reserves may be adjusted by allocation from the IBNR loss reserve without any change in the overall reserve. In addition, application of statistical and actuarial methods may require the adjustment of the overall reserves upward or downward from time to time. The final liability, nonetheless, may be significantly greater than or less than the prior estimates.

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. The Company recorded losses of \$650 million relating to the September 11th tragedy. The Company believes that its current estimate for September 11, 2001 claims are reasonable and accurate based on information currently available. The Company continues to evaluate its total potential liability based upon individual insurance and reinsurance policy language, legal and factual developments in underlying matters involving its insureds as well as legislative developments in the U.S. involving the terrorist attack. If the Company's current assessments of future developments are proved wrong, the financial impact of any of them, singularly or in the aggregate, could be material. For example, business interruption insurance claims could materialize in the future with greater frequency than the Company anticipated or provided for in its estimates; or, insureds that the Company expects will not be held responsible for injuries resulting from the attack, are ultimately found to be responsible at a financial level that impacts its insurance or reinsurance policies.

The "Analysis of Losses and Loss Expenses Development" shown below presents the subsequent development of the estimated year-end liability for net unpaid losses and loss expenses at the end of each of the years in the eight year period ended September 30, 1998 as well as for the fifteen month period ended December 31, 1999 and the two years ended December 31, 2001 and 2000. Prior to December 31, 1999, the net unpaid losses and loss expenses are in respect of annual periods ending on September 30 of each year. The table also presents as of December 31, 2001, the cumulative development of the estimated year-end liability for gross unpaid losses and loss expenses for the years 1994 through 2000. The top lines of the table shows the estimated liability for gross and net unpaid losses and loss expenses recorded at the balance sheet date for each of the indicated periods. This liability represents the estimated amount of losses and loss expenses for claims arising from all prior years' policies and agreements that were unpaid at the balance sheet date, including IBNR loss reserves. The upper (paid) portion of the table presents the net amounts paid as of subsequent periods on those claims for which reserves were carried as of each balance sheet date. The lower portion of the table shows the re-estimated amount of the previously recorded net liability as of the end of each succeeding period. The bottom lines of the table show the re-estimated amount of previously recorded gross liability at December 31, 2001 together with the change in reinsurance recoverable. Several aspects of the Company's operations, including the low frequency and high severity of losses in the high excess layers in which the Company provides insurance, complicate the actuarial reserving techniques utilized by the Company. Accordingly, the Company expects that ultimate losses and loss expenses attributable to any single underwriting year will be either more or less than the incremental changes in the lower portion of the following table. The "cumulative redundancy/deficiency" shown in the table below represents the aggregate change in the reserve estimates over all subsequent years. The amounts noted are cumulative in nature; that is, an increase in loss estimate for prior year losses generates a deficiency in each intermediate year.

Analysis of Losses and Loss Expenses Development

Years ended September 30th

	1991	1992	1993	1994	1995	1996	1997	1998
	(in thousands of U.S. dollars)							
Gross unpaid.....				\$1,176,215	\$1,492,336	\$1,977,620	\$2,111,670	\$3,737,869
Net unpaid.....	\$ 470,832	\$ 813,849	\$ 766,402	\$1,176,215	\$1,489,293	\$1,892,302	\$2,006,873	\$2,678,341
Net paid (Cumulative) As Of:								
1 year later.....	149,493	340,836	126,566	66,888	80,080	358,713	337,422	1,017,822
2 years later.....	490,116	465,074	183,439	121,628	414,419	663,087	925,361	1,480,173
3 years later.....	590,847	517,366	228,638	451,746	696,470	1,247,652	1,066,253	1,655,945
4 years later.....	611,133	551,887	558,625	725,799	1,259,344	1,372,345	1,171,247	
5 years later.....	627,691	881,198	837,515	1,285,599	1,379,586	1,465,149		
6 years later.....	764,607	1,150,628	1,398,270	1,368,664	1,467,519			
7 years later.....	843,283	1,672,772	1,481,328	1,449,762				
8 years later.....	988,087	1,755,791	1,562,344					
9 years later.....	1,067,055	1,836,807						
10 years later.....	1,140,570							

	Fifteen Month Period ended December 31st 1999	Years ended December 31st 2000	2001
Gross unpaid.....	\$16,460,247	\$17,388,394	\$20,728,122
Net unpaid.....	\$ 8,908,817	\$ 9,330,950	\$10,339,014
Net paid (Cumulative) As Of:			
1 year later.....	2,445,490	2,430,655	
2 years later.....	3,810,768		
3 years later.....			
4 years later.....			
5 years later.....			
6 years later.....			
7 years later.....			
8 years later.....			
9 years later.....			
10 years later.....			

Net Liability Re-estimated As Of:								
End of year.....	\$ 470,832	\$ 813,849	\$ 766,402	\$1,176,215	\$1,489,293	\$1,892,302	\$2,006,873	\$2,678,341
1 year later.....	706,960	813,849	966,402	1,177,292	1,489,293	1,892,302	1,989,744	2,753,017
2 years later.....	706,960	1,085,012	1,067,987	1,227,538	1,489,293	1,881,403	1,914,936	2,746,608
3 years later.....	874,368	1,234,462	1,211,424	1,386,571	1,480,426	1,824,449	1,853,078	2,721,731
4 years later.....	888,387	1,412,495	1,429,990	1,401,329	1,495,443	1,852,466	1,833,312	
5 years later.....	940,513	1,666,770	1,442,523	1,472,394	1,588,975	1,931,845		
6 years later.....	1,113,662	1,703,103	1,580,022	1,530,195	1,678,535			
7 years later.....	1,099,102	1,852,125	1,642,465	1,606,416				
8 years later.....	1,142,511	1,916,405	1,712,654					
9 years later.....	1,207,260	1,986,594						
10 years later.....	1,274,153							
Cumulative redundancy/ (deficiency).....	(803,321)	(1,172,745)	(946,252)	(430,201)	(189,242)	(39,543)	173,561	(43,390)

Net Liability Re-estimated As Of:			
End of year.....	\$ 8,908,817	\$ 9,330,950	10,339,014
1 year later.....	8,848,453	9,425,420	
2 years later.....	8,850,879		
3 years later.....			
4 years later.....			
5 years later.....			
6 years later.....			
7 years later.....			
8 years later.....			
9 years later.....			
10 years later.....			
Cumulative redundancy/ (deficiency).....	57,938	(94,470)	

Gross unpaid losses and loss expenses end of year.....	1,176,215	1,492,336	1,977,620	2,111,670	3,737,869
Reinsurance recoverable on unpaid losses.....	--	3,043	85,318	104,797	1,059,528
Net unpaid losses and loss expenses.....	1,176,215	1,489,293	1,892,302	2,006,873	2,678,341
Gross liability re-estimated.....	1,606,416	1,681,578	2,029,465	1,937,100	3,897,590
Reinsurance recoverable on unpaid losses.....	--	3,043	97,620	103,788	1,175,860
Net liability re-estimated.....	1,606,416	1,678,535	1,931,847	1,833,312	2,721,731
Cumulative redundancy/(deficiency) on gross unpaid.....	(430,201)	(189,242)	(51,845)	174,570	(159,721)

Gross unpaid losses and loss expenses end of year.....	16,460,247	17,388,394	20,728,122
Reinsurance recoverable on unpaid losses.....	7,551,430	8,057,444	10,389,108
	-----	-----	-----
Net unpaid losses and loss expenses.....	8,908,817	9,330,950	10,339,014
	-----	-----	-----
Gross liability re-estimated.....	17,596,917	18,018,757	
Reinsurance recoverable on unpaid losses.....	8,746,039	8,593,337	
	-----	-----	
Net liability re-estimated.....	8,850,879	9,425,420	
	-----	-----	
Cumulative redundancy/(deficiency) on gross unpaid.....	(1,136,670)	(630,363)	

Notes to Analysis of Losses and Loss Expenses

(1) On July 2, 1999, the Company changed its fiscal year-end from September 30 to December 31. As a result, the information provided above for the 1999 year is actually for the 15-month period from October 1, 1998, through December 31, 1999. All prior periods represent years ending on September 30.

(2) The Company does not consider it appropriate to extrapolate future deficiencies or redundancies based upon the above tables, as conditions and trends that have affected development of the liability in the past may not necessarily occur in the future.

(3) In 1992, the Company began applying actuarial and statistical methods to estimate ultimate expected losses and loss expenses for all of the Company's business since inception. This methodology was applied retroactively to all prior years.

(4) On November 1, 1993, the Company acquired CODA, on July 1, 1996, the Company acquired ACE Tempest Re and on July 9, 1998, the Company acquired Tarquin. The table has been restated to include CODA, ACE Tempest Re and Tarquin's loss experience as if each of these companies had been wholly owned subsidiaries of the Company from their inception. On January 2, 1998, the Company acquired ACE US Holdings, on April 1, 1998, the Company acquired CAT Limited and on July 2, 1999, the Company acquired ACE INA. The unpaid loss information for ACE US Holdings, CAT Limited and ACE INA has been included in the table commencing in the year of acquisition. As a result, 1999 includes net reserves of \$6.8 billion related to ACE INA at the date of acquisition and subsequent development thereon.

The cumulative gross redundancy (deficiency) is the difference between the gross loss reserves originally recorded and the re-estimated liability at December 31, 2001. The Company utilized little or no reinsurance for the 1997 and prior years. In 1999, ACE INA acquired the CIGNA property and casualty insurance operations and the acquired loss reserves for 1999 and prior years were included in the table commencing in 1999. As of December 31, 2001, the cumulative deficiency for 1999 is \$1.13 billion. This relates primarily to U.S. liabilities including asbestos and environmental liabilities for 1995 and prior that are included in the run-off division of ACE INA. A significant portion of this business had been reinsured on a facultative basis prior to the acquisition by ACE INA and reinsurance coverage on the net reserves for the run-off division as of the acquisition date was purchased from National Indemnity Company ("NICO"). These reinsurance coverages have the effect of substantially reducing the net loss as follows. Of the total \$1.13 billion of cumulative deficiency for the 1999 and prior years, approximately \$500 million was covered by reinsurance placed when the risks were originally written and the remaining liability of \$600 million has been ceded to NICO. Of the cumulative deficiency of \$1.13 billion noted for 1999, approximately \$500 million was identified and recorded in fiscal 2000 and the remaining \$630 million was identified and recorded in fiscal 2001.

Net loss and loss expenses for the year ended December 31, 2001 were impacted by \$94 million of prior year development principally in the ACE International segment. This development was reflected during the fourth quarter of 2001 when the Company recorded additional reserves to strengthen its casualty loss reserves.

Reconciliation of Unpaid Losses and Loss Expenses

	Year Ended December 31 2001	Year Ended December 31 2000	Year Ended December 31 1999
	-----	-----	-----
	(in thousands of U.S. dollars)		
Gross unpaid losses and loss expenses at beginning of period.....	\$17,388,394	\$16,460,247	\$ 3,678,269
Reinsurance recoverable on unpaid losses.....	(8,057,444)	(7,551,430)	(1,100,464)
	-----	-----	-----
Net unpaid losses and loss expenses at beginning of period.....	9,330,950	8,908,817	2,577,805
Unpaid losses and loss expenses assumed in respect of reinsurance business acquired.....	300,204	169,537	183,774
Unpaid losses and loss expenses in respect of formerly discontinued operations.....	--	1,269,914	--
Unpaid losses and loss expenses assumed in respect of acquired companies (net of reinsurance recoverable of \$6,345,679 in 1999)..		--	6,940,593
	-----	-----	-----
Total.....	9,631,154	10,348,268	9,702,172
	=====	=====	=====
Net losses and loss expenses incurred in respect of losses occurring in:			
Current period.....	4,457,986	2,996,429	1,601,278
Prior periods.....	94,470	(60,364)	38,265
	-----	-----	-----
Total.....	4,552,456	2,936,065	1,639,543
	=====	=====	=====
Net losses and loss expenses paid in respect of losses occurring in:			
Current period.....	1,345,699	1,205,110	916,848
Prior periods.....	2,430,655	2,631,171	1,509,638
	-----	-----	-----
Total.....	3,776,354	3,836,281	2,426,486
	=====	=====	=====
Foreign currency revaluation.....	(68,242)	(117,102)	(6,412)
	=====	=====	=====
Net unpaid losses and loss expenses at end of period.....	10,339,014	9,330,950	8,908,817
Reinsurance recoverable on unpaid losses.....	10,389,108	8,057,444	7,551,430
	-----	-----	-----
Gross unpaid losses and loss expenses at end of period.....	\$20,728,122	\$17,388,394	\$16,460,247
	=====	=====	=====

As discussed above, net loss and loss expenses for the year ended December 31, 2001 were impacted by \$94 million of prior year development principally in the ACE International segment. During the fourth quarter of 2001, the Company recorded additional reserves to strengthen its casualty loss reserves.

Net loss and loss expenses for the year ended December 31, 2000, were impacted by favorable development of reserves from prior periods primarily from ACE Tempest Re, ACE USA and ACE Bermuda partially offset by unfavorable development in ACE Financial Services.

Net losses and loss expenses for the year ended December 31, 1999 include incurred losses for ACE INA from July 2, 1999, the date of acquisition. With respect to the analysis of incurred and paid losses for the 1999 period, all losses incurred and paid, on losses occurring in the period January 1, 1999, through December 31, 1999, have been included as current year activity in 1999.

Investments

The Company's principal investment objective is to ensure that funds will be available to meet its primary insurance and reinsurance obligations. Within this broad liquidity constraint, the investment portfolio's structure seeks to maximize return subject to specifically approved guidelines of overall asset classes, credit quality, liquidity, and volatility of expected returns. As such, the Company's investment portfolio is invested primarily in fixed income securities of the highest credit quality.

In June of 2000, the Company formed ACE Asset Management Inc., an operating group replacing the more traditional role of Chief Investment Officer. The formation of this group underscores the importance the Company places on the growth and complexity of ACE's international investment activity. ACE Asset Management operates principally to guide and direct the investment process of the ACE Group of Companies. In this regard, the Asset Management Group:

- . Conducts formal asset allocation modeling for each of the ACE subsidiaries, providing formal recommendations for the portfolio's structure
- . Establishes recommended investment guidelines that are appropriate to the prescribed asset allocation targets
- . Provides the analysis, evaluation, and selection of external investment advisors to the ACE Group
- . Establishes and develops investment related analytics to enhance portfolio engineering and risk control
- . Monitors and aggregates the correlated risk of the overall investment portfolio
- . Provides governance over the investment process for each of the ACE operating companies to ensure consistency of approach and adherence to investment guidelines

For the investment portfolio, the Company determines allowable targeted asset allocation and ranges for each of the operating segments. These asset allocation targets are derived from sophisticated asset and liability modeling that measures correlated histories of returns and volatility's of returns. Allowable investment classes are further refined through analysis of the Company's operating environment, including expected volatility of cash flows, overall capital position, regulatory and rating agency considerations.

The Finance Committee of the Board of Directors approves asset allocation targets and reviews the Company's investment policy to ensure that it is consistent with the Company's overall goals, strategies and objectives. Overall investment guidelines are approved by the Finance Committee to ensure appropriate levels of portfolio liquidity, credit quality, diversification, and volatility are maintained. In addition, the Finance Committee systematically reviews the portfolio's exposures to capture any potential violations of investment guidelines.

Within the guidelines and asset allocation parameters established by the Company, individual investment committees of the operating segments determine tactical asset allocation. Additionally, these committees review all investment related activity that effects their operating company, including the selection of outside investment advisors, proposed asset allocations changes, and the systematic review of investment guidelines.

For additional information regarding the investment portfolio, including breakdowns of the sector and maturity distributions, see Note 4 of the Consolidated Financial Statements included in the 2001 Annual Report to Shareholders.

Regulation

ACE Limited's insurance and reinsurance subsidiaries are subject to regulation and supervision by the local authority in the countries or states in which they do business. The extent of such regulation most commonly has its source in statutes, which delegate regulatory, supervisory and administrative power to a department of insurance.

Bermuda Operations

In Bermuda, the Company's insurance subsidiaries are regulated by the Insurance Act 1978 (as amended by the Insurance Amendment Act 1995) and related regulations (the "Act"). The Act imposes on Bermuda insurance companies solvency and liquidity standards; auditing and reporting requirements; and grants the Minister of Finance powers to supervise, investigate and intervene in the affairs of insurance companies. Significant requirements include the appointment of an independent auditor and the appointment of a loss reserve specialist.

United Kingdom and Lloyd's Regulation

The Company, certain of its UK subsidiaries and some staff employed within the Lloyd's operations are currently subject to the regulatory jurisdiction of the Council of Lloyd's (the "Council") and the Financial Services Authority ("FSA"). This jurisdiction arises by virtue of the Company being a controller of each of the Lloyd's managing agencies and the Corporate Members in which it has an interest and these entities themselves being subject to the UK regulatory regime. Certain other subsidiaries have also been approved as controllers, and are similarly subject to Lloyd's jurisdiction. On December 1, 2001, pursuant to the implementation of the Financial Services and Markets Act 2000, the FSA became the single UK statutory regulator to supervise securities, banking and insurance business. The FSA has wide powers to make rules, and these have largely replaced the existing statutory and self-regulatory arrangements relevant to these areas and certain changes to the financial reporting and solvency regime have already been introduced. Lloyd's (which has itself become a regulated entity under the FSA regime) has also been delegated certain self-regulatory responsibilities by the FSA under the terms of certain supervision and enforcement arrangements made between Lloyd's and the FSA. The Company and its subsidiaries will benefit from grandfathering provisions under transitional arrangements.

Under English law, pursuant to the Lloyd's Act 1982 and certain bylaws promulgated by Lloyd's itself, there are restrictions on the ownership of or the holding of an interest in Lloyd's brokers or parties connected to Lloyd's brokers by Lloyd's Managing Agencies or certain of their related entities and vice versa. However, departures from this general principle may apply and can be implemented subject to their disclosure to Lloyd's and to Lloyd's non-objection to the structures proposed.

Furthermore, in July 2000, responsibility for the regulatory oversight of Lloyd's brokers passed to the General Insurance Standards Council ("GISC"). In December 2001, the UK Government announced that the FSA will be the authority to carry out statutory regulation of insurance intermediaries. There will thus be a transition period (two years anticipated) whereby registered entities will be regulated by the GISC. This includes certain subsidiaries of ACE Limited additionally operating within the Lloyd's regulatory framework. Lloyd's has introduced an accreditation scheme for brokers with effect from January 1, 2001, which effectively opens up the

Lloyd's broker franchise. Lloyd's will continue to maintain a register of Lloyd's brokers and the restrictions outlined above will pertain for the foreseeable future. However, the requirement to use Lloyd's brokers to place substantially all classes of business has been relaxed such that, subject to certain criteria, the need to use Lloyd's brokers for the placement of outwards reinsurance may be eliminated.

Regulation of Lloyd's Entities in the United States

Generally direct insurance business can be written on either a licensed or a non-admitted (which includes surplus lines) basis. Licensed insurers are subject to regulation of both solvency margin and business practices such as premium rate and policy form control. Non-admitted insurers are not subject to rate and form control in most states, but regulators still manage the entry to the surplus lines market by imposing minimum solvency and trust requirements for insurers wishing to be deemed "eligible" surplus lines insurers. Certain states also impose additional qualification criteria.

In most states, surplus lines insurers undergo a vetting procedure and with respect to Lloyd's underwriters this is being made increasingly on a syndicate by syndicate basis.

Insurer licensing requirements do not apply to reinsurers and as a result both licensed and non-admitted reinsurers may write reinsurance in the U.S.

The trading status of underwriters at Lloyd's in the U.S. is supported by a unique trust fund structure. The trust funds were reviewed and restructured in August 1995 in consultation with the New York Insurance Department, which acts as the domiciliary commissioner for Lloyd's U.S. trust funds held in the state of New York.

Prior to August 1995, all U.S. dollar premiums were deposited and held in the Lloyd's American Trust Fund ("LATF"), regardless of the actual situs of the risk. The LATF continues to support risks for U.S. business incepting prior to August 1995, but the trust fund and accounting arrangements have changed for U.S. dollar business incepting after August 1, 1995. These include the creation of a Lloyd's Dollar Trust Fund in the UK and a series of deposit trust funds in the U.S. to support U.S. surplus lines and U.S. reinsurance business. There are additional deposit trust fund arrangements in certain U.S. states. Lloyd's and the U.S. regulators continue to review the basis of Lloyd's syndicate U.S. trading arrangements.

ACE International

The extent of insurance regulation varies significantly among the countries in which ACE International conducts its operations. While all such countries impose requirements for licensing, solvency, auditing and financial reporting, such requirements in these and other areas can differ substantially. For example:

- . In some jurisdictions insurers are required to prepare and file quarterly financial reports, and in others only annual reports;
- . Some jurisdictions require broker or agent involvement in the sales of insurance products, whereas in others such involvement is optional;
- . Restrictions on use of foreign reinsurers vary;
- . In some jurisdictions policy forms and rates are regulated and must be filed for certain lines of business, whereas in others they are unregulated;
- . Some jurisdictions require periodic on-site examinations by insurance authorities, whereas others do not; and
- . The ability to remit dividends is restricted more in some jurisdictions than in others.

Significant variations can also be found in the size, structure and resources of the local regulatory departments that oversee insurance activities. There can also be notable differences among similar departments in the rigor of regulatory enforcement.

ACE International operates through both subsidiaries and branches, the latter of which generally have reduced local capital requirements, and certain ACE International companies are jointly owned due to legal requirements for local ownership. Regardless of the corporate structure, ACE International companies can face greater restrictions than their domestic competitors, due to multinational application of U.S. laws and otherwise. Operational challenges can include discretionary licensing procedures, compulsory cessions of reinsurance, local retention of funds and records, and foreign exchange controls.

The complex regulatory environments in which ACE International operates are subject to change and are regularly monitored.

The largest insurance operations within ACE International are ACE Insurance S.A. - N.V. ("ACE Europe") and ACE Insurance in Japan ("ACE Japan"). ACE Europe conducts its insurance business in the European Economic Area ("EEA") under the laws and regulations of the EEA, in particular the local laws passed by EEA member states following the European Third (or "Framework") Non-Life Directive of 1992. The Framework Directive is the basis of the European single market in non-life insurance. It provides for the harmonization of technical reserves, matching and localization of assets, solvency margins and regulation and control of management. Under the Directive, ACE Europe has established operations in 14 EEA jurisdictions, and also conducts cross-border business on a freedom of service basis. ACE Europe's home member state regulatory authority is Belgium.

ACE Japan is regulated by the Financial Services Agency ("FSA"). In accordance with the Insurance Business Law in Japan, the FSA focuses on protecting policyholders' interests by ensuring the sound management of insurance companies and their operations, including licensing, product filings and approval, distribution of insurance products, investment of insurance premiums and other assets, etc. FSA staff conduct on-site inspections when deemed necessary. Insurance companies must submit an annual business report regarding its operations and assets. Deregulation and liberalization of the Japanese non-life insurance market has placed more emphasis on insurers' independence of operation and compliance requirements.

Operations in the United States of America

Although at the present time there is limited federal regulation of the insurance business in the U.S., the U.S. insurance subsidiaries are subject to extensive regulation in the states in which they do business. The laws of the various states establish supervisory agencies with broad authority to regulate, among other things: licenses to transact business, soliciting business, advertising, rates for certain business, policy language, underwriting and claims practices, transactions with affiliates, reserve adequacy, dividends, investments and insurer solvency. In addition, the U.S. insurance subsidiaries are subject to judicial decisions that define the risks and benefits for which insurance is sought and provided. These include judicial interpretations of the nature of the insured risk in such areas as product liability and environmental coverages.

Regulation varies from state to state but generally requires that each primary insurance company obtain a certificate of authority from the department of insurance of a state to conduct business in that state. Regulations generally require insurance and reinsurance companies to furnish information concerning activities, which may materially affect the operations, management or financial condition and solvency of the company. For a U.S. ceding company to obtain financial statement credit for reinsurance ceded, the reinsurer must obtain an insurance license or accredited status from the cedent's state of domicile or must post collateral to support the liabilities ceded. In addition, regulations for reinsurers vary somewhat from primary insurers in that reinsurers are typically not subject to regulator approval of insurance policy forms or the rates agreed to between ceding insurers and their reinsurers.

The U.S. insurance subsidiaries are required to file detailed annual and quarterly reports with state insurance regulators in each of the states in which they do business. Such annual and quarterly reports are required to be prepared on a calendar year basis. In addition, the U.S. insurance subsidiaries' operations and accounts are subject to examination at regular intervals by state regulators. The respective reports filed in accordance with applicable insurance regulations with respect to the most recent periodic examinations of the U.S. insurance subsidiaries contained no material adverse findings.

Statutory surplus is an important measure utilized by the regulators and rating agencies to assess the Company's U.S. insurance subsidiaries' ability to support business operations and provide dividend capacity. The Company's U.S. insurance subsidiaries are subject to various state statutory and regulatory restrictions that limit the amount of dividends that may be paid without prior approval from regulatory authorities. These restrictions differ by state, but are generally based on calculations incorporating statutory surplus, statutory net income, and/or investment income.

State insurance regulators have also adopted Risk Based Capital ("RBC") requirements that are applicable to the U.S. insurance subsidiaries. These RBC requirements are designed to monitor capital adequacy and to raise the level of protection that statutory surplus provides for policyholders. The RBC formula provides a mechanism for the calculation of an insurance company's Authorized Control Level ("ACL") RBC amount. The initial RBC level which triggers regulatory action is known as the Company Action Level. Failure to achieve this level of RBC, which occurs if policyholders' surplus falls below 200 percent of the ACL, requires the insurance company to submit a plan of corrective action to the relevant insurance commissioner. Based on the RBC formula, at December 31, 2000, the policyholders' surplus of each of the ongoing U.S. insurance subsidiaries was higher than the Company Action Level.

There are additional progressive RBC failure levels, which trigger more stringent regulatory action. An insurance commissioner may allow a property and casualty company at or below the mandatory control level that is writing no business and is running off its existing business to continue its run-off. The Company's Brandywine subsidiary is running off its liabilities consistent with the terms of an Order by the Commissioner of Pennsylvania which includes periodic reporting obligations to the Pennsylvania Insurance Department, as the Commission has determined that these subsidiaries have sufficient assets to meet their obligations.

In November 1999, the U.S. Congress passed the Gramm-Leach-Bliley Act ("GLBA"), financial modernization legislation that reshapes the regulation of the financial services industry in the United States. GLBA repeals provisions of the Glass-Steagall Act and Bank Holding Company Act that had prevented affiliation between banks, broker-dealers and insurers. This legislation defines regulatory supervisory responsibility for newly created Financial Holding Companies. The law purports largely to preserve functional regulation of insurance companies and agents by state insurance departments. However, until a number of Federal agencies finish issuing regulations implementing their new regulatory authority over Financial Holding Companies, it is not possible to predict the exact magnitude of the impact of GLBA on ACE. Further, until the full extent of the integration of banking, securities and insurance businesses is known, it is impossible to predict the impact of this law on competition in the markets in which ACE operates.

Regulations regarding Non-U.S. Operations in the United States

Each state in the U.S. licenses insurers and prohibits, with some exceptions, the sale of insurance by non-admitted, non-U.S. insurers within its jurisdictions. The Company and its non-U.S. insurance subsidiaries, excluding its Lloyd's operations, are not licensed to do business as admitted insurers in any jurisdiction in the U.S.

Many states impose a premium tax (typically 2 percent to 4 percent of gross premiums) on insureds who obtain insurance from non-admitted foreign insurers, such as ACE Bermuda. The premiums charged by the non-U.S. insurer do not include any U.S. state premium tax. Each insured is responsible for determining whether it is subject to any such tax and for paying such tax as may be due.

The U.S. Internal Revenue Code also imposes on policyholders an excise tax on insurance and reinsurance premiums paid to foreign insurers or reinsurers with respect to risks located in the United States. The rates of tax applicable to premiums paid to Bermuda domiciled companies are 4 percent for insurance premiums and 1 percent for reinsurance premiums.

There can be no assurance that new or additional legislation in the U.S. will not be proposed and enacted that has the effect of subjecting the Company's non-U.S. insurance subsidiaries, including its Lloyd's operations, to regulation in the U.S.

Tax Matters

Corporate Income Tax

ACE Limited is a Cayman Islands corporation that operates as a holding company with offices only in Bermuda and does not pay U.S. corporate income taxes (except certain withholding taxes) on the basis that it is not engaged in a trade or business in the U.S. However, there can be no assurance that the Internal Revenue Service ("IRS") will not contend to the contrary. If ACE Limited were subject to U.S. income tax, there could be a material adverse effect on the Company's shareholders' equity and earnings. ACE Limited and its Bermuda-based insurance and reinsurance subsidiaries do not file U.S. income tax returns reporting income subject to U.S. income tax since they do not conduct business within the U.S. However, ACE Limited and its Bermuda-based insurance and reinsurance subsidiaries have filed protective tax returns reporting no U.S. income to preserve their ability to deduct their ordinary and necessary business expenses should the IRS successfully challenge their contention that none of their income is subject to a net income tax in the U.S.

Under current Cayman Islands law, ACE Limited is not required to pay any taxes on its income or capital gains. ACE Limited has received an undertaking that, in the event of any taxes being imposed, ACE Limited will be exempted from taxation in the Cayman Islands until the year 2013.

Under current Bermuda law, ACE Limited and its Bermuda subsidiaries are not required to pay any taxes on its income or capital gains. ACE Limited and the Bermuda subsidiaries have 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 is 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 Names/Corporate Members in proportion to their participation in the relevant syndicates. The Company's Corporate Members are subject to this arrangement but, as U.K. domiciled companies, will receive U.K. corporation tax credits for any U.S. income tax incurred up to the value of the equivalent U.K. 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.

Related Person Insurance Income

Each U.S. person who beneficially owns Ordinary Shares of the Company (directly or through foreign entities) on the last day of a non-U.S. insurance company subsidiary's fiscal year will have to include in such person's gross income for U.S. tax purposes a proportionate share (determined as described herein) of the related person insurance income ("RPII") of such insurance company subsidiary if the RPII of such insurance company

subsidiary, determined on a gross basis, is 20 percent or more of that insurance company subsidiary's gross insurance income in such fiscal year. RPII is income attributable to insurance policies where the direct or indirect insureds are U.S. shareholders or are related to U.S. shareholders of the Company. RPII may be includible in a U.S. shareholder's gross income for U.S. tax purposes regardless of whether or not such shareholder is an insured.

For the calendar year ended December 31, 2001, the Company believes that gross RPII of each of its insurance company subsidiaries was below 20 percent for the year. Although no assurances can be given, the Company anticipates that gross RPII of each of its non-U.S. insurance company subsidiaries will be less than 20 percent of each such subsidiary's gross insurance income for subsequent years and the Company will endeavor to take such steps as it determines to be reasonable to cause its gross RPII to remain below such level.

The RPII provisions of the Internal Revenue Code of 1986, as amended (the "Code"), have never been interpreted by the courts. Regulations interpreting the RPII provisions of the Code exist only in proposed form, having been proposed on April 16, 1991. It is not certain whether these regulations will be adopted in their proposed form or what changes or clarifications might ultimately be made thereto or whether any such changes, as well as any interpretation or application of RPII by the IRS, the courts, or otherwise, might have retroactive effect.

Employees

At December 31, 2001, the Company employed a total of 7,676 persons. Approximately 1,100 of the Company's employees are represented by various collective bargaining agreements, all of which are outside the U.S., United Kingdom and Bermuda. Of these employees 385 are employed in Asia Pacific and 560 in Europe. The remaining employees are in various countries in Latin America.

		Australia				Total
Bermuda	North America	Europe	& New Zealand	Asia Pacific	Latin America	
244	4,299	1,418	193	1,084	438	7,676

Item 2. Properties

The Company operates in the United States and in almost 50 countries around the world. During 2001, ACE Limited and ACE Bermuda moved into the new ACE Global Headquarters building in Hamilton, Bermuda. The Company continues to lease offices in Bermuda from a joint venture company in which the Company has a 40 percent interest. As part of the Company's acquisition of ACE INA, ACE assumed the lease of Two Liberty Place, in Philadelphia, which consists of approximately 1.25 million total square feet, and various other leases and properties in the U.S. and other countries. It is the Company's intention during 2002 to bring together all of the London-based staff of ACE Global Markets and ACE Europe in a new headquarters in London. The majority of all office facilities throughout the world that are occupied by the Company and its subsidiaries are leased. The Company is not dependent on its facilities to conduct business.

Item 3. Legal Proceedings

The Company's insurance subsidiaries are subject to claims litigation involving disputed interpretations of policy coverages and in some jurisdictions, direct actions by allegedly injured persons seeking damages from policyholders. These lawsuits involving claims on policies issued by the Company's subsidiaries which are typical to the insurance industry in general and in the normal course of business, are considered in the Company's loss and loss expense reserves which are discussed in the unpaid losses and loss expenses discussion. In addition to claims litigation, the Company and its subsidiaries are subject to lawsuits and regulatory actions in the normal course of business that do not arise from or directly relate to claims on insurance policies. This

category of business litigation typically involves, inter alia, allegations of underwriting errors or misconduct, employment claims, regulatory activity or disputes arising from the Company's business ventures. While the outcomes of the business litigation involving ACE cannot be predicted with certainty at this point, ACE is disputing and will continue to dispute allegations against it that are without merit and believes that the ultimate outcomes of matters in this category of business litigation will not have a material adverse effect on its financial condition, future operating results or liquidity.

Item 4. Submission Of Matters To A Vote Of Security Holders

No matters were submitted to a vote of stockholders during the fourth quarter of the fiscal year covered by this report. A proxy statement was mailed to stockholders in December 2001 with respect to an Extraordinary Meeting of Shareholders ("EGM"). The EGM was held on January 22, 2002 at which time the stockholders voted on the following matters:

a) Proposal to increase the number of authorized Ordinary Shares of the Company from 300 million shares to 500 million shares.

The holders of 213,465,370 shares voted in favour, 1,828,531 voted against and 87,957 abstained.

b) Proposal to increase the number of authorized Other Shares of the Company from 10 million shares to 20 million shares.

The holders of 156,032,346 shares voted in favour, 38,547,831 voted against and 94,659 abstained.

EXECUTIVE OFFICERS OF THE COMPANY

The table below sets forth the names, ages, positions and business experience of the executive officers of the Company.

Name	Age	Position
----	---	-----
Brian Duperreault.....	54	Chairman, Chief Executive Officer & Director
Donald Kramer.....	64	Vice Chairman and Director
Dominic J. Frederico.....	48	President, Chief Operating Officer & Director, ACE Limited, Chairman, ACE INA
Evan G. Greenberg.....	47	Vice Chairman, ACE Limited and Chief Executive Officer, ACE Tempest Reinsurance Company Limited
Philip V. Bancroft.....	41	Chief Financial Officer
Peter N. Mear.....	57	General Counsel & Secretary
Robert A. Blee.....	39	Chief Accounting Officer

Brian Duperreault has been a director of ACE since October 1994. Mr. Duperreault has served as Chairman and Chief Executive Officer of ACE since November 1999 and as Chairman, President and Chief Executive Officer of ACE from October 1994 through November 1999. Prior to joining ACE, Mr. Duperreault had been employed with American International Group ("AIG") since 1973 and served in various senior executive positions with AIG and its affiliates from 1978 until September 1994, most recently as Executive Vice President, Foreign General Insurance and, concurrently, as Chairman and Chief Executive Officer of American International Underwriters Inc., a subsidiary of AIG, from April 1994 to September 1994. Mr. Duperreault was President of American International Underwriters Inc. from 1991 to April 1994, and Chief Executive Officer of AIG affiliates in Japan and Korea from 1989 until 1991.

Donald Kramer has been a director and Vice Chairman of ACE since July 1996, following the acquisition of ACE Tempest Re. Mr. Kramer served as Chairman or Co-Chairman of the Board of Tempest from its formation in September 1993 until July 1996 and was President of ACE Tempest Re from July 1996 until 1999. ACE Tempest Re was acquired by the Company on July 1, 1996. Prior to the formation of ACE Tempest Re, he was President of Kramer Capital Corporation (venture capital investments) from March to September 1993, President of Carteret Federal Savings Bank (banking) from August 1991 to March 1993, Chairman of the Board of NAC Re Corporation (reinsurance) from June 1985 to June 1993, Chairman of the Board and Chief Executive Officer of KCP Holding Company (insurance) from July 1986 to August 1991 and of its affiliates, KCC Capital Managers (insurance investments) and Kramer Capital Consultants, Inc. (insurance investments), as well as Chairman of the Board of its subsidiary, National American Insurance Company of California (insurance) from September 1988 to August 1991.

Dominic J. Frederico has served as President and Chief Operating Officer of ACE and Chairman of ACE INA since November 1999. On November 16, 2001, Mr. Frederico was appointed to the Board of Directors. Mr. Frederico has also served as Chairman, President and Chief Executive Officer of ACE INA from May 1999 through November 1999. Mr. Frederico previously served as President of ACE Bermuda since July 1997, Executive Vice President, Underwriting since December 1996, and as Executive Vice President, Financial Lines from January 1995 to December 1996. Mr. Frederico served in various capacities at AIG in Europe and the U.S. from 1982 to January 1995, most recently as Senior Vice President and Chief Financial Officer of an AIG subsidiary, with multi-regional general management responsibilities.

Evan G. Greenberg joined the ACE Group of Companies as Vice Chairman, ACE Limited, and Chief Executive Officer, ACE Tempest Re in November 2001. Mr. Greenberg was most recently President and Chief Operating Officer of AIG, a position he held from 1997 until 2000. From 1975 until 1997, Mr. Greenberg held a variety of senior management positions at AIG including Chief Operating Officer of AIU, AIG's Foreign General Insurance Organization, and President and Chief Executive Officer of AIU.

Philip V. Bancroft was appointed to the position of Chief Financial Officer of ACE Limited in January 2002. For nearly 20 years, Mr. Bancroft worked for PricewaterhouseCoopers LLP. Most recently he served as partner-in-charge of the New York Regional Insurance Practice. Mr. Bancroft has been a Partner with PricewaterhouseCoopers LLP for 10 years.

Peter N. Mear has served as General Counsel and Secretary of ACE since April 1996. Mr. Mear served as Vice President and Claims Counsel of Aetna Casualty and Surety Company from February 1991 to April 1996 and Counsel and Litigation Section Head of Aetna Life & Casualty from September 1977 to February 1991.

Robert A. Blee has served as Chief Accounting Officer of ACE since October 1998. Mr. Blee served as Group Controller of ACE from January 1997 to October 1998, Vice President, Finance of ACE from July 1996 to January 1997, Assistant Vice President and Assistant Controller from October 1994 to July 1996 and Chief Accountant from August 1993 to October 1994.

PART II

Item 5. Market for the Registrant's Ordinary Shares and Related Stockholder Matters

(a) The Company's Ordinary Shares, par value \$0.041666667 per share, have been listed on the New York Stock Exchange since March 25, 1993. The ticker symbol was changed to ACE from ACL on March 30, 2001. On January 22, 2002, the Company held an Extraordinary General Meeting whereby the shareholders of ACE Limited approved a proposal to increase the number of authorized Ordinary Shares from 300 million shares to 500 million shares. At the meeting, the shareholders also approved a proposal increasing the number of authorized Other Shares from 10 million shares to 20 million shares. The Other Shares may be issued in one or more classes or series with the terms, such as the dividend rates, voting rights, conversion rates, rights and terms of redemption and other rights, preferences and restrictions, established by the Board of Directors of the Company.

The following table sets forth the high and low closing sales prices of the Company's Ordinary Shares per fiscal quarters, as reported on the New York Stock Exchange Composite Tape for the periods indicated:

	2001		2000	
	High	Low	High	Low
Quarter ending March 31.....	\$41.25	\$33.10	\$22.88	\$14.69
Quarter ending June 30.....	\$39.89	\$31.72	\$30.44	\$20.50
Quarter ending September 30.....	\$38.71	\$20.50	\$39.75	\$27.56
Quarter ending December 31.....	\$40.27	\$28.90	\$43.56	\$33.56

The last reported sale price of the Ordinary Shares on the New York Stock Exchange Composite Tape on February 28, 2002 was \$43.90.

(b) The approximate number of record holders of Ordinary Shares as of February 28, 2002 was 1,886.

(c) The following table represents dividends paid per share to shareholders of record on each of the following dates:

Shareholders of Record as of:	Shareholders of Record as of:
March 30, 2001..... \$0.13	March 31, 2000..... \$0.11
June 29, 2001..... \$0.15	June 30, 2000..... \$0.13
September 28, 2001..... \$0.15	September 30, 2000..... \$0.13
December 31, 2001..... \$0.15	December 29, 2000..... \$0.13

On September 12, 2000, the Company completed the sale of 12.25 million Ordinary Shares for net proceeds of approximately \$400 million. On October 25, 2001, the Company completed the sale of 32.89 million Ordinary Shares for net proceeds of approximately \$1.1 billion.

ACE is a holding company whose principal source of income is investment income and dividends from its operating subsidiaries. The ability of the operating subsidiaries to pay dividends to ACE and the Company's ability to pay dividends to its shareholders are each subject to legal and regulatory restrictions. The declaration and payment of future dividends will be 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. See "Management's Discussion and Analysis of Results of Operations and Financial Condition Liquidity and Capital Resources" in the 2001 Annual Report to Shareholders filed with this Form 10-K.

Item 6. Selected Financial Data

Selected financial data for the three years ended December 31, 2001, 2000 and 1999, the three month period ended December 31, 1998, and the two years ended September 30, 1998 and 1997, is incorporated by reference to page 1 of the 2001 Annual Report to Shareholders filed in Exhibit 13.1 filed with this Form 10-K.

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

This item is incorporated by reference to pages 30 through 51 of the 2001 Annual Report to Shareholders filed in Exhibit 13.1 filed with this Form 10-K.

Item 7a. Quantitative and Qualitative Disclosures about Market Risk

This item is incorporated by reference to page 50 of the 2001 Annual Report to Shareholders filed in Exhibit 13.1 filed with this Form 10-K.

Item 8. Financial Statements and Supplementary Data

This item is incorporated by reference to pages 52 through 100 of the 2001 Annual Report to Shareholders filed in Exhibit 13.1 filed with this Form 10-K.

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

There have been no changes in nor any disagreements with accountants on accounting and financial disclosure within the two years ended December 31, 2001.

PART III

Item 10. Directors and Executive Officers of the Registrant

This item is incorporated by reference to the sections entitled "Election of Directors-Nominees for Election to Terms Expiring in 2005" and "Election of Directors-Directors Whose Terms of Office Will Continue After This Meeting" of the definitive proxy statement for the Annual General Meeting of Shareholders to be held on May 16, 2002, which involves the election of directors and will be filed with the Securities and Exchange Commission not later than 120 days after the close of the fiscal year pursuant to regulation 14A.

Item 11. Executive Compensation

This item is incorporated by reference to the section entitled "Executive Compensation" of the definitive proxy statement for the Annual General Meeting of Shareholders to be held on May 16, 2002, which will be filed with the Securities and Exchange Commission not later than 120 days after the close of the fiscal year pursuant to regulation 14A.

Item 12. Security Ownership and Certain Beneficial Owners and Management

This item is incorporated by reference to the section entitled "Beneficial Ownership of Ordinary Shares" of the definitive proxy statement for the Annual General Meeting of Shareholders to be held on May 16, 2002, which will be filed with the Securities and Exchange Commission not later than 120 days after the close of the fiscal year pursuant to regulation 14A.

Item 13. Certain Relationships and Related Transactions

This item is incorporated by reference to the section entitled "Election of Directors-Certain Business Relationships" of the definitive proxy statement for the Annual General Meeting of Shareholders to be held on May 16, 2002, which will be filed with the Securities and Exchange Commission not later than 120 days after the close of the fiscal year pursuant to regulation 14A.

PART IV

Item 14. Exhibits, Financial Statements, Schedules and Reports on Form 8

(a) Financial Statements, Schedules and Exhibits

1. Financial Statements

The following is a list of financial statements filed as part of this Report, all of which have been incorporated by reference to the material in the 2001 Annual Report to Shareholders as described under Item 8 of this Report

- Report of Independent Accountants -- Consolidated Balance Sheets at December 31, 2001 and 2000 -- Consolidated Statements of Operations for the years ended December 31, 2001, 2000 and 1999
- Consolidated Statements of Shareholders' Equity for the years ended December 31, 2001, 2000 and 1999
- Consolidated Statements of Comprehensive Income for the years ended December 31, 2001, 2000 and 1999
- Consolidated Statements of Cash Flows for the years ended December 31, 2001, 2000 and 1999
- Notes to Consolidated Financial Statements.

2. Financial Statement Schedules

Included in Part IV of this report.

	Schedule Number	Page
	-----	----
-- Report of Independent Accountants on financial statement schedules included in Form 10-K.....		37
-- Summary of Investments.....	I	38
-- Condensed financial information of the Registrant as of December 31, 2001 and 2000, and for the years ended December 31, 2001, 2000 and 1999.....	II	39
-- Supplemental information concerning Reinsurance.....	IV	42
-- Supplemental information concerning Property/Casualty Operations.....	VI	43

Other schedules have been omitted as they are not applicable to the Company, or the required information has been included in the financial statements and related notes.

3. Exhibits

- 2.1 Amended and Restated Agreement and Plan of Merger, dated as of October 26, 1999, among Capital Re Corporation, ACE Limited and CapRe Acquisition Corp. (Incorporated by reference to Exhibit 2.1 to Registration Statement on Form S-4 (No. 333-90927))
- 2.2 First Amendment to Amended and Restated Agreement and Plan of Merger, dated as of November 29, 1999, among Capital Re Corporation, ACE Limited and CapRe Acquisition Corp. (Incorporated by reference to Exhibit 2.5 to Registration Statement on Form S-4 (No. 33-90927))
- 2.3 Acquisition Agreement, dated as of January 11, 1999, among CIGNA Corporation, CIGNA Holdings, Inc. and ACE Limited (Incorporated by reference to Exhibit 2.1 of the Form 8-K current report (Date of earliest event reported: July 2, 1999))
- 2.4 Amendment No. 1 to Acquisition Agreement, dated as of July 2, 1999, CIGNA Corporation, CIGNA Holdings, Inc. and ACE Limited (Incorporated by reference to Exhibit 2.2 of the Form 8-K current report (Date of earliest event reported: July 2, 1999))
- 2.5 Amendment No. 2 to Acquisition Agreement, dated as of July 2, 1999, CIGNA Corporation, CIGNA Holdings, Inc. and ACE Limited (Incorporated by reference to Exhibit 2.3 of the Form 8-K current report (Date of earliest event reported: July 2, 1999))
- 3.1 Memorandum of Association of the Company (Incorporated by reference to Exhibit 3.1 to Form 10-K for the year ended September 30, 1998)

- 3.2 Articles of Association of the Company (Incorporated by reference to Exhibit 3.2 to Form 10-K for the year ended September 30, 1998)
- 3.3 Special Resolutions adopted January 22, 2002 increasing the number of authorized Ordinary Shares and Other Shares
- 4.1 Memorandum of Association of the Company (see Exhibit 3.1)
- 4.2 Articles of Association of the Company (see Exhibit 3.2)
- 4.3 Specimen certificate representing Ordinary Shares
- 4.4 Form of the Declaration of Terms of Capital Re LLC 7.65% Cumulative Monthly Income Preferred Shares, Series A, January 24, 1994 (Incorporated by reference to Exhibit 4.2 to Capital Re's Registration Statement on Form S-3 (Reg. No. 33-72090))
- 4.5 Form of Liability Assumption Agreement dated as of January 24, 1994, between Capital Re Corporation and Capital Re LLC (Incorporated by reference to Exhibit 99.2 to Capital Re's Registration Statement on Form S-3 (Reg. No. 33-72090))
- 4.6 Form of Loan Agreement dated as of January 24, 1994, between Capital Re Corporation and Capital Re LLC (Incorporated by reference to Exhibit 99.1 to Capital Re's Registration Statement on Form S-3 (Reg. No. 33-72090))
- 4.7 Form of Payment and Guarantee Agreement dated as of January 24, 1999, by Capital Re Corporation and Capital Re LLC (Incorporated by reference to Exhibit 4.1 to Capital Re's Registration Statement on Form S-3 (Reg. No. 33-72090))
- 10.1* ACE Limited Annual Performance Incentive Plan (Incorporated by reference to Exhibit 10.13 to the Registration Statement on Form S-1 of the Company (No. 33-57206))
- 10.2* ACE Limited Equity Linked Incentive Plan (Incorporated by reference to Exhibit 10.14 to the Registration Statement on Form S-1 of the Company (No. 33-57206))
- 10.3* Amendment to ACE Limited Equity Linked Incentive Plan (Incorporated by reference to Exhibit 10.15 to the Registration Statement on Form S-1 of the Company (No. 33-57206))
- 10.4* Form of restricted stock award dated August 24, 1993, to ACE Limited Directors (Incorporated by reference to Exhibit 10.39 to Form 10-K of the Company for the year ended September 30, 1993)
- 10.5* Employment Agreement, dated October 1, 1994, between ACE Limited and Brian Duperreault (Incorporated by reference to Exhibit 10.42 to Form 10-K of the Company for the year ended September 30, 1994)
- 10.6* Employment Agreement, dated January 9, 1995, between ACE Limited and Dominic J. Frederico (Incorporated by reference to Exhibit 10.45 to Form 10-K of the Company for the year ended September 30, 1995)
- 10.7* Second amendment to ACE Limited Equity Linked Incentive Plan (Incorporated by reference to Exhibit 10.45 to Form 10-K of the Company for the year ended September 30, 1995)
- 10.8* Employee Stock Purchase Plan (Incorporated by reference to Exhibit 10.36 to Form 10-Q of the Company for the quarter ended March 31, 1996)
- 10.9* ACE Limited 1996 Tempest Replacement Option Plan (Incorporated by reference to Exhibit 10.24 to Form 10-K of the Company for the year ended September 30, 1996)
- 10.10* Third Amendment to Equity Linked Incentive Plan-Stock Appreciation Right Plan (Incorporated by reference to Exhibit 10.28 to Form 10-Q of the Company for the quarter ended March 31, 1997)
- 10.11* ACE Limited Elective Deferred Compensation Plan (Incorporated by reference to Exhibit 10.1 to Form 10-Q of the Company for the quarter ended December 31, 1997)
- 10.12* ACE Limited Rules of the Approved U.K. Stock Option Program (Incorporated by reference to Exhibit 10.1 to Form 10-Q of the Company for the quarter ended December 31, 1997)
- 10.13 ACE US Holdings, Inc. Credit Sensitive Senior Notes due 2008 Indenture dated as of October 27, 1998 (Incorporated by reference to Exhibit 10.37 of Form 10-K of the Company for the year ended September 30, 1998)
- 10.14* ACE Limited Rules of the Approved U.K. Stock Option Program (Incorporated by reference to Exhibit 10.1 to Form 10-Q of the Company for the quarter ended December 31, 1997)
- 10.15 Information Technology Services Agreement, dated as of June 29, 1999, among ACE INA Holdings Inc. and International Business Machines Corporation (Incorporated by reference to Exhibit 99.1 of the Form 8-K current report (Date of earliest event reported: July 2, 1999))

- 10.16 Remarketing and Contingent Purchase Agreement, dated June 30, 1999, among ACE Limited, ACE INA Holdings Inc., ACE RHINOS Trust and Banc of America Securities LLC (Incorporated by reference to Exhibit 99.2 of the Form 8-K current report (Date of earliest event reported: July 2, 1999))
- 10.17 Indenture, dated as of June 15, 1999, between ACE RHINOS Trust, Holdings and The First National Bank of Chicago, as Trustee (Incorporated by reference to Exhibit 99.4 of the Form 8-K current report (Date of earliest event reported: July 2, 1999))
- 10.18 Supplemental Indenture, dated as of June 30, 1999, between ACE RHINOS Trust, Holdings and The First National Bank of Chicago, as Trustee (Incorporated by reference to Exhibit 99.5 of the Form 8-K current report (Date of earliest event reported: July 2, 1999))
- 10.19 Senior Indenture, dated as of August 1, 1999, among ACE INA Holdings, Inc., ACE Limited and Bank One, NA (formerly The First National Bank of Chicago), as trustee (Incorporated by reference to Exhibit 4.5 to registration statement on Form S-1 of the Company (No. 333-78841))
- 10.20* ACE Limited 1999 Replacement Long Term Incentive Plan (Incorporated by reference to Exhibit 10.1 to the Form 10-Q of the Company for the quarter ended September 30, 1999)
- 10.21 Indenture, dated as of November 30, 1999, among ACE INA Holdings, Inc. and Bank One Trust Company, N.A., as trustee (Incorporated by reference to Exhibit 10.38 to Form 10-K of the Company for the year ended December 31, 1999)
- 10.22 Supplemental Indenture No. 1, dated as of December 6, 1999, among ACE INA Holdings, Inc. and Bank One Trust Company, N.A., as trustee (Incorporated by reference to Exhibit 10.39 to Form 10-K of the Company for the year ended December 31, 1999)
- 10.23 Amended and Restated Trust Agreement, dated December 20, 1999, among ACE INA Holdings, Inc., Bank One Trust Company, National Association, as property trustee, Bank One Delaware Inc., as Delaware trustee and the administrative trustees named therein (Incorporated by reference to Exhibit 10.40 to Form 10-K of the Company for the year ended December 31, 1999)
- 10.24 Indenture, dated as of December 1, 1999, among ACE INA Holdings, Inc., ACE Limited and Bank One Trust Company, National Association (Incorporated by reference to Exhibit 10.41 to Form 10-K of the Company for the year ended December 31, 1999)
- 10.25 Common Securities Guarantee Agreement, dated as of December 20, 1999 (Incorporated by reference to Exhibit 10.42 to Form 10-K of the Company for the year ended December 31, 1999)
- 10.26 Preferred Securities Guarantee Agreement, dated as of December 20, 1999 (Incorporated by reference to Exhibit 10.43 to Form 10-K of the Company for the year ended December 31, 1999)
- 10.27* Consulting Agreement dated as of January 1, 2000, between Kramer Capital Corp. and the Company (Incorporated by reference to Exhibit 10.46 to Form 10-K of the Company for the year ended December 31, 1999)
- 10.28* Promissory note from Dominic Frederico (Incorporated by reference to Exhibit 10.47 to Form 10-K of the Company for the year ended December 31, 1999)
- 10.29 \$75 million Credit Facility (subsequently amended to \$100 million) between Capital Re Company, Various Banks and Deutsche Bank AG, as Agent (Incorporated by reference to Exhibit 4.09 to the Annual Report on Form 10-K for Capital Re Corporation for the fiscal year ended December 31, 1994 (Comm. File No. 1-10995))
- 10.30 Reimbursement Agreement dated as of September 8, 1999, among ACE Limited, ACE Bermuda Insurance Ltd., ACE Tempest Reinsurance Ltd., (formerly known as Tempest Reinsurance Company Limited), as account parties, various banks, financial institutions and other institutional lenders, Mellon Bank, N.A., as issuing bank, Deutsche Bank of AG, New York and/or Cayman Islands Branches and Fleet National Bank as documentation agents, and Mellon Bank, N.A. as administrative agent (Incorporated by reference to Exhibit 10.52 to Form 10-K of the Company for the year ended December 31, 1999)
- 10.31* ACE Limited 1999 Replacement Stock Plan (Incorporated by reference to Exhibit 10.54 to Form 10-K of the Company for the year ended December 31, 1999)
- 10.32 Amendment dated as of January 27, 1998, to \$100 Million Credit Facility between Capital Reinsurance Company, Various Banks and Deutsche Bank AG, as Agent (Incorporated by reference to Exhibit 4.11 to Form 10-K for the year ended December 31, 1997 for Capital Re Corporation (Comm. File No. 1-10995))
- 10.33 Amendment dated as of March 22, 1999, to \$100 Million Credit Facility between Capital Reinsurance Company, Various Banks and Deutsche Bank AG, as Agent (Incorporated by reference to Exhibit 4.11 to Form 10-K for the year ended December 31, 1998 for Capital Re Corporation (Comm. File No. 1-10995))

- 10.34 Purchase Contract Agreement, dated as of April 12, 2000, between ACE Limited and The Bank of New York, acting as purchase contract agent for the Holders of Securities (Incorporated by reference to Exhibit 10.2 to Form 10-Q of the Company for the quarter ended March 31, 2000)
- 10.35 Remarketing Agreement, dated as of April 12, 2000, among ACE Limited, The Bank of New York and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated (Incorporated by reference to Exhibit 10.3 to Form 10-Q of the Company for the quarter ended March 31, 2000)
- 10.36 Pledge Agreement, dated as of April 12, 2000, among ACE Limited; The Bank of New York, as Collateral Agent, Custodial Agent and Securities Intermediary; and The Bank of New York, as Purchase Contract Agent (Incorporated by reference to Exhibit 10.4 to Form 10-Q of the Company for the quarter ended March 31, 2000)
- 10.37* ACE USA Officer Deferred Compensation Plan (as amended through January 1, 2000) (Incorporated by reference to Exhibit 10.5 to Form 10-Q of the Company for the quarter ended March 31, 2000)
- 10.38* ACE USA Supplemental Employee Retirement Savings Plan (Incorporated by reference to Exhibit 10.6 to Form 10-Q of the Company for the quarter ended March 31, 2000)
- 10.39 Amendment to Reimbursement Agreement dated as of March 15, 2000, among ACE Limited, ACE Bermuda Insurance Ltd., ACE Tempest Reinsurance Ltd. (formerly known as Tempest Reinsurance Company Limited), Deutsche Bank AG, New York and/or Cayman Islands Branches and Fleet National Bank as Documentation Agents, and Mellon Bank, as Issuing Bank and Administrative Agent. (Incorporated by reference to Exhibit 10.9 to Form 10-Q of the Company for the quarter ended March 31, 2000)
- 10.40 Amended and Restated Five Year Credit Agreement among ACE Limited, ACE Bermuda Insurance Company Ltd., ACE INA Holdings, Inc. and ACE Financial Services, Inc., Mellon Bank, N.A., Bank of America, N.A. and The Chase Manhattan Bank, dated May 8, 2000 (Incorporated by reference to Exhibit 10.1 to Form 10-Q of the Company for the quarter ended June 30, 2000)
- 10.41 Amended and Restated 364 Day Credit Agreement among ACE Limited, ACE Bermuda Insurance Ltd., ACE Tempest Reinsurance Ltd. (formerly known as Tempest Reinsurance Company Limited), ACE INA Holdings Inc., ACE Guaranty Re Inc., Bank of America, N.A., The Chase Manhattan Bank and Morgan Guaranty Trust Company of New York dated May 8, 2000 (Incorporated by reference to Exhibit 10.2 to Form 10-Q of the Company for the quarter ended June 30, 2000)
- 10.42 Third Amendment to Reimbursement Agreement amends the Reimbursement Agreement, dated as of September 8, 1999, and amended as of November 30, 1999 and as of March 15, 2000, among ACE Limited, ACE Bermuda Insurance Ltd., ACE Tempest Reinsurance Ltd. (formerly known as Tempest Reinsurance Company Limited), Deutsche Bank AG, New York and/or Cayman Islands Branches and Fleet National Bank, as Documentation Agents, and Mellon Bank, N.A. dated September 1, 2000 (Incorporated by reference to Exhibit 10.2 to Form 10-Q of the Company for the quarter ended September 30, 2000)
- 10.43 Fourth Amendment to Reimbursement Agreement which amends the Reimbursement Agreement, dated as of September 8, 1999, and amended as of November 30, 1999, as of March 15, 2000 and as of September 1, 2000, among ACE Limited, ACE Bermuda Insurance Ltd., ACE Tempest Reinsurance Ltd. (formerly known as Tempest Reinsurance Company Limited), Deutsche Bank AG, New York and/or Cayman Islands Branches and Fleet National Bank, as Documentation Agents, and Mellon Bank, N.A., as Issuing Bank and Administrative Agent dated as of October 5, 2000 (Incorporated by reference to Exhibit 10.3 to Form 10-Q of the Company for the quarter ended September 30, 2000)
- 10.44 The first amendment which amends the Amended and Restated Five Year Credit Agreement dated as of May 8, 2000, 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., various financial institutions, and Morgan Guaranty Trust Company of New York, as administrative agent dated as of October 23, 2000 (Incorporated by reference to Exhibit 10.4 to Form 10-Q of the Company for the quarter ended September 30, 2000)
- 10.45 The first amendment which amends the Amended and Restated 364-Day Credit Agreement dated as of May 8, 2000, 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 Re Inc., various financial institutions and Morgan Guaranty Trust Company of New York ("MGT"), as administrative agent dated as of October 23, 2000 (Incorporated by reference to Exhibit 10.5 to Form 10-Q of the Company for the quarter ended September 30, 2000)
- 10.46* First Amendment to ACE Limited Employee Stock Purchase Plan (Incorporated by reference to Exhibit 10.59 to Form 10-K of the Company for the year ended December 31, 2000)
- 10.47 Amendment and Restatement Agreement relating to a Letter of Credit Facility Agreement dated November 17, 2000 among ACE Limited, ACE Bermuda Insurance Ltd., Citibank, N.A., as arranger, Barclays Bank plc and ING Barings, as co-arrangers and Citibank International plc, as agent (Incorporated by reference to Exhibit 10.61 to Form 10-K of the Company for the year ended December 31, 2000)

- 10.48* Promissory Note dated January 9, 2001 from Dominic J. Frederico (Incorporated by reference to Exhibit 10.1 to Form 10-Q of the Company for the quarter ended March 31, 2001)
- 10.49 Amended and Restated Credit Agreement dated as of April 6, 2001 among ACE Limited, ACE Bermuda Insurance Ltd., ACE Tempest Reinsurance Ltd., ACE INA Holdings, Inc. and ACE Guaranty Re Inc., certain lenders, JP Morgan, a division of Chase Securities, Inc., as Lead Arranger and Bookrunner, Bank of America, N.A., Barclays Bank PLC and Fleet National Bank, as Co-Syndication Agents and Morgan Guaranty Company of New York, as Administrative Agent. (Incorporated by reference to Exhibit 10.2 to Form 10-Q of the Company for the quarter ended March 31, 2001)
- 10.50* ACE Limited 1998 Long-Term Incentive Plan (as amended through the Second Amendment) (Incorporated by reference to Exhibit 10.3 to Form 10-Q of the Company for the quarter ended March 31, 2001)
- 10.51* The Compromise Agreement dated May 16, 2001 between ACE and John Charman (Incorporated by reference to Exhibit 10.1 to Form 10-Q of the Company for the quarter ended June 30, 2001)
- 10.52* The ACE Limited 1995 Outside Directors Plan (as amended through the Fourth Amendment) (Incorporated by reference to Exhibit 10.2 to Form 10-Q of the Company for the quarter ended June 30, 2001)
- 10.53* The ACE Limited 1995 Long Term Incentive Plan (as amended through the Second Amendment) (Incorporated by reference to Exhibit 10.3 to Form 10-Q of the Company for the quarter ended June 30, 2001)
- 10.54* ACE Limited Supplemental Retirement Plan (as amended and restated effective July 1, 2001) (Incorporated by reference to Exhibit 10.1 to Form 10-Q of the Company for the quarter ended September 30, 2001)
- 10.55 Reimbursement Agreement dated August 24, 2001 among ACE Limited, certain subsidiaries, various lenders and First Union National Bank (Incorporated by reference to Exhibit 10.2 to Form 10-Q of the Company for the quarter ended September 30, 2001)
- 10.56 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 (Incorporated by reference to Exhibit 10.3 to Form 10-Q of the Company for the quarter ended September 30, 2001)
- 10.57 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 (Incorporated by reference to Exhibit 10.4 to Form 10-Q of the Company for the quarter ended September 30, 2001)
- 10.58 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 (Incorporated by reference to Exhibit 10.6 to Form 10-Q of the Company for the quarter ended September 30, 2001)
- 10.59 Amended and Restated Rights Agreement between ACE Limited and Mellon Investor Services LLC, Rights Agent, dated as of December 20, 2001
- 10.60* First Amendment to ACE Ltd. Elective Deferred Compensation Plan, effective as of January 1, 2001
- 10.61* ACE Limited Employee Retirement Plan, as amended and restated effective July 1, 2001 and further amended through December 28, 2001
- 10.62 Second Amendment and Restatement dated as of November 21, 2001 amending and restating a letter of credit facility agreement dated as of November 19, 1999 and amended November 17, 2000 (and further amended as of October 23, 2001) among ACE Limited, ACE Bermuda Insurance Ltd., Citibank, N.A. as arranger, Barclays Bank plc and ING Barings, as co-arrangers, and Citibank International plc, as agent and trustee and certain financial institutions
- 10.63 Reimbursement Agreement for \$500,000,000 Secured Letter of Credit Facility dated as of December 20, 2001 among ACE Limited, certain subsidiaries, various lenders and First Union National Bank
- 13.1 Pages 1 and 30 through 100 of the 2001 Annual Report to Shareholders
- 21.1 Subsidiaries of the Company
- 23.1 Consent of PricewaterhouseCoopers LLP

* Management Contract or Compensation Plan

(b) Reports on Form 8-K

The Company filed a Form 8-K current report (date of earliest event reported: December 20, 2001) pertaining to ACE Limited's announcement that it will change its transfer agent for Ordinary Shares from The Bank of New York to Mellon Investor Services LLC, effective as of the close of business on December 31, 2001.

The Company filed a Form 8-K current report (date of earliest event reported: January 8, 2002) pertaining to the announcement of an earnings advisory on fourth quarter results and the appointment of Philip V. Bancroft as Chief Financial Officer of ACE Limited.

**REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT
SCHEDULES INCLUDED IN FORM 10-K**

Our report on the consolidated financial statements of ACE LIMITED AND SUBSIDIARIES has been incorporated by reference in this Form 10-K from page 53 of the 2001 Annual Report to Shareholders of ACE Limited. In connection with our audits of such financial statements, we have also audited the related financial statement schedules listed in item 14 of this Form 10-K.

In our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as whole, present fairly, in all material respects, the information required to be included therein.

PRICEWATERHOUSECOOPERS LLP

New York, New York
February 13, 2002

SCHEDULE I

SUMMARY OF INVESTMENTS--OTHER THAN INVESTMENTS IN RELATED PARTIES

ACE LIMITED AND SUBSIDIARIES

December 31, 2001

	Cost or Amortized Cost	Fair Value	Amount at which shown in the balance sheet
	-----	-----	-----
	(in thousands of U.S. dollars)		
Fixed maturities:			
Bonds:			
U.S. Treasury and agency.....	\$ 1,314,524	\$ 1,344,076	\$ 1,344,076
Non-U.S. governments.....	1,403,053	1,428,977	1,428,977
Corporate securities.....	6,687,887	6,743,090	6,743,090
Mortgage-backed securities.....	2,272,111	2,322,951	2,322,951
States, municipalities and political subdivision.	1,116,869	1,161,071	1,161,071
	-----	-----	-----
Total fixed maturities.....	12,794,444	13,000,165	13,000,165
	=====	=====	=====
Equity securities:			
Common stock:			
Public utilities.....	164,108	163,931	163,931
Banks, trust and insurance companies.....	50,698	48,094	48,094
Industrial, miscellaneous and all other.....	298,470	253,396	253,396
Non redeemable preferred stock.....	2,752	2,145	2,145
	-----	-----	-----
Total equity securities.....	516,028	467,566	467,566
	-----	-----	-----
Other investments.....	569,045	591,006	591,006
	-----	-----	-----
Short-term investments and cash.....	1,877,176	1,877,176	1,877,176
	-----	-----	-----
Total investments and cash.....	\$15,756,693	\$15,935,913	\$15,935,913
	=====	=====	=====

SCHEDULE II

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

ACE LIMITED AND SUBSIDIARIES

BALANCE SHEETS (Parent Company Only) December 31, 2001 and 2000

	2001	2000
	-----	-----
	(in thousands of U.S. dollars)	
Assets		
Investments and cash		
Investments in subsidiaries and affiliate on equity basis.	\$5,621,604	\$4,975,663
Fixed maturities.....	335,909	402,491
Short-term investments.....	120,892	3,247
Other investments, at cost.....	270	27,715
Cash.....	32,525	46,516
	-----	-----
Total investments and cash.....	6,111,200	5,455,632
Due from subsidiaries and affiliates, net.....	348,372	318,806
Other assets.....	64,570	27,404
	-----	-----
Total assets.....	\$6,524,142	\$5,801,842
	=====	=====
Liabilities		
Accounts payable and accrued liabilities.....	\$ 64,341	\$ 37,454
Dividends payable.....	42,044	33,127
	-----	-----
Total liabilities.....	106,385	70,581
	-----	-----
Mezzanine equity.....	311,050	311,050
	-----	-----
Shareholders' equity		
Ordinary Shares.....	10,828	9,681
Additional paid-in capital.....	3,710,698	2,637,085
Unearned stock grant compensation.....	(37,994)	(29,642)
Deferred compensation obligation.....	16,497	14,597
Retained earnings.....	2,321,576	2,733,633
Accumulated other comprehensive income.....	101,599	69,454
Ordinary shares issued to employee trust.....	(16,497)	(14,597)
	-----	-----
Total shareholders' equity.....	6,106,707	5,420,211
	-----	-----
Total liabilities, mezzanine equity and shareholders' equity.	\$6,524,142	\$5,801,842
	=====	=====

SCHEDULE II (Cont'd.)**CONDENSED FINANCIAL INFORMATION OF REGISTRANT****ACE LIMITED AND SUBSIDIARIES**

STATEMENTS OF OPERATIONS (Parent Company Only) For the years ended December 31, 2001, 2000 and 1999

	2001	2000	1999
	-----	-----	-----
	(in thousands of U.S. dollars)		
Revenues			
Investment income, including intercompany interest income.	\$ 70,075	\$ 36,841	\$ 33,877
Equity in net income of subsidiaries and affiliate.....	(136,456)	575,032	400,623
Net realized loss on investments.....	(13,524)	(1,623)	(9,354)
	-----	-----	-----
	(79,905)	610,250	425,146
Expenses			
Administrative and other expenses.....	(66,509)	(67,268)	(60,183)
	-----	-----	-----
Net income (loss).....	\$(146,414)	\$542,982	\$364,963
	=====	=====	=====

SCHEDULE II (Cont'd.)

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

ACE LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS (Parent Company Only) For the years ended December 31, 2001, 2000 and 1999

	2001	2000	1999
	-----	-----	-----
	(in thousands of U.S. Dollars)		
Cash flows from operating activities			
Net income (loss).....	\$ (146,414)	\$ 542,982	\$ 364,963
Adjustments to reconcile net income to net cash provided by operating activities			
Equity in net income of subsidiaries and affiliate.....	136,456	(575,032)	(400,623)
Net realized gains (losses) on investments.....	13,524	1,623	9,354
Amortization of premium/discounts on fixed maturities.....	(432)	(764)	(3,176)
Amounts due to subsidiaries and affiliate, net.....	153,553	(6,914)	(113,634)
Accounts payable and accrued liabilities.....	26,887	(5,525)	37,808
Accrued interest on advances from affiliate.....	(31,846)	(14,831)	(15,353)
Other.....	(38,300)	9,437	(19,430)
	-----	-----	-----
Net cash flows from (used for) operating activities.....	113,428	(49,024)	(140,091)
	-----	-----	-----
Cash flow from investing activities			
Purchases of fixed maturities.....	(125,733)	(618,049)	(402,079)
Sales of fixed maturities.....	94,689	449,766	467,010
Other investments.....	(1,009)	135	(6,837)
Dividends received from subsidiaries.....	338,873	101,147	966,000
Capitalization of subsidiaries.....	(1,101,000)	(27,103)	(1,160,351)
Advances to affiliate.....	(1,320,100)	(157,435)	(400,000)
Repayment of advances to (from) affiliate.....	625,000	307,435	(20,039)
Intercompany sale of subsidiaries.....	--	82,244	--
	-----	-----	-----
Net cash from (used for) investing activities.....	(1,489,280)	138,140	(556,296)
	-----	-----	-----
Cash flows from financing activities			
Dividends paid on Ordinary Shares.....	(128,745)	(106,459)	(77,836)
Dividends paid on FELINE PRIDES.....	(25,666)	(15,254)	--
Proceeds from bank debt.....	--	289,008	424,886
Proceeds from exercise of options for shares.....	32,666	31,335	5,672
Repayment of bank debt.....	--	(713,894)	--
Proceeds from shares issued under ESPP.....	6,074	1,234	1,151
Advances from affiliates.....	945,100	125,000	330,513
Proceeds from issuance of FELINE PRIDES.....	--	311,050	--
Net proceeds from issuance of Ordinary Shares.....	1,135,878	400,320	--
Loan repayments.....	(424,000)	(370,513)	--
Issuance costs of FELINE PRIDES.....	--	(9,884)	--
Repurchase of Ordinary Shares.....	(179,446)	--	--
	-----	-----	-----
Net cash from (used for) financing activities.....	1,361,861	(58,057)	684,386
	-----	-----	-----
Net increase (decrease) in cash.....	(13,991)	31,059	(12,001)
Cash-beginning of year.....	46,516	15,457	27,458
	-----	-----	-----
Cash-end of year.....	\$ 32,525	\$ 46,516	\$ 15,457
	=====	=====	=====

SCHEDULE IV

ACE LIMITED AND SUBSIDIARIES

SUPPLEMENTAL INFORMATION CONCERNING REINSURANCE

For the years ended December 31, 2001, 2000 and 1999

(in thousands of U.S. dollars)

Premiums Written	Ceded to other		Assumed from	
	Direct Amount	companies	other companies	Net Amount
	-----	-----	-----	-----
2001	\$7,629,233	\$3,801,748	\$2,536,129	\$6,363,614
2000	\$6,093,151	\$2,707,417	\$1,493,620	\$4,879,354
1999	\$3,015,176	\$1,373,809	\$ 853,981	\$2,495,348

SCHEDULE VI

ACE LIMITED AND SUBSIDIARIES

SUPPLEMENTARY INFORMATION CONCERNING PROPERTY/CASUALTY OPERATIONS

For the years ended December 31, 2001, 2000 and 1999

(in thousands of U.S. dollars)

	Deferred Policy Acquisition Costs	Net Reserves for Unpaid Losses and Loss Expenses	Unearned Premium	Net Premiums Earned	Net Investment Income	Net Losses and Loss Expenses Incurred Related to		Amortization of Deferred Policy Acquisition Costs	Net Paid Losses and Loss Expenses	Net Premiums Written
						Current Year	Prior Year			
2001.....	\$677,776	\$10,339,014	\$3,852,019	\$5,510,897	\$776,461	\$4,457,986	\$ 94,470	\$776,812	\$3,776,354	\$5,995,924
2000.....	\$572,757	\$ 9,330,950	\$3,035,288	\$4,534,763	\$770,855	\$2,996,429	\$ (60,364)	\$650,741	\$3,836,281	\$4,879,354
1999.....	\$514,425	\$ 8,908,817	\$2,428,828	\$2,485,737	\$493,337	\$1,601,278	\$ 38,265	\$338,076	\$2,426,486	\$2,495,348

SIGNATURES

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

ACE LIMITED

By:

/S/ PHILIP V. BANCROFT

Philip V. Bancroft
Chief Financial Officer

March 15, 2002

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

<i>Signature</i> -----	<i>Title</i> -----	<i>Date</i> ----
/S/ BRIAN DUPERREAULT ----- Brian Duperreault	Chairman, Chief Executive Officer; Director	March 15, 2002
/S/ PHILIP V. BANCROFT ----- Philip V. Bancroft	Chief Financial Officer (Principal Financial Officer)	March 15, 2002
/S/ ROBERT A. BLEE ----- Robert A. Blee	Chief Accounting Officer (Principal Accounting Officer)	March 15, 2002
/S/ DONALD KRAMER ----- Donald Kramer	Vice Chairman; Director	March 15, 2002
/S/ DOMINIC J. FREDERICO ----- Dominic J. Frederico	President, Chief Operating Officer; Director	March 15, 2002
/S/ MICHAEL G. ATIEH ----- Michael G. Atieh	Director	March 15, 2002
/S/ BRUCE L. CROCKETT ----- Bruce L. Crockett	Director	March 15, 2002
/S/ ROBERT M. HERNANDEZ ----- Robert M. Hernandez	Director	March 15, 2002
/S/ JOHN A. KROL ----- John A. Krol	Director	March 15, 2002
/S/ ROBERTO G. MENDOZA ----- Roberto G. Mendoza	Director	March 15, 2002
/S/ PETER MENIKOFF ----- Peter Menikoff	Director	March 15, 2002

<i>Signature</i> -----	<i>Title</i> -----	<i>Date</i> ----
/S/ THOMAS J. NEFF ----- Thomas J. Neff	Director	March 15, 2002
/S/ ROBERT RIPP ----- Robert Ripp	Director	March 15, 2002
/S/ WALTER A. SCOTT ----- Walter A. Scott	Director	March 15, 2002
/S/ DERMOT F. SMURFIT ----- Dermot F. Smurfit	Director	March 15, 2002
/S/ ROBERT W. STALEY ----- Robert W. Staley	Director	March 15, 2002
/S/ GARY M. STUART ----- Gary M. Stuart	Director	March 15, 2002
/S/ SIDNEY F. WENTZ ----- Sidney F. Wentz	Director	March 15, 2002

Exhibit 3.3

Secretary's Certificate

The undersigned, being the secretary of ACE Limited (the "Company"), does hereby certify that at the Extraordinary General Meeting of the Company held on January 22, 2002, for which proper notice was given, and at which a quorum was in attendance by proxy or in person, the following resolutions were duly adopted:

Special Resolution Relating to the Increase in the Number of Authorized Ordinary Shares

RESOLVED, that:

1.1 the authorized share capital of the Company shall be increased by U.S. \$8,333,334, by way of an increase in the number of Ordinary Shares, par value U.S. \$0.041666667 per share, in the share capital of the Company to 500,000,000 Ordinary Shares.

Special Resolution Relating to the Increase in the Number of Authorized Other Shares

RESOLVED, that:

1.1 the authorized share capital of the Company shall be increased by U.S. \$10,000,000, by way of an increase in the number of Other Shares, par value U.S. \$1.00 per share, in the share capital of the Company to 20,000,000 Other Shares.

IN WITNESS WHEREOF, the undersigned has executed this certificate as of the 22/nd/ day of January, 2002.

/s/ Peter Mear

Secretary

Exhibit 4.3

THE ARTICLES OF ASSOCIATION OF ACE LIMITED CONTAIN RESTRICTIONS GIVING THE COMPANY'S DIRECTORS THE ABSOLUTE DISCRETION TO DECLINE TO REGISTER THE TRANSFER OF ORDINARY SHARES IN CERTAIN CIRCUMSTANCES, INCLUDING IF SUCH TRANSFER WOULD RESULT IN A PERSON OR GROUP OF PERSONS DIRECTLY OR INDIRECTLY BENEFICIALLY OWNING MORE THAN 10% OF THE OUTSTANDING ORDINARY SHARES. IN ADDITION, THE COMPANY'S ARTICLES OF ASSOCIATION PROVIDE THAT THE VOTING RIGHTS WITH RESPECT TO ORDINARY SHARES DIRECTLY OR INDIRECTLY BENEFICIALLY OWNED BY ANY PERSON OR GROUP OF PERSONS DIRECTLY OR INDIRECTLY BENEFICIALLY OWNING MORE THAN 10% OF THE OUTSTANDING ORDINARY SHARES WILL BE LIMITED TO A VOTING POWER OF APPROXIMATELY 10%. THE COMPANY WILL FURNISH A COPY OF ITS ARTICLES OF ASSOCIATION TO THE HOLDER OF RECORD OF THIS CERTIFICATE WITHOUT CHARGE UPON WRITTEN REQUEST TO THE SECRETARY OF THE COMPANY AT ITS PRINCIPAL PLACE OF BUSINESS.

ACE Limited will furnish without charge to each shareholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of shares or series thereof of the Company, and the qualifications, limitations, or restrictions of such preferences and/or rights. Such request may be made to the Secretary of the Company at its principal place of business.

This certificate also evidences and entitles the holder hereof to certain rights as set forth in the Rights Agreement between ACE Limited (the "Company") and Mellon Investor Services LLC, effective as of December 31, 2001 (the "Rights Agreement"), the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal offices of the Company. Under certain circumstances, as set forth in the Rights Agreement, such Rights will be evidenced by separate certificates and will no longer be evidenced by this certificate. The Company will mail to the holder of this certificate a copy of the Rights Agreement, as in effect on the date of mailing, without charge promptly after receipt of a written request therefor. Under certain circumstances set forth in the Rights Agreement, Rights issued to, or held by, any Person who is, was or becomes an Acquiring Person or an Affiliate or Associate thereof (as such terms are defined in the Rights Agreement), whether currently held by or on behalf of such Person or by any subsequent holder, shall become null and void.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM _ as tenants in common UNIF GIFT MIN ACT _ _____ Custodian _____

(Cust) (Minor)

TEN ENT _ as tenants by the entireties under Uniform Gifts to Minors

JT TEN _ as joint tenants with right

Act _____

of survivorship and not as
(State)
tenants in common

Additional abbreviations may also be used though not in the above list.

For Value Received, _____ hereby sell, assign and transfer unto

**PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE**

(Please print or typewrite name and address, including zip code, of assignee)

_____ **Shares**

of the Shares represented by the within Certificate, and do hereby irrevocably constitute and appoint

Attorney

to transfer the said shares on the books of the within named Corporation with full power of substitution in the premises.

Dated _____

AC

**THIS CERTIFICATE IS TRANSFERABLE
IN RIDGEFIELD PARK, NJ
OR NEW YORK, NY**

**INCORPORATED UNDER THE LAWS
OF THE CAYMAN ISLANDS**

CUSIP G0070K 10 3

**SEE REVERSE FOR CERTAIN ABBREVIATIONS AND FOR A SUMMARY OF CERTAIN RESTRICTIONS ON SHARE
TRANSFERS AND LIMITATIONS ON VOTING RIGHTS**

ace limited

THIS IS TO CERTIFY THAT

IS THE OWNER OF

**FULLY PAID AND NON-ASSESSABLE ORDINARY SHARES, PAR VALUE U.S. \$0.041666667, IN THE ABOVE-NAMED COMPANY
SUBJECT TO THE MEMORDANDUM AND ARTICLES OF ASSOCIATION THEREOF.**

This certificate is transferable on the books of the Corporation in person or by duly authorized attorney upon surrender of this certificate properly endorsed.

This certificate is not valid until countersigned and registered by the Transfer Agent and Registrar.

Witness the facsimile seal of the Corporation and the facsimile signatures of its duly authorized Directors.

Dated:

GENERAL COUNSEL AND SECRETARY

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

COUNTERSIGNED AND REGISTERED:

MELLON INVESTOR SERVICES LLC

**TRANSFER AGENT
BY
AND REGISTRAR**

AUTHORIZED SIGNATURE

AMENDED AND RESTATED

RIGHTS AGREEMENT

between

ACE LIMITED

and

MELLON INVESTOR SERVICES LLC

Rights Agent

Dated as of December 20, 2001

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**AMENDED AND RESTATED
RIGHTS AGREEMENT**

This Amended and Restated Rights Agreement, dated as of December 20, 2001 (this "Agreement"), between ACE Limited, a Cayman Islands company (the "Company"), and Mellon Investor Services LLC, a New Jersey limited liability company (the "Rights Agent") amends and restates the Rights Agreement dated as of May 7, 1999 between the Company and the Bank of New York, a New York banking corporation, and reflects the change in Rights Agent.

WITNESSETH:

WHEREAS, the Board of Directors of the Company has authorized and declared a dividend of one Preference Share purchase right (a "Right") for each Ordinary Share (as hereinafter defined) of the Company outstanding as of the close of business on June 1, 1999 (the "Record Date"), each Right representing the right to purchase one one-thousandth of a Preference Share (as hereinafter defined), upon the terms and subject to the conditions herein set forth, and has further authorized and directed the issuance of one Right with respect to each Ordinary Share that shall become outstanding between the Record Date and the Expiration Date (as such term is hereinafter defined);

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the parties hereby agree as follows:

Section 1. Certain Definitions. For purposes of this Agreement, the following terms have the meanings indicated:

"Acquiring Person" shall mean any Person (as such term is hereinafter defined) who or which, together with all Affiliates and Associates (as such terms are hereinafter defined) of such Person, shall be the Beneficial Owner (as such term is hereinafter defined) of 15% or more of the Ordinary Shares of the Company then outstanding, but shall not include (i) the Company, (ii) any Subsidiary (as such term is hereinafter defined) of the Company, or (iii) any employee benefit plan of the Company or of any Subsidiary of the Company or any Person holding Ordinary Shares for or pursuant to the terms of any such plan. Notwithstanding the foregoing, no Person shall become an "Acquiring Person" as the result of (i) an acquisition of Ordinary Shares by the Company which, by reducing the number of Ordinary Shares outstanding, increases the proportionate number of Ordinary Shares beneficially owned by such Person to 15% or more of the Ordinary Shares of the Company then outstanding, or (ii) the acquisition by such Person of newly-issued Ordinary Shares directly from the Company (it being understood that a purchase from an underwriter or other intermediary is not deemed for purposes hereof to be a purchase directly from the Company); provided, however, that if a Person shall become the Beneficial Owner of 15% or more of the Ordinary Shares of the Company then outstanding by reason of share purchases by the Company or the receipt of newly-issued Ordinary Shares directly from the Company and shall, after such share purchases or direct issuance by the Company, become the Beneficial Owner of any additional Ordinary Shares of the Company, then

such Person shall be deemed to be an "Acquiring Person"; and provided, further, that any transferee from such Person who becomes the Beneficial Owner of 15% or more of the Ordinary Shares of the Company then outstanding shall nevertheless be deemed to be an "Acquiring Person". Notwithstanding the foregoing, if the Board of Directors of the Company determines in good faith that a Person who would otherwise be an "Acquiring Person," as defined pursuant to the foregoing provisions of this paragraph, has become such inadvertently, and such Person divests as promptly as practicable (and in any event within ten Business Days after notification by the Company) a sufficient number of Ordinary Shares so that such Person would no longer be an Acquiring Person, as defined pursuant to the foregoing provisions of this paragraph, then such Person shall not be deemed to be an "Acquiring Person" for any purposes of this Agreement.

"Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act, as in effect on the date of this Agreement.

A Person shall be deemed the "Beneficial Owner" of and shall be deemed to have "beneficial ownership" of or "beneficially own" any securities:

(a) which such Person or any of such Person's Affiliates or Associates beneficially owns, directly or indirectly;

(b) which such Person or any of such Person's Affiliates or Associates, directly or indirectly, has (i) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, whether written or oral (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities, but only to the extent such securities are held for a period consistent with such a bona fide public offering), or upon the exercise of conversion rights, exchange rights, rights (other than these Rights), warrants or options, or otherwise; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, (A) securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase or exchange, (B) securities issuable upon exercise of Rights at any time prior to the occurrence of a Triggering Event (as such term is hereinafter defined) or (C) securities issuable upon exercise of Rights from and after the occurrence of a Triggering Event, which Rights were acquired by such Person or any of such Person's Affiliates or Associates prior to the Distribution Date or pursuant to Section 3(a) hereof ("Original Rights") or pursuant to Section 11(i) or Section 22 hereof in connection with an adjustment made with respect to Original Rights;

(ii) the sole or shared right to vote or dispose of (including any such right pursuant to any agreement, arrangement or understanding, whether written or oral); provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, any security if the agreement, arrangement or understanding to vote such security (1) arises solely from a revocable proxy or consent given to such Person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations promulgated under the

Exchange Act and (2) is not also then reportable on Schedule 13D under the Exchange Act (or any comparable or successor report); or (iii) "beneficial ownership" (as determined pursuant to Rule 13d-3 (or any successor rule) of the General Rules and Regulations under the Exchange Act); or

(c) which are beneficially owned, directly or indirectly, by any other Person (or any Affiliate or Associate thereof) with which such Person or any of such Person's Affiliates or Associates has any agreement, arrangement or understanding, whether written or oral (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities) for the purpose of acquiring, holding, voting (except to the extent contemplated by the proviso to clause (ii) of subparagraph (b) of this definition) or disposing of any securities of the Company.

(d) which are directly, indirectly or constructively owned by such Person or any of such Person's Affiliates or Associates, within the meaning of Section 958 of the U.S. Internal Revenue Code of 1986, as amended.

Notwithstanding anything in this definition of Beneficial Ownership to the contrary, the phrase "then outstanding," when used with reference to a Person's Beneficial Ownership of securities of the Company, shall mean the number of such securities then issued and outstanding together with the number of such securities not then actually issued and outstanding which such Person would be deemed to own beneficially hereunder.

Notwithstanding anything in this definition of Beneficial Ownership to the contrary, any "clearing agency", as defined in Section 3(a)(23)(A) of the Exchange Act, which is holding securities solely in its capacity as a clearing agency, shall not be deemed to be the Beneficial Owner of such securities.

"Board of Directors" and "Board of Directors of the Company" each shall mean the members of the board of directors of the Company.

"Business Day" shall mean any day other than a Saturday, a Sunday, or a day on which banking institutions in New York, New York are authorized or obligated by law or executive order to close.

"close of business" on any given date shall mean 5:00 P.M., New York time, on such date; provided, however, that if such date is not a Business Day it shall mean 5:00 P.M., New York time, on the next succeeding Business Day.

"Company" shall have the meaning set forth in the preamble hereto.

"current per share market price" shall have the meaning set forth in Section 11(d) hereof.

"Distribution Date" shall have the meaning set forth in Section 3(a) hereof.

"Dollars" or "\$" shall mean U.S. dollars.

"equivalent Preference Shares" shall have the meaning set forth in Section 11(b) hereof.

"Exchange Act" shall mean the U.S. Securities Exchange Act of 1934, as amended.

"Exchange Ratio" shall have the meaning set forth in Section 24(a) hereof.

"Exercise Price" shall have the meaning set forth in Section 4(a) hereof.

"Expiration Date" shall have the meaning set forth in Section 7(a) hereof.

"Final Expiration Date" shall have the meaning set forth in Section 7(a) hereof.

"Nasdaq" shall have the meaning set forth in Section 11(d)(i) hereof.

"NYSE" shall have the meaning set forth in Section 11(d)(i) hereof.

"Ordinary Shares" when used with reference to the Company shall mean the Ordinary Shares, par value \$0.041666667 per share (as such shares may be constituted or designated, or as such par value may be changed, from time to time during the term of this Agreement), of the Company. "Ordinary Shares" when used with reference to any Person other than the Company shall mean the capital stock (or equity interest) with the greatest voting power of such other Person or the equity securities or other equity interest having power to control or direct the management of such other Person.

"Person" shall mean any individual, firm, corporation, partnership, limited liability company or other entity, and shall include any successor (by merger, amalgamation or otherwise) of such entity.

"Preference Shares" shall mean Series A Junior Participating Preference Shares, par value \$1.00 per share, of the Company having the rights, preferences and limitations set forth in the Form of Certificate of Designation, Preferences and Rights of the Preference Shares attached to this Agreement as Exhibit A.

"Principal Party" shall have the meaning set forth in Section 13(b) hereof.

"Record Date" shall have the meaning set forth in the preamble hereto.

"Redemption Date" shall have the meaning set forth in Section 7(a) hereof.

"Right" shall have the meaning set forth in the preamble hereto.

"Rights Agent" shall have the meaning set forth in the preamble hereto.

"Right Certificate" shall have the meaning set forth in Section 3(a) hereof.

"Securities Act" shall mean the U.S. Securities Act of 1933, as amended.

"Shareholder" shall mean a member of the Company.

"Shares Acquisition Date" shall mean the first date of public announcement (which, for purposes of this definition, shall include, without limitation, a report filed pursuant to Section 13(d) of the Exchange Act) by the Company or an Acquiring Person that an Acquiring Person has become such.

"Subsidiary" shall mean, with reference to any Person, any corporation or other entity of which a majority of the voting power of the voting equity securities or equity interests is owned, directly or indirectly, by such Person.

"Summary of Shareholder Rights Plan" shall have the meaning set forth in Section 3(b) hereof.

"Trading Day" shall have the meaning set forth in Section 11(d)(i) hereof.

"Triggering Event" shall mean any event described in Section 11(a)(ii) or Section 13(a) hereof.

"U.S." shall mean the United States of America.

Any determination or interpretation required in connection with any of the definitions contained in this Section 1 shall be made by the Board of Directors of the Company in their good faith judgment, which determination shall be final and binding on the Rights Agent.

Section 2. Appointment of Rights Agent. The Company hereby appoints the Rights Agent to act as agent for the Company in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Company may from time to time appoint such co-Rights Agents as it may deem necessary or desirable upon ten (10) days' prior written notice to the Rights Agent. The Rights Agent shall have no duty to supervise, and shall in no event be liable for, the acts or omissions of any such co-Rights Agent.

Section 3. Issuance of Right Certificates.

(a) Until the earlier of (i) the close of business on the tenth day after the Shares Acquisition Date or (ii) the close of business on the fifteenth Business Day (or such later date as may be determined by action of the Board of Directors prior to such time as any Person becomes an Acquiring Person) after the date of the commencement by any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company or any entity holding Ordinary Shares for or pursuant to the terms of any such plan) of, or of the first public announcement of the

intention of any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company or any entity holding Ordinary Shares for or pursuant to the terms of any such plan) to commence, a tender or exchange offer the consummation of which would result in any Person becoming the Beneficial Owner of Ordinary Shares aggregating 15% or more of the then outstanding Ordinary Shares (including any such date which is after the date of this Agreement and prior to the issuance of the Rights; the earlier of such dates being herein referred to as the "Distribution Date"), (x) the Rights will be evidenced (subject to the provisions of Section 3(b) hereof) by the certificates for Ordinary Shares registered in the names of the holders thereof (which certificates shall also be deemed to be certificates for Rights) and not by separate certificates, and (y) the Rights will be transferable only in connection with the transfer of the underlying Ordinary Shares (including a transfer to the Company). The Company shall give the Rights Agent prompt written notice of the Distribution Date.

As soon as practicable after the Distribution Date, the Company will prepare and execute, the Rights Agent will, after receipt of written notice of the Distribution Date from the Company, countersign, and the Company will send or cause to be sent (and the Rights Agent will, if requested, send, at the expense of the Company) by first-class, insured, postage-prepaid mail, to each record holder of Ordinary Shares as of the close of business on the Distribution Date, at the address of such holder shown on the records of the Company, a Right Certificate, in substantially the form of Exhibit B hereto (a "Right Certificate"), evidencing an aggregate number of Rights equal to one Right for each Ordinary Share so held. As of the Distribution Date, the Rights will be evidenced solely by such Right Certificates.

(b) On the Record Date, or as soon as practicable thereafter, the Company will send a copy of a Summary of Shareholder Rights Plan, in substantially the form of Exhibit C hereto (the "Summary of Shareholder Rights Plan"), to each record holder of Ordinary Shares as of the close of business on the Record Date (other than any Acquiring Person or any Associate or Affiliate of any Acquiring Person), at the address of such holder shown on the records of the Company. With respect to certificates for Ordinary Shares outstanding as of the Record Date, until the Distribution Date, the Rights will be evidenced by such certificates registered in the names of the holders thereof, together with the Summary of Shareholder Rights Plan, and registered holders of Ordinary Shares shall also be the registered holders of the associated Rights. Until the Distribution Date (or the earlier of the Redemption Date or the Final Expiration Date), the transfer of any certificate for Ordinary Shares outstanding on the Record Date, with or without a copy of the Summary of Shareholder Rights Plan, shall also constitute the transfer of the Rights associated with the Ordinary Shares represented thereby.

(c) Rights shall be issued in respect of all Ordinary Shares which are issued (whether originally issued or delivered from the Company's treasury) after the Record Date but prior to the earliest of the Distribution Date, the Redemption Date or the Final Expiration Date. Certificates representing both Ordinary Shares and Rights in accordance with this Section 3 which are executed and delivered (whether the Ordinary Shares represented thereby are originally issued, delivered from the Company's treasury or are

presented for transfer) by the Company (including, without limitation, certificates representing reacquired Ordinary Shares referred to in the last sentence of this paragraph (c)) after the Record Date but prior to the earliest of the Distribution Date, the Redemption Date or the Final Expiration Date shall have impressed on, printed on, written on or otherwise affixed to them a legend substantially equivalent to the following:

This certificate also evidences and entitles the holder hereof to certain rights as set forth in the Amended and Restated Rights Agreement between ACE Limited (the "Company") and Mellon Investor Services LLC, dated as of December 20, 2001 (the "Rights Agreement"), the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal offices of the Company. Under certain circumstances, as set forth in the Rights Agreement, such Rights will be evidenced by separate certificates and will no longer be evidenced by this certificate. The Company will mail to the holder of this certificate a copy of the Rights Agreement, as in effect on the date of mailing, without charge promptly after receipt of a written request therefor. Under certain circumstances set forth in the Rights Agreement, Rights issued to, or held by, any Person who is, was or becomes an Acquiring Person or an Affiliate or Associate thereof (as such terms are defined in the Rights Agreement), whether currently held by or on behalf of such Person or by any subsequent holder, shall become null and void.

Until the Distribution Date, the Rights associated with the Ordinary Shares shall be evidenced by the certificates representing the associated Ordinary Shares alone, and the transfer of any such certificate shall also constitute the transfer of the Rights associated with the Ordinary Shares represented thereby. If the Company purchases or acquires any Ordinary Shares after the Record Date but prior to the Distribution Date, any Rights associated with such Ordinary Shares shall be deemed canceled and retired so that the Company shall not be entitled to exercise any Rights associated with the Ordinary Shares which are no longer outstanding.

Section 4. Form of Right Certificates.

(a) The Right Certificates (and the forms of election to purchase Preference Shares and of assignment to be printed on the reverse thereof) shall each be substantially in the form set forth in Exhibit B hereto and may have such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate (but which do not affect the rights, duties or responsibilities of the Rights Agent) and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any rule or regulation promulgated pursuant thereto or with any rule or regulation of any stock exchange or quotation service on which the Rights may from time to time be listed, or to conform to usage. The Right Certificates shall be in a machine printable format and in a form reasonably satisfactory to the Rights Agent. Subject to the provisions of Sections 11, 13 and 24 hereof, the Right Certificates shall show the date of countersignature and shall entitle the holders thereof to purchase such number of one one-thousandths of a Preference Share as shall be set forth therein at the price per one one-thousandth of a

Preference Share set forth therein (the "Exercise Price"), but the amount and type of securities purchasable upon the exercise of each Right and the Exercise Price thereof shall be subject to adjustment as provided herein.

(b) Any Right Certificate issued pursuant to Section 3(a) or Section 22 hereof that represents Rights beneficially owned by: (i) an Acquiring Person or any Associate or Affiliate of an Acquiring Person, (ii) a transferee of an Acquiring Person (or such Associate or Affiliate) who becomes a transferee after the Acquiring Person becomes an Acquiring Person, or (iii) a transferee of an Acquiring Person (or such Associate or Affiliate) who becomes a transferee prior to or concurrently with the Acquiring Person becoming such and receives such Rights pursuant to either (A) a transfer (whether or not for consideration) from the Acquiring Person to holders of equity interests in such Acquiring Person or to any Person with whom the Acquiring Person has any continuing agreement, arrangement or understanding, whether written or oral, regarding the transferred Rights or (B) a transfer which the Board of Directors otherwise concludes in good faith is part of a plan, arrangement or understanding, whether written or oral, which has as a primary purpose or effect avoidance of Section 7(e) hereof, and any Right Certificate issued pursuant to Section 6 or Section 11 hereof upon the transfer, exchange, replacement or adjustment of any other Right Certificate referred to in this sentence, shall contain (to the extent feasible and otherwise reasonably identifiable as such) the following legend:

The Rights represented by this Right Certificate are or were beneficially owned by a Person who was or became an Acquiring Person or an Affiliate or Associate of an Acquiring Person (as such terms are defined in the Rights Agreement). Accordingly, this Right Certificate and the Rights represented hereby may become void in the circumstances specified in Section 7(e) of such Agreement.

The Company shall instruct the Rights Agent in writing of the Rights which should be so legended and shall supply the Rights Agent with such legended Right Certificates. The provisions of Section 7(e) shall apply whether or not any Right Certificate actually contains the foregoing legend.

Section 5. Countersignature and Registration. The Right Certificates shall be executed on behalf of the Company by its Chairman of the Board, any Vice-Chairman, the President, the Chief Financial Officer, the General Counsel or any executive officer designated by the President, either manually or by facsimile signature, shall have affixed thereto the Company's seal or a facsimile thereof, and shall be attested by the Secretary, an Assistant Secretary, the Treasurer or an Assistant Treasurer of the Company, either manually or by facsimile signature. The Right Certificates shall be manually countersigned by the Rights Agent and shall not be valid for any purpose unless countersigned. In case any officer of the Company who shall have signed any of the Right Certificates shall cease to be such officer of the Company before countersignature by the Rights Agent and issuance and delivery by the Company, such Right Certificates, nevertheless, may be countersigned by the Rights Agent and issued and delivered by the Company with the

same force and effect as though the person who signed such Right Certificates had not ceased to be such officer of the Company; and any Right Certificate may be signed on behalf of the Company by any person who, at the actual date of the execution of such Right Certificate, shall be a proper officer of the Company to sign such Right Certificate, although at the date of the execution of this Agreement any such person was not such an officer.

Following the Distribution Date, the Rights Agent will keep or cause to be kept, at its office designated for such purpose, books for registration and transfer of the Right Certificates issued hereunder. Such books shall show the names and addresses of the respective holders of the Right Certificates, the number of Rights evidenced on its face by each of the Right Certificates and the date of each of the Right Certificates.

Section 6. Transfer, Split Up, Combination and Exchange of Right **Certificates; Mutilated, Destroyed, Lost or Stolen Right Certificates.**

(a) Subject to the provisions of Sections 4(b), 7(e), 14 and 24 hereof, at any time after the close of business on the Distribution Date, and at or prior to the close of business on the earlier of the Redemption Date or the Final Expiration Date, any Right Certificate or Right Certificates may be transferred, split up, combined or exchanged for another Right Certificate or Right Certificates, entitling the registered holder to purchase a like number of Preference Shares (or, following a Triggering Event, Ordinary Shares, other securities or property, as the case may be) as the Right Certificate or Right Certificates surrendered then entitled such holder to purchase. Any registered holder desiring to transfer, split up, combine or exchange any Right Certificate or Right Certificates shall make such request in writing delivered to the Rights Agent, and shall surrender the Right Certificate or Right Certificates to be transferred, split up, combined or exchanged at the office of the Rights Agent designated for such purpose. Neither the Rights Agent nor the Company shall be obligated to take any action whatsoever with respect to the transfer of any such surrendered Right Certificate until the registered holder shall have completed and signed the certificate contained in the form of assignment on the reverse side of such Right Certificate and the Company shall have been provided with such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company shall reasonably request. Thereupon the Rights Agent shall, subject to Sections 4 and 7 hereof, countersign and deliver to the person entitled thereto a Right Certificate or Right Certificates, as the case may be, as so requested. The Company may require payment by the holders of Right Certificates of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer, split up, combination or exchange of Right Certificates. The Rights Agent shall have no duty or obligation to take action under any Section of this Agreement which requires the payment by a Rights holder of applicable taxes and governmental charges unless and until the Rights Agent is satisfied that all such taxes and/or charges have been paid.

(b) Upon receipt by the Company and the Rights Agent of evidence reasonably satisfactory to them of the loss, theft, destruction or mutilation of a Right Certificate, and, in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to

them, and, at the Company's request, reimbursement to the Company and the Rights Agent of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent and cancellation of the Right Certificate, if mutilated, the Company will make and deliver a new Right Certificate of like tenor to the Rights Agent for countersignature and delivery to the registered holder in lieu of the Right Certificate so lost, stolen, destroyed or mutilated.

Section 7. Exercise of Rights; Exercise Price; Expiration Date of Rights.

(a) Subject to Section 7(e) hereof, the registered holder of any Right Certificate may exercise the Rights evidenced thereby (except as otherwise provided herein including, without limitation, the restrictions on exercisability set forth in Sections 11(a)(iii), 23(a) and 24(b) hereof) in whole or in part at any time after the Distribution Date upon surrender of the Right Certificate, with the form of election to purchase on the reverse side thereof duly executed, to the Rights Agent at the office of the Rights Agent designated for such purpose, together with payment of the Exercise Price with respect to each surrendered Right for the total number of Preference Shares (or other securities or property, as the case may be) as to which the Rights are exercised, at or prior to the earliest of (i) the close of business on June 1, 2009 (the "Final Expiration Date"), (ii) the time at which the Rights are redeemed as provided in Section 23 hereof (the "Redemption Date") or (iii) the time at which all exercisable Rights are exchanged by the Company as provided in Section 24 hereof (such earliest date being herein referred to as the "Expiration Date").

(b) The Exercise Price for each one one-thousandth of a Preference Share pursuant to the exercise of a Right shall initially be \$150, shall be subject to adjustment from time to time as provided in Sections 11 and 13 hereof and shall be payable in lawful money of the United States of America in accordance with paragraph (c) below.

(c) Upon receipt of a Right Certificate representing exercisable Rights, with the form of election to purchase and the certificate on the reverse side of the Right Certificate duly executed, accompanied by payment of the Exercise Price for the shares (or other securities or property, as the case may be) to be purchased and an amount equal to any applicable transfer tax required to be paid by the holder of such Right Certificate in accordance with Section 9 hereof by certified check, cashier's check or money order payable to the order of the Company, the Rights Agent shall thereupon promptly (i) (A) requisition from any transfer agent of the Preference Shares (or make available, if the Rights Agent is the transfer agent of the Preference Shares) certificates for the number of Preference Shares to be purchased and the Company hereby irrevocably authorizes its transfer agent to comply with all such requests, or (B) if the Company shall have elected to deposit the Preference Shares issuable upon exercise of the Rights with a depositary agent, requisition from the depositary agent depositary receipts representing such number of one one-thousandths of a Preference Share as are to be purchased (in which case certificates for the Preference Shares represented by such receipts shall be deposited by the transfer agent therefor with the depositary agent) and the Company shall direct the depositary agent to comply with such request, (ii) when appropriate, requisition from the Company the amount of cash to be paid in lieu of issuance of fractional shares in

accordance with Section 14 hereof, (iii) after receipt of such certificates or depositary receipts, cause the same to be delivered to or upon the order of the registered holder of such Right Certificate, registered in such name or names as may be designated by such holder and (iv) when appropriate, after receipt, deliver such cash referred to in clause (ii) above to or upon the order of the registered holder of such Right Certificate. If the Company is obligated to issue other securities (including Ordinary Shares) of the Company, pay cash and/or distribute other property pursuant to Section 11(a) hereof, the Company will make all arrangements necessary so that such other securities, cash and/or property are available for distribution by the Rights Agent, if and when appropriate.

(d) In case the registered holder of any Right Certificate shall exercise less than all the Rights evidenced thereby, a new Right Certificate evidencing Rights equivalent to the Rights remaining unexercised shall be issued by the Rights Agent and delivered to the registered holder of such Right Certificate or to his duly authorized assigns, subject to the provisions of Section 14 hereof.

(e) Notwithstanding anything in this Agreement to the contrary, from and after the occurrence of a Triggering Event, any Rights beneficially owned by

(i) an Acquiring Person or an Associate or Affiliate of an Acquiring Person,

(ii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee after the Acquiring Person becomes an Acquiring Person, or (iii) a transferee of an Acquiring Person (or such Associate or Affiliate) who becomes a transferee prior to or concurrently with the Acquiring Person becoming an Acquiring Person and receives such Rights pursuant to either (A) a transfer (whether or not for consideration) from the Acquiring Person to holders of equity interests in such Acquiring Person or to any Person with whom the Acquiring Person has any continuing agreement, arrangement or understanding, whether written or oral, regarding the transferred Rights or (B) a transfer which the Board of Directors otherwise concludes in good faith is part of a plan, arrangement or understanding (whether written or oral) which has as a primary purpose or effect the avoidance of this Section 7(e), shall become null and void without any further action, and any holder of such Rights shall thereupon have no rights whatsoever with respect to such Rights, whether under any provision of this Agreement or otherwise, from and after the occurrence of a Triggering Event. The Company shall use all reasonable efforts to ensure that the provisions of Section 4(b) hereof and this Section 7(e) are complied with, but shall have no liability to any holder of Rights with respect to any determinations regarding an Acquiring Person or its Affiliates, Associates or transferees hereunder or any failure to make any such determination. The Rights Agent will endeavor to comply with the provisions hereof to the extent it has received instructions from the Company concerning such matters.

(f) Notwithstanding anything in this Agreement to the contrary, neither the Rights Agent nor the Company shall be obligated to undertake any action with respect to a registered holder upon the occurrence of any purported exercise as set forth in this Section 7 unless the certificate contained in the form of election to purchase set forth on the reverse side of the Right Certificate surrendered for such exercise shall have been completed and signed by the registered holder thereof and the Company shall have been provided with such additional evidence of the identity of the Beneficial Owner (or former

Beneficial Owner), Affiliates or Associates of such Beneficial Owner or holder, or any other Person with which such holder or any of such holder's Affiliates or Associates has any agreement, arrangement or understanding (whether or not in writing) for the purpose of acquiring, holding, voting or disposing of any securities of the Company as the Company shall reasonably request.

(g) The Company covenants and agrees that it will cause to be reserved and kept available out of its authorized and unissued Preference Shares (and, following the occurrence of a Triggering Event, Ordinary Shares and/or other securities) or any Preference Shares (and, following the occurrence of a Triggering Event, Ordinary Shares and/or other securities) held in its treasury (to the extent applicable law allows shares to be held in treasury), the number of Preference Shares (and, following the occurrence of a Triggering Event, Ordinary Shares and/or other securities) that will be sufficient to permit the exercise in full of all outstanding Rights.

(h) Notwithstanding any statement to the contrary contained in this Agreement or in any Right Certificate, if either the Distribution Date or the Shares Acquisition Date shall occur prior to the Record Date, the provisions of this Agreement, including (without limitation) Sections 3 and 11(a)(ii), shall be applicable to the Rights upon their issuance to the same extent such provisions would have been applicable if the Record Date were the date of this Agreement.

Section 8. Cancellation of Right Certificates. All Right Certificates surrendered for the purpose of exercise, transfer, split up, combination or exchange shall, if surrendered to the Company or to any of its agents, be delivered to the Rights Agent for cancellation or in canceled form, or, if surrendered to the Rights Agent, shall be canceled by it, and no Right Certificates shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Rights Agreement. The Company shall deliver to the Rights Agent for cancellation and retirement, and the Rights Agent shall so cancel and retire, any other Right Certificate purchased or acquired by the Company otherwise than upon the exercise thereof. The Rights Agent shall deliver all canceled Right Certificates to the Company.

Section 9. Availability of Preference Shares. The Company covenants and agrees that it will take all such action as may be necessary to ensure that all Preference Shares (and, following the occurrence of a Triggering Event, Ordinary Shares and/or other securities) delivered upon exercise of Rights shall, at the time of entry of issuance in the share register and delivery of the certificates for such Preference Shares (and, following the occurrence of a Triggering Event, Ordinary Shares and/or other securities), subject to payment of the Exercise Price, be duly and validly authorized and issued and fully paid and nonassessable shares.

The Company further covenants and agrees that it will pay when due and payable any and all federal and state transfer taxes and charges which may be payable in respect of the issuance or delivery of the Right Certificates or of any Preference Shares (or Ordinary Shares and/or other securities, as the case may be) upon the exercise of Rights. The Company shall not, however, be required to pay any transfer tax which may be

payable in respect of any transfer or delivery of Right Certificates to a person other than, or the issuance or delivery of certificates or depositary receipts for the Preference Shares (or Ordinary Shares and/or other securities, as the case may be) in a name other than that of, the registered holder of the Right Certificate evidencing Rights surrendered for exercise or to issue or to deliver any certificates or depositary receipts for Preference Shares (or Ordinary Shares and/or other securities, as the case may be) upon the exercise of any Rights until any such tax shall have been paid (any such tax being payable by the holder of such Right Certificate at the time of surrender) or until it has been established to the Company's reasonable satisfaction that no such tax is due.

Section 10. Preference Shares Record Date. Each person in whose name any certificate for Preference Shares (or Ordinary Shares and/or other securities, as the case may be) is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of the shares or securities represented thereby on, and such certificate shall be dated, the date upon which the Right Certificate evidencing such Rights was duly surrendered and payment of the Exercise Price (and any applicable transfer taxes) was made; provided, however, that if the date of such surrender and payment is a date upon which the Preference Shares (or Ordinary Shares and/or other securities, as the case may be) transfer books/share register of the Company are closed, such person shall be deemed to have become the record holder of such shares or securities on, and such certificate shall be dated, the next succeeding Business Day on which the Preference Shares (or Ordinary Shares and/or other securities, as the case may be) transfer books/share register of the Company are open. Prior to the exercise of the Rights evidenced thereby, the holder of a Right Certificate shall not be entitled to any rights of a holder of Preference Shares (or Ordinary Shares and/or other securities, as the case may be) for which the Rights shall be exercisable, including, without limitation, the right to vote, to receive dividends or other distributions or to exercise any preemptive rights, and shall not be entitled to receive any notice of any proceedings of the Company, except as provided herein.

Section 11. Adjustment of Exercise Price, Number of Shares or Number of Rights. The Exercise Price, the number and kind of shares covered by each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 11.

(a) (i) If the Company shall at any time after the date of this Agreement (A) declare a dividend on the Preference Shares payable in Preference Shares, (B) subdivide the outstanding Preference Shares, (C) combine the outstanding Preference Shares into a smaller number of Preference Shares or (D) issue any shares of its capital stock in a reclassification of the Preference Shares (including any such reclassification in connection with a consolidation, merger or amalgamation in which the Company is the continuing or surviving corporation), except as otherwise provided in this Section 11(a) and Section 7(e) hereof, the Exercise Price in effect immediately prior to the record date for such dividend or the effective date of such subdivision, combination or reclassification, as applicable, and the number and kind of shares of capital stock issuable on such date, shall be proportionately adjusted so that the holder of any Right exercised after such time shall be

entitled to receive the aggregate number and kind of shares of capital stock which he would have owned upon such exercise and been entitled to receive as a result of such dividend, subdivision, combination or reclassification if such Right had been exercised immediately prior to such date and at a time when the Preference Shares transfer books of the Company were open; provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company issuable upon exercise of one Right. If an event occurs which would require an adjustment under both this Section 11(a)(i) and Section 11(a)(ii), the adjustment provided for in this Section 11(a)(i) shall be in addition to, and shall be made prior to, any adjustment required pursuant to Section 11(a)(ii).

(ii) Subject to Section 24 of this Agreement, if any Person becomes an Acquiring Person, each holder of a Right, except as provided below and in

Section 7(e) hereof, shall thereafter have a right to receive, upon exercise thereof at a price equal to the then current Exercise Price multiplied by the number of one one-thousandths of a Preference Share for which a Right is then exercisable, in accordance with the terms of this Agreement and in lieu of Preference Shares, such number of Ordinary Shares of the Company as shall equal the result obtained by (x) multiplying the then current Exercise Price by the number of one one-thousandths of a Preference Share for which a Right is then exercisable and (y) dividing that product by 50% of the then current per share market price of the Company's Ordinary Shares (determined pursuant to Section 11(d) hereof) on the date of the occurrence of such event. If any Person shall become an Acquiring Person and the Rights shall then be outstanding, the Company shall not take any action which would eliminate or diminish the benefits intended to be afforded by the Rights.

(iii) In lieu of issuing Ordinary Shares of the Company in accordance with Section 11(a)(ii) hereof, the Company may, in the sole discretion of the Board of Directors, elect to, and, if the Board of Directors has not exercised the exchange right contained in Section 24 hereof and there are not sufficient issued but not outstanding and authorized but unissued Ordinary Shares to permit the exercise in full of the Rights in accordance with Section 11(a)(ii), the Company shall, take all such action as may be necessary to authorize, issue or pay, upon the exercise of Rights, cash (including by way of a reduction of the Exercise Price), property, or other securities or any combination of the foregoing, having an aggregate value equal to the value of the Ordinary Shares of the Company which otherwise would have been issuable pursuant to Section 11(a)(ii), which aggregate value shall be determined by a majority of the Board of Directors. For purposes of the preceding sentence, the value of the Ordinary Shares shall be determined pursuant to Section 11(d) hereof and the value of any equity securities which a majority of the Board of Directors determines to be an "ordinary share equivalent" (including the Preference Shares, in such ratio as the Board of Directors shall determine) shall be deemed to have the same value as the Ordinary Shares. Any such election by the Board of Directors must be made and publicly announced within 60 days following the date on which the event described in Section 11(a)(ii) shall have occurred. Following the occurrence of the event described in Section 11(a)(ii), a majority of the Board of Directors then in office may suspend the exercisability of the Rights for a period of up to 60 days following the date on which the event described in Section 11(a)(ii) shall have occurred to the extent that such

directors have not determined whether to exercise the Company's right of election under this Section 11(a)(iii). In the event of any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended.

(b) In case the Company shall fix a record date for the issuance of rights, options or warrants to all holders of Preference Shares entitling them (for a period expiring within 45 calendar days after such record date) to subscribe for or purchase Preference Shares (or shares having the same rights, privileges and preferences as the Preference Shares ("equivalent Preference Shares")) or securities convertible into Preference Shares or equivalent Preference Shares at a price per Preference Share or equivalent Preference Share (or having a conversion price per share, in the case of a security convertible into Preference Shares or equivalent Preference Shares) less than the then current per share market price of the Preference Shares (as defined in Section

11(d)) on such record date, the Exercise Price to be in effect after such record date shall be determined by multiplying the Exercise Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of Preference Shares outstanding on such record date plus the number of Preference Shares which the aggregate offering price of the total number of Preference Shares and/or equivalent Preference Shares so to be offered (and/or the aggregate initial conversion price of the convertible securities so to be offered) would purchase at such current market price and the denominator of which shall be the number of Preference Shares outstanding on such record date plus the number of additional Preference Shares and/or equivalent Preference Shares to be offered for subscription or purchase (or into which the convertible securities so to be offered are initially convertible); provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company issuable upon exercise of one Right. In case such subscription price may be paid in a consideration part or all of which shall be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent. Preference Shares owned by or held for the account of the Company shall not be deemed outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed; and if such rights, options or warrants are not so issued, the Exercise Price shall be adjusted to be the Exercise Price which would then be in effect if such record date had not been fixed.

(c) In case the Company shall fix a record date for the making of a distribution to all holders of the Preference Shares (including any such distribution made in connection with a consolidation, merger or amalgamation in which the Company is the continuing or surviving corporation) of evidences of indebtedness or assets (other than a regular quarterly cash dividend or a dividend payable in Preference Shares) or subscription rights or warrants (excluding those referred to in Section 11(b) hereof), the Exercise Price to be in effect after such record date shall be determined by multiplying the Exercise Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the then current per share market price of the Preference Shares on such record date, less

the fair market value (as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent) of the portion of the assets or evidences of indebtedness so to be distributed or of such subscription rights or warrants applicable to one Preference Share and the denominator of which shall be such current per share market price of the Preference Shares; provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company to be issued upon exercise of one Right. Such adjustments shall be made successively whenever such a record date is fixed; and if such distribution is not so made, the Exercise Price shall again be adjusted to be the Exercise Price which would then be in effect if such record date had not been fixed.

(d) (i) For the purpose of any computation hereunder, other than under Section 11(a)(iii) hereof, the "current per share market price" of any security (a "Security" for the purpose of this Section 11(d)(i)) on any date shall be deemed to be the average of the daily closing prices per share of such Security for the 30 consecutive Trading Days (as such term is hereinafter defined) immediately prior to such date, and for the purpose of any computation under Section 11(a)(iii) hereof, the "current per share market price" of a Security on any date shall be deemed to be the average of the daily closing prices per share of such Security for thirty (30) consecutive Trading Days immediately following such date; provided, however, that if the current per share market price of the Security is determined during a period following the announcement by the issuer of such Security of (A) a dividend or distribution on such Security payable in shares of such Security or securities convertible into such shares (other than the Rights), or (B) any subdivision, combination or reclassification of such Security and prior to the expiration of 30 Trading Days after the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification, then, and in each such case, the "current per share market price" shall be appropriately adjusted to reflect the current market price per share equivalent (ex-dividend) of such Security. The closing price for each day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on The New York Stock Exchange, Inc. ("NYSE") or, if the Security is not listed or admitted to trading on the NYSE, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Security is listed or admitted to trading or, if the Security is not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by any automated quotation system operated by The Nasdaq Stock Market, Inc. ("Nasdaq") or such other system then in use, or, if on any such date the Security is not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Security selected by the Board of Directors of the Company. If on any such date no market maker is making a market in the Security, the fair value of such Security on such date (as determined in good faith by the Board of Directors of the Company) shall be used. The term "Trading Day" shall mean a day on which the principal national securities exchange

on which the Security is listed or admitted to trading is open for the transaction of business or, if the Security is not listed or admitted to trading on any national securities exchange, a Business Day.

(ii) For the purpose of any computation hereunder, the "current per share market price" of the Preference Shares shall be determined in accordance with the method set forth in Section 11(d)(i). If the Preference Shares are not publicly traded, the "current per share market price" of the Preference Shares shall be conclusively deemed to be the current per share market price of the Ordinary Shares of the Company as determined pursuant to Section 11(d)(i) (appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof), multiplied by one thousand. If neither the Ordinary Shares of the Company nor the Preference Shares are publicly held or so listed or traded, "current per share market price" shall mean the fair value per share as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent.

(e) Anything herein to the contrary notwithstanding, no adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Exercise Price; provided, however, that any adjustments which by reason of this Section 11(e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 11 shall be made to the nearest cent or to the nearest one ten-millionth of a Preference Share or one ten-thousandth of any other share or security, as the case may be. Notwithstanding the first sentence of this Section 11(e), any adjustment required by this Section 11 shall be made no later than the earlier of (i) three years from the date of the transaction which requires such adjustment or (ii) the date of the expiration of the right to exercise any Rights.

(f) If as a result of an adjustment made pursuant to Section 11(a) or Section 13(a) hereof, the holder of any Right thereafter exercised shall become entitled to receive any shares of capital stock of the Company other than Preference Shares, thereafter the number of such other shares so receivable upon exercise of any Right shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Preference Shares contained in this Section 11, and the provisions of Sections 7, 9, 10, 13 and 14 with respect to the Preference Shares shall apply on like terms to any such other shares.

(g) All Rights originally issued by the Company subsequent to any adjustment made to the Exercise Price hereunder shall evidence the right to purchase, at the adjusted Exercise Price, the number of one one-thousandths of a Preference Share purchasable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.

(h) Unless the Company shall have exercised its election as provided in Section 11(i), upon each adjustment of the Exercise Price as a result of the calculations made in Sections 11(b) and (c), each Right outstanding immediately prior to the making of such

adjustment shall thereafter evidence the right to purchase, at the adjusted Exercise Price, that number of one one-thousandths of a Preference Share

(calculated to the nearest ten-millionth of a Preference Share) obtained by (i)

multiplying (x) the number of one-thousandths of a share covered by a Right immediately prior to this adjustment by (y) the Exercise Price in effect immediately prior to such adjustment of the Exercise Price and (ii) dividing the product so obtained by the Exercise Price in effect immediately after such adjustment of the Exercise Price.

(i) The Company may elect on or after the date of any adjustment of the Exercise Price to adjust the number of Rights, in substitution for any adjustment in the number of one-thousandths of a Preference Share purchasable upon the exercise of a Right. Each of the Rights outstanding after such adjustment of the number of Rights shall be exercisable for the number of one-thousandths of a Preference Share for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become that number of Rights (calculated to the nearest ten-thousandth) obtained by dividing the Exercise Price in effect immediately prior to adjustment of the Exercise Price by the Exercise Price in effect immediately after adjustment of the Exercise Price. The Company shall make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made. This record date may be the date on which the Exercise Price is adjusted or any day thereafter, but, if the Right Certificates have been issued, shall be at least 10 days later than the date of the public announcement. If Right Certificates have been issued, upon each adjustment of the number of Rights pursuant to this Section 11(i), the Company shall, as promptly as practicable, cause to be distributed to holders of record of Right Certificates on such record date Right Certificates evidencing, subject to Section 14 hereof, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Company, shall cause to be distributed to such holders of record in substitution and replacement for the Right Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Company, new Right Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Right Certificates so to be distributed shall be issued, executed and countersigned in the manner provided for herein and shall be registered in the names of the holders of record of Right Certificates on the record date specified in the public announcement.

(j) Irrespective of any adjustment or change in the Exercise Price or the number of one-thousandths of a Preference Share issuable upon the exercise of the Rights, the Right Certificates theretofore and thereafter issued may continue to express the Exercise Price and the number of one-thousandths of a Preference Share which were expressed in the initial Right Certificates issued hereunder.

(k) Before taking any action that would cause an adjustment reducing the Exercise Price below one one-thousandth of the then par value, if any, of the Preference Shares issuable upon exercise of the Rights, the Company shall take any corporate action which may, in the opinion of its counsel, be necessary in order that the Company may

validly and legally issue fully paid and nonassessable Preference Shares at such adjusted Exercise Price.

(l) In any case in which this Section 11 shall require that an adjustment in the Exercise Price be made effective as of a record date for a specified event, the Company may elect to defer until the occurrence of such event the issuing to the holder of any Right exercised after such record date of the Preference Shares and other capital stock or securities of the Company, if any, issuable upon such exercise over and above the Preference Shares and other capital stock or securities of the Company, if any, issuable upon such exercise on the basis of the Exercise Price in effect prior to such adjustment; provided, however, that the Company shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares upon the occurrence of the event requiring such adjustment.

(m) Anything in this Section 11 to the contrary notwithstanding, the Company shall be entitled to make such reductions in the Exercise Price, in addition to those adjustments expressly required by this Section 11, as and to the extent that it in its sole discretion shall determine to be advisable in order that any consolidation or subdivision of the Preference Shares, issuance wholly for cash of any Preference Shares at less than the current market price, issuance wholly for cash of Preference Shares or securities which by their terms are convertible into or exchangeable for Preference Shares, dividends on Preference Shares payable in Preference Shares or issuance of rights, options or warrants referred to hereinabove in Section 11(b), hereafter made by the Company to holders of its Preference Shares shall not be taxable to such Shareholders.

(n) The Company covenants and agrees that, after the Distribution Date, it will not, except as permitted by Sections 23, 24 and 27 hereof, take (nor will it permit any of its Subsidiaries to take) any action if at the time such action is taken it is reasonably foreseeable that such action will diminish substantially or otherwise eliminate the benefits intended to be afforded by the Rights.

(o) The Company covenants and agrees that it shall not, at any time after the Distribution Date, (i) combine, consolidate or amalgamate with any other Person (other than a Subsidiary of the Company in a transaction which complies with Section 11(n)), (ii) merge with or into any other Person (other than a Subsidiary of the Company in a transaction which complies with Section 11(n)), or (iii) sell or transfer (or permit any of its Subsidiaries to sell or transfer), in one or more transactions, assets or earning power aggregating more than 50% of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to any other Person or Persons (other than the Company and/or any of its Subsidiaries in one or more transactions each of which complies with Section 11 (n)) if (x) at the time of or immediately after such combination, consolidation, amalgamation, merger or sale there are any rights, warrants or other instruments or securities outstanding or agreements in effect which would substantially diminish or otherwise eliminate the benefits intended to be afforded by the Rights or (y) prior to, simultaneously with or immediately after such combination, consolidation, amalgamation, merger or sale, the stockholders of the Person who constitutes, or would constitute, the

"Principal Party" for purposes of Section 13(a) hereof shall have received a distribution of Rights previously owned by such Person or any of its Affiliates and Associates.

(p) If at any time after the date of this Agreement and prior to the Distribution Date, the Company shall (i) declare or pay any dividend on the Ordinary Shares payable in Ordinary Shares or (ii) effect a subdivision, combination or consolidation of the Ordinary Shares (by reclassification or otherwise than by payment of dividends in Ordinary Shares) into a greater or lesser number of Ordinary Shares, then in any such case (i) the number of one-thousandths of a Preference Share purchasable after such event upon proper exercise of each Right shall be determined by multiplying the number of one-thousandths of a Preference Share so purchasable immediately prior to such event by a fraction, the numerator of which is the number of Ordinary Shares outstanding immediately before such event and the denominator of which is the number of Ordinary Shares outstanding immediately after such event, and (ii) each Ordinary Share outstanding immediately after such event shall have issued with respect to it that number of Rights which each Ordinary Share outstanding immediately prior to such event had issued with respect to it. The adjustments provided for in this Section 11(p) shall be made successively whenever such a dividend is declared or paid or such a subdivision, combination or consolidation is effected.

(q) So long as the shares issuable upon the exercise of the Rights may be listed on any national securities exchange or quotation service, the Company shall use its best efforts to cause, from and after such time as the Rights become exercisable, all shares reserved for such issuance to be listed on such exchange or quotation service upon official notice of issuance upon such exercise.

(r) The Company shall use its best efforts to (i) file, as soon as practicable following the first occurrence of a Triggering Event, a registration statement under the Securities Act with respect to the securities purchasable upon exercise of the Rights on an appropriate form, (ii) cause such registration statement to become effective as soon as practicable after such filing and (iii) cause such registration statement to remain effective (with a prospectus at all times meeting the requirements of the Securities Act) until the Expiration Date. The Company will also take such action with respect thereto as may be appropriate under the blue sky laws of the various states. The Company may temporarily suspend, for a period of time not to exceed 90 days, the exercisability of the Rights in order to prepare and file such registration statement or in order to comply with such blue sky laws. Upon any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended.

Section 12. Certificate of Adjusted Exercise Price or Number of Shares. Whenever an adjustment is made as provided in Section 11 or 13 hereof, the Company shall promptly (a) prepare a certificate setting forth such adjustment, and a brief statement of the facts accounting for such adjustment, (b) file with the Rights Agent and with each transfer agent for the Ordinary Shares or the Preference Shares a copy of such certificate and (c) mail a brief summary thereof to each holder of a Right Certificate in accordance with Section 25 hereof. The Rights Agent shall be fully protected in relying on any such

certificate and on any adjustment therein contained and may assume that no adjustment has been made unless and until it shall have received such certificate.

Section 13. Consolidation, Merger, Amalgamation or Sale or Transfer of **Assets or Earning Power.**

(a) If after the Shares Acquisition Date, directly or indirectly, (x) the Company shall consolidate with, or merge or amalgamate with and into, any other Person, (y) any Person shall consolidate with the Company, or merge or amalgamate with and into the Company and the Company shall be the continuing or surviving corporation of such merger or amalgamation and, in connection with such merger or amalgamation, all or part of the Ordinary Shares shall be changed into or exchanged for stock or other securities of any other Person (or the Company) or cash or any other property, or (z) the Company shall sell or otherwise transfer (or one or more of its Subsidiaries shall sell or otherwise transfer), in one or more transactions, assets or earning power aggregating 50% or more of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to any Person or Persons other than the Company or one or more of its wholly-owned Subsidiaries, then, and in each such case, proper provision shall be made so that (i) each holder of a Right (except as otherwise provided herein) shall thereafter have the right to receive, upon the exercise thereof at a price equal to the then current Exercise Price multiplied by the number of one-thousandths of a Preference Share for which a Right is then exercisable, in accordance with the terms of this Agreement and in lieu of Preference Shares, such number of validly authorized and issued, fully paid, non-assessable and freely tradeable Ordinary Shares of the Principal Party (as hereinafter defined), free and clear of all liens, rights of call or first refusal, encumbrances or other adverse claims, as shall equal the result obtained by (A) multiplying the then current Exercise Price by the number of one-thousandths of a Preference Share for which a Right is then exercisable (or, if such Right is not then exercisable for a number of one-thousandths of a Preference Share, the number of such fractional shares for which it was exercisable immediately prior to an event described under Section 11(a)(ii) hereof) and dividing that product by (B) 50% of the then current per share market price of the Ordinary Shares of such Principal Party (determined pursuant to Section 11(d) hereof) on the date of consummation of such consolidation, merger, amalgamation, sale or transfer; (ii) such Principal Party shall thereafter be liable for, and shall assume, by virtue of such consolidation, merger, amalgamation, sale or transfer, or otherwise, all the obligations and duties of the Company pursuant to this Agreement; (iii) the term "Company" shall thereafter be deemed to refer to such Principal Party; and (iv) such Principal Party shall take such steps (including, but not limited to, the reservation of a sufficient number of its Ordinary Shares in accordance with Section 9 hereof) in connection with such consummation as may be necessary to assure that the provisions hereof shall thereafter be applicable, as nearly as reasonably may be, in relation to its Ordinary Shares thereafter deliverable upon the exercise of the Rights.

(b) "Principal Party" shall mean:

(i) In the case of any transaction described in (x) or (y) of the first sentence of Section 13(a), the Person that is the issuer of any securities into which Ordinary Shares of the Company are converted in such merger, amalgamation or consolidation, and if no securities are so issued, the Person that is the continuing or surviving entity of such merger, amalgamation or consolidation (including the Company if applicable); and

(ii) in the case of any transaction described in (z) of the first sentence in Section 13(a), the Person that is the party receiving the greatest portion of the assets or earning power transferred pursuant to such transaction or transactions;

provided, however, that in any such case described in clauses (b)(i) and (b)

(ii): (1) if the Ordinary Shares of such Person are not at such time and have not been continuously over the preceding 12-month period registered under

Section 12 of the Exchange Act, and such Person is a direct or indirect Subsidiary of another Person the Ordinary Shares of which are and have been so registered, "Principal Party" shall refer to such other Person; (2) in case such Person is a Subsidiary, directly or indirectly, of more than one Person, the Ordinary Shares of two or more of which are and have been so registered, "Principal Party" shall refer to whichever of such Persons is the issuer of the Ordinary Shares having the greatest aggregate market value; and (3) in case such Person is owned, directly or indirectly, by a joint venture formed by two or more Persons that are not owned, directly or indirectly, by the same Person, the rules set forth in (1) and (2) above shall apply to each of the chains of ownership having an interest in such joint venture as if such party were a "Subsidiary" of both or all of such joint venturers and the Principal Parties in each such chain shall bear the obligations set forth in this Section 13 in the same ratio as their direct or indirect interests in such Person bear to the total of such interests.

(c) The Company shall not consummate any such consolidation, merger, amalgamation, sale or transfer unless the Principal Party shall have sufficient Ordinary Shares authorized to permit the full exercise of the Rights and prior thereto the Company and such Principal Party shall have executed and delivered to the Rights Agent a supplemental agreement providing for the terms set forth in paragraphs (a) and (b) of this Section 13 and further providing that, as soon as practicable after the date of any consolidation, merger, amalgamation or sale of assets mentioned in paragraph (a) of this Section 13, the Principal Party will:

(i) prepare and file a registration statement under the Securities Act, with respect to the Rights and the securities purchasable upon exercise of the Rights on an appropriate form, and will use its best efforts to cause such registration statement to (A) become effective as soon as practicable after such filing and (B) remain effective (with a prospectus at all times meeting the requirements of the Securities Act) until the Expiration Date;

(ii) deliver to holders of the Rights historical financial statements for the Principal Party and each of its Affiliates which comply in all respects with the requirements for registration on Form 10 under the Exchange Act; and

(iii) take such actions as may be necessary or appropriate under the blue sky laws of the various states. The provisions of this Section 13 shall similarly apply to successive mergers, amalgamations or consolidations or sales or other transfers. If one of the transactions described in Section 13(a) hereof shall occur at any time after the occurrence of a transaction described in Section 11(a)(ii) hereof, the Rights which have not theretofore been exercised shall thereafter become exercisable in the manner described in Section 13(a).

(d) In no event shall the Rights Agent have any liability in respect of any such Principal Party transactions, including, without limitation, the propriety thereof. The Rights Agent may rely and be fully protected in relying upon a certificate of the Company stating that the provisions of this Section 13 have been fulfilled. Notwithstanding anything in this Agreement to the contrary, the prior written consent of the Rights Agent must be obtained in connection with any supplemental agreement which alters the rights or duties of the Rights Agent.

Section 14. Fractional Rights and Fractional Shares.

(a) The Company shall not be required to issue fractions of Rights or to distribute Right Certificates which evidence fractional Rights. In lieu of such fractional Rights, there may be paid to the registered holders of the Right Certificates with regard to which such fractional Rights would otherwise be issuable, an amount in cash equal to the same fraction of the current market value of a whole Right. For the purposes of this Section 14(a), the current market value of a whole Right shall be the closing price of the Rights for the Trading Day immediately prior to the date on which such fractional Rights would have been otherwise issuable. The closing price for any day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on NYSE or, if the Rights are not listed or admitted to trading on NYSE, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Rights are listed or admitted to trading or, if the Rights are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by Nasdaq or such other system then in use or, if on any such date the Rights are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Rights selected by the Board of Directors of the Company. If on any such date no such market maker is making a market in the Rights, the fair value of the Rights on such date as determined in good faith by the Board of Directors of the Company shall be used.

(b) The Company shall not be required to issue fractions of Preference Shares (other than fractions which are integral multiples of one one-thousandth of a Preference Share) upon exercise of the Rights or to distribute certificates which evidence fractional Preference Shares (other than fractions which are integral multiples of one one-thousandth of a Preference Share). Fractions of Preference Shares in integral multiples of one one-thousandth of a Preference Share may, at the election of the Company, be evidenced by depositary receipts, pursuant to an appropriate agreement between the Company and a depositary selected by it; provided, that such agreement shall provide that the holders of such depositary receipts shall have all the rights, privileges and preferences to which they are entitled as beneficial owners of the Preference Shares represented by such depositary receipts. In lieu of fractional Preference Shares that are not integral multiples of one one-thousandth of a Preference Share, the Company may pay to the registered holders of Right Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of one one-thousandth of a Preference Share. For the purposes of this Section 14(b), the current market value of one one-thousandth of a Preference Share shall be one one-thousandth of the closing price of a Preference Share (as determined pursuant to the second sentence of Section 11(d)(i) hereof) for the Trading Day immediately prior to the date of such exercise.

(c) Following the occurrence of a Triggering Event, the Company shall not be required to issue fractions of Ordinary Shares upon exercise of the Rights or to distribute certificates which evidence fractional Ordinary Shares. In lieu of fractional Ordinary Shares, the Company may pay to the registered holders of Right Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of one Ordinary Share. For purposes of this Section 14(c), the current market value of one Ordinary Share shall be the closing price of one Ordinary Share (as determined pursuant to the second sentence of Section 11(d)(i) hereof) for the Trading Day immediately prior to the date of such exercise.

(d) The holder of a Right by the acceptance of the Right expressly waives his right to receive any fractional Rights or any fractional shares upon exercise of a Right (except as provided above).

(e) Whenever a payment for fractional Rights or fractional shares is to be made by the Rights Agent, the Company shall (i) promptly prepare and deliver to the Rights Agent a certificate setting forth in reasonable detail the facts related to such payments and the prices and/or formulas utilized in calculating such payments, and (ii) provide sufficient monies to the Rights Agent in the form of fully collected funds to make such payments. The Rights Agent shall be fully protected in relying upon such a certificate and shall have no duty with respect to, and shall not be deemed to have knowledge of any payment for fractional Rights or fractional shares under any Section of this Agreement relating to the payment of fractional Rights or fractional shares unless and until the Rights Agent shall have received such a certificate and sufficient monies.

Section 15. Rights of Action. All rights of action in respect of this Agreement, excepting the rights of action given to the Rights Agent under Section 18 hereof, are vested

in the respective registered holders of the Right Certificates (and, prior to the Distribution Date, the registered holders of the Ordinary Shares); and any registered holder of any Right Certificate (or, prior to the Distribution Date, of the Ordinary Shares), without the consent of the Rights Agent or of the holder of any other Right Certificate (or, prior to the Distribution Date, of the Ordinary Shares), may, in his own behalf and for his own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, his right to exercise the Rights evidenced by such Right Certificate in the manner provided in such Right Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations of the obligations of any Person subject to, this Agreement.

Section 16. Agreement of Right Holders. Every holder of a Right, by accepting the same, consents and agrees with the Company and the Rights Agent and with every other holder of a Right that:

- (a) prior to the Distribution Date, the Rights will be transferable only in connection with the transfer of the Ordinary Shares;
- (b) after the Distribution Date, the Right Certificates are transferable only on the registry books of the Rights Agent if surrendered at the office of the Rights Agent designated for such purposes, duly endorsed or accompanied by a proper instrument of transfer and with appropriate forms and certificates fully executed;
- (c) the Company and the Rights Agent may deem and treat the person in whose name the Right Certificate (or, prior to the Distribution Date, the associated Ordinary Shares certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on the Right Certificates or the associated Ordinary Shares certificate made by anyone other than the Company or the Rights Agent) for all purposes whatsoever, and neither the Company nor the Rights Agent shall be affected by any notice to the contrary; and
- (d) notwithstanding anything in this Agreement to the contrary, neither the Company nor the Rights Agent shall have any liability to any holder of a Right or any other Person as a result of its inability to perform any of its obligations under this Agreement by reason of any preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission, or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority prohibiting or otherwise restraining performance of such obligation.

Section 17. Right Certificate Holder Not Deemed a Shareholder. No holder, as such, of any Right Certificate shall be entitled to vote, receive dividends or be deemed for any purpose the holder of the Preference Shares or any other securities of the Company

which may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained herein or in any Right Certificate be construed to confer upon the holder of any Right Certificate, as such, any of the rights of a Shareholder or any right to vote for the election of directors or upon any matter submitted to Shareholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting Shareholders (except as provided in Section 25 hereof), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by such Right Certificate shall have been exercised in accordance with the provisions hereof.

Section 18. Concerning the Rights Agent. The Company agrees to pay to the Rights Agent such compensation as shall be agreed to in writing between the Company and the Rights Agent for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements incurred in the preparation, administration, delivery, amendment and execution of this Agreement and the exercise and performance of its duties hereunder. The Company also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, liability, damage, judgment, fine, penalty, claim, demand, settlement, cost or expense, incurred without gross negligence, bad faith or willful misconduct on the part of the Rights Agent (each as finally determined by a court of competent jurisdiction), for anything done or omitted by the Rights Agent in connection with the acceptance and administration of this Agreement, including, without limitation, the costs and expenses of defending against any claim (whether asserted by the Company, a holder of Rights, or any other Person) of liability in the premises, including reasonable attorney's fees and expenses. The costs and expenses incurred in enforcing this right of indemnification shall be paid by the Company.

The Rights Agent shall be protected and shall incur no liability for, or in respect of any action taken, suffered or omitted by it in connection with, its administration of this Agreement in reliance upon any Right Certificate or certificate for the Preference Shares or Ordinary Shares or for other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, opinion, notice, instruction, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed and executed by the proper person or persons, or otherwise upon the advice of counsel as set forth in Section 20 hereof. The Rights Agent shall not be deemed to have knowledge of any event of which it was supposed to receive notice thereof hereunder, and the Rights Agent shall be fully protected and shall incur no liability for failing to take any action in connection therewith, unless and until it has received such notice in writing.

The provisions of this Section 18 and Section 20 below shall survive the expiration of the Rights, the termination of this Agreement and the resignation or removal of the Rights Agent.

Section 19. Merger or Consolidation or Change of Name of Rights Agent. Any corporation or other entity into which the Rights Agent or any successor Rights Agent may

be merged or with which it may be consolidated, or any corporation or other entity resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any corporation or other entity succeeding to all or substantially all the stock transfer or corporate trust business of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto; provided, that such corporation or other entity would be eligible for appointment as a successor Rights Agent under the provisions of Section 21 hereof. In case at the time such successor Rights Agent shall succeed to the agency created by this Agreement, any of the Right Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, any successor Rights Agent may countersign such Right Certificates either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

In case at any time the name of the Rights Agent shall be changed and at such time any of the Right Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, the Rights Agent may countersign such Right Certificates either in its prior name or in its changed name; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

Section 20. Duties of Rights Agent. The Rights Agent undertakes the duties and obligations expressly imposed by this Agreement, and no implied duties or obligations shall be read into this Agreement against the Rights Agent upon the following terms and conditions, by all of which the Company and the holders of Right Certificates, by their acceptance thereof, shall be bound:

(a) The Rights Agent may consult with legal counsel of its selection (who may be legal counsel for the Company), and the opinion of such counsel shall be full and complete authorization and protection to the Rights Agent, and the Rights Agent shall incur no liability for, or in respect of any action taken, suffered or omitted by it in accordance with such opinion.

(b) Whenever in the performance of its duties under this Agreement the Rights Agent shall deem it necessary or desirable that any fact or matter be proved or established by the Company prior to taking, suffering or omitting to take any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by any one of the Chairman of the Board, any Vice-Chairman, the President, the Chief Financial Officer, the General Counsel, any executive officer designated by the President, the Treasurer or the Secretary of the Company and delivered to the Rights Agent; and such certificate shall be full authorization and protection to the Rights Agent for any action taken,

suffered or omitted by it under the provisions of this Agreement in reliance upon such certificate.

(c) The Rights Agent shall be liable hereunder to the Company and any other Person only for, and shall indemnify and hold harmless the Company from and against, all losses, liabilities, costs, damages and expenses (including attorneys' fees) arising out of, or in connection with, the Rights Agent's gross negligence, bad faith or willful misconduct (each as finally determined by a court of competent jurisdiction). Anything to the contrary notwithstanding, in no event shall the Rights Agent be liable for special, punitive, indirect, consequential or incidental loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Rights Agent has been advised of the likelihood of such loss or damage. Any liability of the Rights Agent under this Rights Agreement will be limited to the amount of fees paid by the Company to the Rights Agent.

(d) The Rights Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the Right Certificates (except its countersignature thereof) or be required to verify the same, but all such statements and recitals are and shall be deemed to have been made by the Company only.

(e) The Rights Agent shall not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution hereof by the Rights Agent) or in respect of the validity or execution of any Right Certificate (except its countersignature thereof); nor shall it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Right Certificate; nor shall it be responsible for any change in the exercisability of the Rights (including the Rights becoming void pursuant to Section 7(e) hereof) or any adjustment in the terms of the Rights (including the manner, method or amount thereof) provided for in Section 3, 11, 13, 23 or 24, or the ascertaining of the existence of facts that would require any such change or adjustment (except with respect to the exercise of Rights evidenced by Right Certificates after the Rights Agent's actual receipt of a certificate furnished pursuant to Section 12 describing a change or adjustment); nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any Preference Shares or Ordinary Shares to be issued pursuant to this Agreement or any Right Certificate or as to whether any Preference Shares or Ordinary Shares will, when issued, be validly authorized and issued, fully paid and nonassessable, nor shall the Rights Agent be responsible for the legality of the terms hereof in its capacity as an administrative agent.

(f) The Company agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from any one of the Chairman of

the Board, any Vice-Chairman, the President, the Chief Financial Officer, the General Counsel, any executive officer designated by the President, the Treasurer or the Secretary of the Company, and to apply to such officers for advice or instructions in connection with its duties, and it shall not be liable for any action taken, suffered or omitted by it in accordance with instructions of any such officer or for any delay in acting while waiting for those instructions. Any application by the Rights Agent for written instructions from the Company may, at the option of the Rights Agent, set forth in writing any action proposed to be taken or omitted by the Rights Agent under this Agreement and the date on and/or after which such action shall be taken or such omission shall be effective. The Rights Agent shall not be liable for any action taken by, or omission of, the Rights Agent in accordance with a proposal included in any such application on or after the date specified in such application (which date shall not be less than five Business Days after the date any officer of the Company actually receives such application, unless any such officer shall have consented in writing to an earlier date) unless, prior to taking any such action (or the effective date in the case of an omission), the Rights Agent shall have received written instructions in response to such application specifying the action to be taken or omitted.

(h) The Rights Agent and any shareholder, affiliate, director, officer or employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Company or its Subsidiaries or become pecuniarily interested in any transaction in which the Company or its Subsidiaries may be interested, or contract with or lend money to the Company or its Subsidiaries or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company or its Subsidiaries or for any other legal entity.

(i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company resulting from any such act, default, neglect or misconduct, absent gross negligence, bad faith or willful misconduct (each as finally determined by a court of competent jurisdiction) in the selection and continued employment thereof.

(j) If, with respect to any Right Certificate surrendered to the Rights Agent for exercise or transfer, the certificate attached to the form of assignment or form of election to purchase, as the case may be, has either not been completed or indicates an affirmative response to clause 1 and/or 2 thereof, the Rights Agent shall not take any further action with respect to such requested exercise or transfer without first consulting with the Company.

(k) No provision of this Agreement shall require the Rights Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of its rights if there shall be reasonable grounds for believing that repayment of such funds or adequate indemnification against such risk or liability is not reasonably assured to it.

(l) In addition to the foregoing, the Rights Agent shall be protected and shall incur no liability for, or in respect of, any action taken or omitted by it in connection with its administration of this Agreement if such acts or omissions are in reliance upon (i) the proper execution of the certification concerning beneficial ownership appended to the form of assignment and the form of election to purchase attached hereto unless the Rights Agent shall have actual knowledge that, as executed, such certification is untrue, or (ii) the non-execution of such certification including, without limitation, any refusal to honor any otherwise permissible assignment or election by reason of such non-execution.

(m) The Company agrees to give the Rights Agent prompt written notice of any event or ownership of which the Company has knowledge which would prohibit the exercise or transfer of the Right Certificates.

Section 21. Change of Rights Agent. The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this Agreement upon 30 days' notice in writing mailed to the Company. The Company may remove the Rights Agent or any successor Rights Agent upon 30 days' notice in writing, mailed to the Rights Agent or successor Rights Agent, as the case may be. If the Rights Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Rights Agent. If the Company shall fail to make such appointment within a period of 30 days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of a Right Certificate (who shall, with such notice, submit his Right Certificate for inspection by the Company), then the registered holder of any Right Certificate may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be a corporation, bank or other entity organized and doing business under the laws of the United States or of any other state of the United States, which is authorized under such laws to exercise corporate trust or stock transfer powers and is subject to supervision or examination by federal or state authority and which, at the time of its appointment as Rights Agent, (a) has a combined capital and surplus of at least \$50,000,000 or (b) is an affiliate of an entity having a combined capital and surplus of at least \$50,000,000. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Company shall file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Ordinary Shares or Preference Shares, and mail a notice thereof in writing to the registered holders of the Right Certificates. Failure to give any notice provided for in this Section 21, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

Section 22. Issuance of New Right Certificates. Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Company may, at its

option, issue new Right Certificates evidencing Rights in such form as may be approved by its Board of Directors to reflect any adjustment or change in the Exercise Price and the number or kind or class of shares or other securities or property purchasable under the Right Certificates made in accordance with the provisions of this Agreement. In addition, in connection with the issuance or sale of Ordinary Shares following the Distribution Date and prior to the redemption or expiration of the Rights, the Company (a) shall, with respect to Ordinary Shares so issued or sold pursuant to the exercise of options or under any employee plan or arrangement, or upon the exercise, conversion or exchange of securities hereinafter issued by the Company, and (b) may, in any other case, if deemed necessary or appropriate by the Board of Directors of the Company, issue Right Certificates representing the appropriate number of Rights in connection with such issuance or sale; provided, however, that (i) no such Right Certificate shall be issued if, and to the extent that, the Company shall be advised by counsel that such issuance would create a significant risk of material adverse tax consequences to the Company or the Person to whom such Right Certificate would be issued, and (ii) no such Right Certificate shall be issued if, and to the extent that, appropriate adjustment shall otherwise have been made in lieu of the issuance thereof.

Section 23. Redemption.

(a) The Board of Directors of the Company may, at its option, at any time prior to such time as any Person becomes an Acquiring Person, redeem all but not less than all of the then outstanding Rights at a redemption price of \$.01 per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such redemption price being hereinafter referred to as the "Redemption Price"). The Company may, at its option, pay the Redemption Price in cash, Ordinary Shares (based on the current per share market price of the Ordinary Shares at the time of redemption) or any other form of consideration deemed appropriate by the Board of Directors. The redemption of the Rights by the Board of Directors may be made effective at such time on such basis and with such conditions as the Board of Directors in its sole discretion may establish. If redemption of the Rights is to be effective as of a future date, the Rights shall continue to be exercisable, subject to Section 7 hereof, until the effective date of the redemption, provided that nothing contained herein shall preclude the Board of Directors from subsequently causing the Rights to be redeemed at a date earlier than the scheduled effective date of the redemption.

(b) Immediately upon the action of the Board of Directors of the Company ordering the redemption of the Rights (or at the effective time of such redemption established by the Board of Directors of the Company pursuant to paragraph (a) of this Section 23), and without any further action and without any notice, the right to exercise the Rights will terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price. The Company shall promptly give public notice, with simultaneous written notice to the Rights Agent, of any such redemption; provided, however, that the failure to give, or any defect in, any such notice shall not affect the validity of such redemption. Within 10 days after such action of the Board of Directors ordering the redemption of the Rights or, if later, the effectiveness of the redemption of the Rights

pursuant to the last sentence of paragraph (a), the Company shall mail a notice of redemption to all the holders of the then outstanding Rights at their last addresses as they appear upon the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the transfer agent for the Ordinary Shares. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made. The Company may, at its option, discharge all of its obligations with respect to the Rights by (i) issuing a press release announcing the manner of redemption of the Rights, (ii) depositing with a bank or trust company having a capital and surplus of at least \$100,000,000, funds necessary for such redemption, in trust, to be applied to the redemption of the Rights so called for redemption and (iii) arranging for the mailing of the Redemption Price to the registered holders of the Rights. Upon such action, all outstanding Right Certificates shall be null and void without further action by the Company. Neither the Company nor any of its Affiliates or Associates may redeem, acquire or purchase for value any Rights at any time in any manner other than that specifically set forth in this Section 23, in Section 24 hereof, or in connection with the purchase of Ordinary Shares prior to the Distribution Date.

Section 24. Exchange.

(a) The Company may, at its option, at any time after a Triggering Event, upon resolution of a majority of the Board of Directors, exchange all or part of the then outstanding and exercisable Rights (which shall not include Rights that have become void pursuant to the provisions of Section 7(e) hereof) for Ordinary Shares at an exchange ratio of one Ordinary Share per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such exchange ratio being the "Exchange Ratio"). Notwithstanding the foregoing, the Company shall not effect such an exchange at any time after any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company or any entity holding Ordinary Shares for or pursuant to the terms of any such plan) becomes the Beneficial Owner of 50% or more of the then outstanding Ordinary Shares.

(b) Immediately upon the action of the Board of Directors of the Company ordering the exchange of any Rights pursuant to paragraph (a) of this Section 24 and without any further action and without any notice, the right to exercise such Rights shall terminate and the only right thereafter of a holder of such Rights shall be to receive that number of Ordinary Shares equal to the number of such Rights held by such holder multiplied by the Exchange Ratio. The Company shall promptly give public notice, with simultaneous written notice to the Rights Agent, of any such exchange; provided, however, that the failure to give, or any defect in, such notice shall not affect the validity of such exchange. The Company promptly shall mail a notice of any such exchange to all of the holders of such Rights at their last addresses as they appear upon the registry books of the Rights Agent. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of exchange will state the method by which the exchange of the Ordinary Shares for Rights will be effected and, in the event of any partial exchange, the number of Rights which will

be exchanged. Any partial exchange shall be effected pro rata based on the number of Rights (other than Rights which have become void pursuant to the provisions of Section 7(e) hereof) held by each holder of Rights.

(c) In any exchange pursuant to this Section 24, the Company, at its option, may substitute Preference Shares (or equivalent Preference Shares, as such term is defined in Section 11(b) hereof) for Ordinary Shares exchangeable for Rights, at the initial rate of one-thousandth of a Preference Share (or equivalent Preference Share) for each Ordinary Share, as appropriately adjusted to reflect adjustments in the Preference Shares pursuant to the terms thereof, so that the fraction of a Preference Share delivered in lieu of each Ordinary Share shall have the same voting rights as one Ordinary Share.

(d) If there shall not be sufficient Ordinary Shares or Preference Shares issued but not outstanding or authorized but unissued to permit any exchange of Rights as contemplated in accordance with this Section 24, the Company shall take all such action as may be necessary to authorize additional Ordinary Shares or Preference Shares for issuance upon exchange of the Rights.

(e) The Company shall not be required to issue fractions of Ordinary Shares or to distribute certificates which evidence fractional Ordinary Shares. In lieu of such fractional Ordinary Shares, the Company shall pay to the registered holders of the Right Certificates with regard to which such fractional Ordinary Shares would otherwise be issuable an amount in cash equal to the same fraction of the current market value of a whole Ordinary Share. For the purposes of this paragraph (e), the current market value of a whole Ordinary Share shall be the closing price of a Ordinary Share (as determined pursuant to the second sentence of Section 11(d)(i) hereof) for the Trading Day immediately prior to the date of exchange pursuant to this Section 24.

Section 25. Notice of Certain Events.

(a) In case the Company shall propose at any time after the Distribution Date (i) to pay any dividend payable in stock of any class to the holders of its Preference Shares or to make any other distribution to the holders of its Preference Shares (other than a regular quarterly cash dividend), (ii) to offer to the holders of its Preference Shares rights or warrants to subscribe for or to purchase any additional Preference Shares or shares of stock of any class or any other securities, rights or options, (iii) to effect any reclassification of its Preference Shares (other than a reclassification involving only the subdivision of outstanding Preference Shares), (iv) to effect any consolidation, merger or amalgamation into or with, or to effect any sale or other transfer (or to permit one or more of its Subsidiaries to effect any sale or other transfer), in one or more transactions, of 50% or more of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to, any other Person, (v) to effect the liquidation, dissolution or winding up of the Company, or (vi) to declare or pay any dividend on the Ordinary Shares payable in Ordinary Shares or to effect a subdivision, combination or consolidation of the Ordinary Shares (by reclassification or otherwise than by payment of dividends in Ordinary Shares), then, in each such case, the Company shall give to each holder of a Right Certificate and

to the Rights Agent, in accordance with Section 26 hereof, a notice of such proposed action, which shall specify the record date for the purposes of such stock dividend, or distribution of rights or warrants, or the date on which such reclassification, consolidation, merger, amalgamation, sale, transfer, liquidation, dissolution, or winding up is to take place and the date of participation therein by the holders of the Ordinary Shares and/or Preference Shares, if any such date is to be fixed, and such notice shall be so given in the case of any action covered by clause (i) or (ii) above at least 10 days prior to the record date for determining holders of the Preference Shares for purposes of such action, and in the case of any such other action, at least 10 days prior to the date of the taking of such proposed action or the date of participation therein by the holders of the Ordinary Shares and/or Preference Shares, whichever shall be the earlier.

(b) In case the event set forth in Section 11(a)(ii) hereof shall occur, then the Company shall as soon as practicable thereafter give to each holder of a Right Certificate and to the Rights Agent, in accordance with Section 26 hereof, a notice of the occurrence of such event, which notice shall describe such event and the consequences of such event to holders of Rights under Section 11(a)(ii) hereof.

Section 26. Notices. Notices or demands authorized by this Agreement to be given or made by the Rights Agent or by the holder of any Right Certificate to or on the Company shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Rights Agent) or by facsimile transmission as follows:

ACE Limited
The ACE Building
30 Woodbourne Avenue Hamilton HM 08, Bermuda Attention: General Counsel Facsimile No.: (441) 296-7799

Subject to the provisions of Section 21 hereof, any notice or demand authorized by this Agreement to be given or made by the Company or by the holder of any Right Certificate to or on the Rights Agent shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Company) or by facsimile transmission as follows:

Mellon Investor Services LLC 44 Wall Street, 6/th/ Floor New York, New York 10005 Attention: Relationship Manager Facsimile No.: (917) 320-6318

with a copy to:

Mellon Investor Services LLC

Notices or demands authorized by this Agreement to be given or made by the Company or the Rights Agent to the holder of any Right Certificate shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as shown on the registry books of the Company. Notices or demands sent by mail shall be deemed given or made three Business Days after the date on which they are sent.

Section 27. Supplements and Amendments. Subject to the penultimate sentence of this Section 27, the Company may from time to time, and the Rights Agent shall, if so directed by the Company, supplement or amend any provision of this Agreement without the approval of any holders of Right Certificates in order to cure any ambiguity, to correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions herein, or to amend, supplement, add or delete any provision with respect to the Rights (including, without limitation, amendments or supplements increasing the Exercise Price or extending the Final Maturity Date) which the Company may deem necessary or desirable, any such supplement or amendment to be evidenced by a writing signed by the Company and the Rights Agent; provided, however, that from and after such time as any Person becomes an Acquiring Person, this Agreement shall not be amended in any manner which would adversely affect the interests of the holders of Rights (other than an Acquiring Person or an Affiliate or an Associate of an Acquiring Person). Notwithstanding anything contained in this Agreement to the contrary, no supplement or amendment shall be made which (A) changes the Redemption Price or (B) changes the number of one one-thousandths of a Preference Share for which a Right is exercisable. Prior to the Distribution Date, the interests of the holders of Rights shall be deemed coincident with the interests of the holders of Ordinary Shares. Upon the delivery of a certificate from an appropriate officer of the Company which states that the proposed supplement or amendment is in compliance with the terms of this Section and provided such supplement or amendment does not change or increase the Rights Agent's rights, duties, liabilities or obligations, the Rights Agent shall execute such supplement or amendment. Notwithstanding any other provision hereof, the Rights Agent's consent must be obtained regarding any amendment or supplement pursuant to this Section 27 which alters the Rights Agent's rights or duties.

Section 28. Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

Section 29. Benefits of this Agreement. Nothing in this Agreement shall be construed to give to any person or corporation other than the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, the Ordinary Shares) any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Company, the Rights

Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, the Ordinary Shares).

Section 30. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

Section 31. Governing Law. This Agreement and each Right Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of New York and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts to be made and performed entirely within such State.

Section 32. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

Section 33. Descriptive Headings. Descriptive headings of the several Sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

Section 34. Determinations and Actions by the Board of Directors. The Board of Directors of the Company shall have the exclusive power and authority to administer this Agreement and to exercise all rights and powers specifically granted to the Board of Directors or the Company or as may be necessary or advisable in the administration of this Agreement, including, without limitation, the right and power to (i) interpret the provisions of this Agreement, and (ii) make all determinations deemed necessary or advisable for the administration of this Agreement (including a determination to redeem or not redeem the Rights or to amend the Agreement). All such actions, interpretations and determinations (including, for purpose of clause (ii) below, all omissions with respect to the foregoing) which are done or made by the Board of Directors in good faith, shall (i) be final, conclusive and binding on the Company, the Rights Agent, the holders of the Right Certificates and all other parties, and (ii) not subject the Board of Directors to any liability to the holders of the Right Certificates.

Section 35. Effective Date. This Amended and Restated Rights Agreement becomes effective as of the close of business on December 31, 2001.

* * * * *

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, all as of the day and year first above written.

ACE LIMITED

By: _____ Name: _____ Title:

**MELLON INVESTOR SERVICES LLC, as
Rights Agent**

By: _____ Name: _____ Title:

Exhibit A

**CERTIFICATE OF DESIGNATION, PREFERENCES AND RIGHTS
OF
SERIES A JUNIOR PARTICIPATING PREFERENCE SHARES
OF
ACE LIMITED**

Pursuant to Article 4(a)(II) of the Articles of Association of the Company (the "Articles"), the Series A Junior Participating Preference Shares shall have the designation, preferences and rights, and shall be subject to the restrictions, as hereinafter appearing:

Section 1. Designation and Number. There shall be a series of Shares of the Company which shall be designated as "Series A Junior Participating Preference Shares," par value \$1.00 per share (hereinafter called "Series A Preference Shares"), and the number of shares constituting such series shall be 500,000. Such number of shares may be increased or decreased by resolution of the Board of Directors of the Company; provided, however, that no decrease shall reduce the number of Series A Preference Shares to a number less than that of the shares then outstanding plus the number of Series A Preference Shares issuable upon exercise of outstanding rights, options or warrants or upon conversion of outstanding securities issued by the Company.

Section 2. Dividends and Distributions.

(A) Subject to the prior and superior rights of the holders of any shares of any class or series of the Company's shares ranking prior and superior to the Series A Preference Shares with respect to dividends, the holders of Series A Preference Shares shall be entitled to receive, when, as and if declared by the Board of Directors of the Company out of funds legally available for such purpose, quarterly dividends payable in cash to holders of record on the last business day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of any Series A Preference Shares or any fractional portion thereof, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$1.00 and (b) subject to the provision for adjustment hereinafter set forth, 1,000 times the aggregate per share amount of all cash dividends, and 1,000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in Ordinary Shares (hereinafter defined) or a subdivision of the outstanding Ordinary Shares (by reclassification or otherwise), declared on the Ordinary Shares, par value \$0.041666667 per share, of the Company (the "Ordinary Shares") since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any Series A Preference Shares or any fractional portion thereof. If the Company shall at any time following May 7, 1999 (i) declare any dividend on Ordinary Shares payable in Ordinary Shares, (ii) subdivide the outstanding Ordinary Shares or (iii) combine the outstanding Ordinary Shares into a smaller number

of shares, then in each such case the amount to which holders of Series A Preference Shares were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying each such amount by a fraction the numerator of which is the number of Ordinary Shares outstanding immediately after such event and the denominator of which is the number of Ordinary Shares that were outstanding immediately prior to such event.

(B) The Company shall declare a dividend or distribution on the Series A Preference Shares as provided in paragraph (A) above at the time it declares a dividend or distribution on the Ordinary Shares (other than a dividend payable in Ordinary Shares).

(C) No dividend or distribution (other than a dividend payable in Ordinary Shares) shall be paid or payable to the holders of Ordinary Shares unless, prior thereto, all accrued but unpaid dividends to the date of such dividend or distribution shall have been paid to the holders of Series A Preference Shares.

(D) Dividends shall begin to accrue and be cumulative on outstanding Series A Preference Shares from the Quarterly Dividend Payment Date next preceding the date of issue of such Series A Preference Shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of Series A Preference Shares entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the Series A Preference Shares in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors of the Company may fix a record date for the determination of holders of Series A Preference Shares entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of Series A Preference Shares shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each one one-thousandth of a Series A Preference Share shall entitle the holder thereof to one vote on all matters submitted to a vote of shareholders of the Company. If the Company shall at any time following May 7, 1999 (i) declare any dividend on Ordinary Shares payable in Ordinary Shares, (ii) subdivide the outstanding Ordinary Shares or (iii) combine the outstanding Ordinary Shares into a smaller number of shares, then in each such case the number of votes per share to which holders of Series A Preference Shares were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of Ordinary Shares outstanding immediately after

such event and the denominator of which is the number of Ordinary Shares that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein, in the Articles or by law, the holders of Series A Preference Shares and the holders of Ordinary Shares and any other capital stock of the Company having general voting rights shall vote together as one class on all matters submitted to a vote of shareholders of the Company.

(C) (i) Whenever, at any time or times, dividends payable on any Series A Preference Share or Shares shall be in arrears in an amount equal to at least six full quarterly dividends (whether or not declared and whether or not consecutive), the holders of record of the outstanding Series A Preference Shares shall have the right, together with the holders of record of the outstanding shares of every other class or series of shares issued pursuant to Article 4(a)(II) of the Articles (all such other classes or series, together with the Series A Preference Shares, being referred to hereinafter as the "Preference Shares"), voting as a single class regardless of class or series, to elect a total of two directors of the Company. Such two directors shall be elected initially at an extraordinary general meeting of shareholders of the Company or at the Company's next annual general meeting of shareholders, and subsequently at each annual general meeting of shareholders, as provided below. The term of office of the two directors so elected shall end on the date of the annual general meeting of shareholders following such election. At elections for such directors, the holders of Series A Preference Shares shall be entitled to cast one vote for each one one-thousandth of a Series A Preference Share held.

(ii) Upon the vesting of such right of the holders of the Preference Shares, the maximum authorized number of members of the Board of Directors of the Company shall automatically be increased by two and the two vacancies so created shall be filled by vote of the holders of the outstanding Preference Shares as hereinafter set forth. An extraordinary general meeting of the shareholders of the Company then entitled to vote shall be called by the Chairman or the President or the Secretary of the Company, if requested in writing by the holders of record of not less than 10% of the Preference Shares then outstanding. At such extraordinary general meeting, or, if no such extraordinary general meeting shall have been called, then at the next annual general meeting of shareholders, the holders of the Preference Shares shall elect, voting as above provided, two directors of the Company to fill the aforesaid vacancies created by the automatic increase in the number of members of the Board of Directors of the Company. The term of office of the two directors so elected shall end on the date of the annual general meeting of shareholders following such election. At any and all such general meetings for such election, the holders of a majority of the outstanding Preference Shares shall be necessary to constitute a quorum for such election, whether present in person or by proxy, and such two directors shall be elected by the vote of at least a plurality of shares held by such shareholders present or represented at the meeting. Any director elected by holders of Preference Shares pursuant to this Section may be removed at any annual or extraordinary general meeting of shareholders, by vote of a majority of the shareholders voting as a class who elected such director, with or without cause. In case any vacancy shall occur among the directors elected by the holders of the Preference Shares pursuant to this Section,

such vacancy may be filled by the remaining director so elected, or his successor then in office, and the director so elected to fill such vacancy shall serve until the next general meeting of shareholders at which directors are elected. After the holders of the Preference Shares shall have exercised their right to elect directors in any default period and during the continuance of such period, the number of directors shall not be further increased or decreased except by vote of the holders of Preference Shares as herein provided or pursuant to the rights of any equity securities ranking senior to or pari passu with the Preference Shares.

(iii) The right of the holders of the Preference Shares, voting separately as a class, to elect two members of the Board of Directors of the Company as aforesaid shall continue until, and only until, such time as all arrears in dividends (whether or not declared) on the Preference Shares shall have been paid or declared and set apart for payment, at which time such right shall terminate, except as herein or by law expressly provided, subject to revesting in the event of each and every subsequent default of the character above-mentioned. Upon any termination of the right of the holders of the Preference Shares as a class to vote for directors as herein provided, the term of office of all directors then in office elected by the holders of Preference Shares pursuant to this Section shall terminate immediately. Whenever the term of office of the directors elected by the holders of the Preference Shares pursuant to this Section shall terminate and the special voting powers vested in the holders of the Preference Shares pursuant to this Section shall have expired, the maximum number of members of the Board of Directors of the Company shall be such number as may be provided for in the Articles, irrespective of any increase made pursuant to the provisions of this Section.

(D) Except as set forth herein or in the Articles, holders of Series A Preference Shares shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Ordinary Shares and other capital stock of the Company as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preference Shares as provided in Section 2 hereof are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on Series A Preference Shares outstanding shall have been paid in full, the Company shall not:

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preference Shares;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preference Shares, except dividends paid ratably on the

Series A Preference Shares and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preference Shares, provided that the Company may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Company ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preference Shares; or

(iv) purchase or otherwise acquire for consideration any Series A Preference Shares, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective Series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Company shall not permit any direct or indirect subsidiary of the Company to purchase or otherwise acquire for consideration any shares of stock of the Company unless the Company could, under paragraph (A) of this Section, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any Series A Preference Shares purchased or otherwise acquired by the Company in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued Shares of the Company and may be reissued as part of a new class or series of Shares to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein and in the Articles, as amended from time to time.

Section 6. Liquidation, Dissolution or Winding Up. (A) Upon any voluntary liquidation, dissolution or winding up of the Company, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preference Shares unless, prior thereto, the holders of Series A Preference Shares shall have received \$.01 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Series A Liquidation Preference"). Following the payment of the full amount of the Series A Liquidation Preference, no additional distributions shall be made to the holders of Series A Preference Shares unless, prior thereto, the holders of Ordinary Shares shall have received an amount per share (the "Ordinary Adjustment") equal to the quotient obtained by dividing (i) the Series A Liquidation Preference by (ii) 1,000 (as appropriately adjusted as set forth in subparagraph C below to reflect such events as stock splits, stock dividends and recapitalizations with respect to the Ordinary Shares) (such number in clause (ii), the "Adjustment Number").

Following the payment of the full amount of the Series A Liquidation Preference and the Ordinary Adjustment in respect of all outstanding Series A Preference Shares and Ordinary Shares, respectively, holders of Series A Preference Shares and holders of Ordinary Shares shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio, on a per share basis, of the Adjustment Number to one with respect to such Series A Preference Shares and Ordinary Shares, on a per share basis, respectively.

(B) If, however, there are not sufficient assets available to permit payment in full of the Series A Liquidation Preference and the liquidation preferences of all other classes or series of Preference Shares, if any, which rank on a parity with the Series A Preference Shares, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences.

(C) If the Company shall at any time following May 7, 1999 (i) declare any dividend on Ordinary Shares payable in Ordinary Shares, (ii) subdivide the outstanding Ordinary Shares or (iii) combine the outstanding Ordinary Shares into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of Ordinary Shares outstanding immediately after such event and the denominator of which is the number of Ordinary Shares that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, Amalgamation, etc. If the Company shall enter into any consolidation, merger, amalgamation, combination or other transaction in which the Ordinary Shares are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the Series A Preference Shares shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 1,000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each Ordinary Share is changed or exchanged. If the Company shall at any time (i) declare any dividend on Ordinary Shares payable in Ordinary Shares, (ii) subdivide the outstanding Ordinary Shares or (iii) combine the outstanding Ordinary Shares into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of Series A Preference Shares shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of Ordinary Shares outstanding immediately after such event and the denominator of which is the number of Ordinary Shares that were outstanding immediately prior to such event.

Section 8. Redemption. The Series A Preference Shares shall not be redeemable by the Company. The preceding sentence shall not limit the ability of the Company to purchase or otherwise deal in such shares of stock to the extent permitted by law.

Section 9. Ranking. The Series A Preference Shares shall rank junior to all other series of the Company's Preference Shares (whether with or without par value) as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.

Section 10. Amendment. This Certificate of Designation, Preferences and Rights of Series A Junior Participating Preference Shares of ACE Limited shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Preference Shares so as to affect them adversely without the affirmative vote of the holders of two-thirds or more of the outstanding Series A Preference Shares, voting separately as a class.

Section 11. Fractional Shares. Series A Preference Shares may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Preference Shares.

Section 12. References to Shareholders. All references herein to shareholders of the Company shall be deemed to be references to the members thereof.

Exhibit B
Form of Right Certificate

Certificate No. R- _____ Rights

NOT EXERCISABLE AFTER JUNE 1, 2009 OR EARLIER IF THE RIGHTS EXPIRE UNDER CERTAIN CIRCUMSTANCES OR ARE REDEEMED BY THE COMPANY. THE RIGHTS ARE SUBJECT TO REDEMPTION, AT THE OPTION OF THE COMPANY, AT \$.01 PER RIGHT ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT. UNDER CERTAIN CIRCUMSTANCES, RIGHTS BENEFICIALLY OWNED BY AN ACQUIRING PERSON (AS SUCH TERM IS DEFINED IN THE RIGHTS AGREEMENT) AND ANY SUBSEQUENT HOLDER OF SUCH RIGHTS MAY BECOME NULL AND VOID. [THE RIGHTS REPRESENTED BY THIS CERTIFICATE ARE OR WERE BENEFICIALLY OWNED BY A PERSON WHO WAS OR BECAME AN ACQUIRING PERSON OR AN AFFILIATE OR ASSOCIATE OF AN ACQUIRING PERSON (AS SUCH TERMS ARE DEFINED IN THE RIGHTS AGREEMENT). ACCORDINGLY, THIS RIGHT CERTIFICATE AND THE RIGHTS REPRESENTED HEREBY MAY BECOME VOID IN THE CIRCUMSTANCES SPECIFIED IN SECTION 7(e) OF SUCH AGREEMENT.]*/

Right Certificate ACE Limited

This certifies that _____, or registered assigns, is the registered owner of the number of Rights set forth above, each of which entitles the owner thereof, subject to the terms, provisions and conditions of the Amended and Restated Rights Agreement, dated as of December 20, 2001 (the "Rights Agreement"), between ACE Limited, a Cayman Islands, company (the "Company"), and Mellon Investor Services LLC, a New Jersey limited liability company (the "Rights Agent"), to purchase from the Company at any time after the Distribution Date (as such term is defined in the Rights Agreement) and prior to 5:00 p.m. (New York time) on June 1, 2009, or notice of redemption or exchange at the office of the Rights Agent (or its successors as Rights Agent) designated for such purpose, one one-thousandth of a fully paid non-assessable Series A Junior Participating Preference Shares, par value \$1.00 per share (the "Preference Shares") of the Company at an exercise price of \$150 per one one-thousandth of a share (the "Exercise Price") upon presentation and surrender of this Right Certificate with the appropriate Form of Election to Purchase and related Certificate duly executed. The number of Rights evidenced by this Right Certificate (and the number of shares which may be purchased upon exercise thereof) set forth above, and the Exercise Price per

*/ The portion of the legend in brackets shall be inserted only if applicable
- and shall replace the preceding sentence.

share set forth above, are the number and Exercise Price as of _____, based on the Preference Shares as constituted at such date. Capitalized terms not defined in this Right Certificate that are defined in the Rights Agreement shall have the meanings ascribed to them in the Rights Agreement.

Upon the occurrence of a Triggering Event, if the Rights evidenced by this Right Certificate are beneficially owned by (i) an Acquiring Person or an Affiliate or Associate of any such Acquiring Person (as such terms are defined in the Rights Agreement), (ii) under certain circumstances specified in the Rights Agreement, a transferee of any such Acquiring Person, Associate or Affiliate, or (iii) under certain circumstances specified in the Rights Agreement, a transferee of a Person who, after such transfer, became an Acquiring Person, or an Affiliate or Associate of an Acquiring Person, such Rights shall become null and void and no holder hereof shall have any right with respect to such Rights from and after the occurrence of any such Triggering Event.

As provided in the Rights Agreement, the Exercise Price and the number and kind of Preference Shares or other securities which may be purchased upon the exercise of the Rights evidenced by this Right Certificate are subject to modification and adjustment upon the happening of certain events.

This Right Certificate is subject to all of the terms, provisions and conditions of the Rights Agreement, which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities hereunder of the Rights Agent, the Company and the holders of the Right Certificates, which limitations of rights include the temporary suspension of the exercisability of such Rights under certain circumstances specified in such Rights Agreement. Copies of the Rights Agreement are on file at the principal corporate trust office of the Rights Agent and are also available upon written request to the Rights Agent.

This Right Certificate, with or without other Right Certificates, upon surrender at the office of the Rights Agent designated for such purpose, may be exchanged for another Right Certificate or Right Certificates of like tenor and date evidencing Rights entitling the holder to purchase a like aggregate number of Preference Shares as the Rights evidenced by the Right Certificate or Right Certificates surrendered shall have entitled such holder to purchase. If this Right Certificate shall be exercised in part, the holder shall be entitled to receive upon surrender hereof another Right Certificate or Right Certificates for the number of whole Rights not exercised.

Subject to the provisions of the Rights Agreement, the Rights evidenced by this Certificate may be redeemed by the Company at its option at a redemption price of \$.01 per Right at any time prior to (i) the time any Person becomes an Acquiring Person and (ii) the Final Expiration Date.

No fractional Preference Shares will be issued upon the exercise of any Right or Rights evidenced hereby (other than fractions which are integral multiples of one one-

thousandth of a Preference Share, which may at the election of the Company be evidenced by depository receipts), but in lieu thereof a cash payment will be made, as provided in the Rights Agreement.

No holder of this Right Certificate, in such holder's capacity as such, shall be entitled to vote or receive dividends or be deemed for any purpose the holder of Preference Shares or of any other securities of the Company which may at any time be issuable on the exercise hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, in such holder's capacity as such, any of the rights of a shareholder of the Company or any right to vote for the election of directors of the Company or upon any matter submitted to shareholders of the Company at any general meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of general meetings or other actions affecting shareholders of the Company (except as provided in the Rights Agreement), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by this Right Certificate shall have been exercised as provided in the Rights Agreement.

This Right Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by an authorized signatory of the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Company and its corporate seal.

Dated as of _____

ATTEST: (SEAL) ACE LIMITED

_____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

Countersigned:

MELLON INVESTOR SERVICES LLC

By: _____ Date: _____ Authorized Signatory

Form of Reverse Side of Right Certificate

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the Right Certificate.)

FOR VALUE RECEIVED _____ hereby sells, assigns and transfers unto

(Please print name and address of transferee)

this Right Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint _____ Attorney, to transfer the within Right Certificate on the books of the within-named Company, with full power of substitution.

Date: _____

Signature

Signature Guaranteed:

CERTIFICATE

The undersigned hereby certifies by checking the appropriate boxes that:

(1) this Right Certificate ☐ is ☐ is not being sold, assigned and transferred by or on behalf of a Person who is or was an Acquiring Person or an Affiliate or Associate of any such Acquiring Person (as such terms are defined pursuant to the Rights Agreement); and

(2) after due inquiry and to the best knowledge of the undersigned, it
☐ did ☐ did not acquire the Rights evidenced by this Right Certificate from any Person who is, was or subsequently became an Acquiring Person or an Affiliate or Associate of an Acquiring Person.

Dated: _____

Signature

NOTICE

The signature to the foregoing Assignment and Certificate must correspond to the name as written upon the face of this Right Certificate in every particular, without alteration or enlargement or any change whatsoever.

FORM OF ELECTION TO PURCHASE

(To be executed if holder desires to exercise Rights represented by the Right Certificate.)

To: Mellon Investor Services LLC

The undersigned hereby irrevocably elects to exercise ____ Rights represented by this Right Certificate to purchase the Preference Shares issuable upon the exercise of the Rights (or such other securities of the Company or of any other person which may be issuable upon the exercise of the Rights) and requests that certificates for such shares be issued in the name of:

Please insert social security
or other identifying number: _____

(Please print name and address)

If such number of Rights shall not be all the Rights evidenced by this Right Certificate, a new Right Certificate for the balance of such Rights shall be registered in the name of and delivered to:

Please insert social security
or other identifying number: _____

(Please print name and address)

Dated: _____

Signature

Signature Guaranteed:

CERTIFICATE

The undersigned hereby certifies by checking the appropriate boxes that:

(1) the Rights evidenced by this Right Certificate ☐ are ☐ are not being exercised by or on behalf of a Person who is or was an Acquiring Person or an Affiliate or Associate of any such Acquiring Person (as such terms are defined pursuant to the Rights Agreement); and

(2) after due inquiry and to the best knowledge of the undersigned, it ☐ did ☐ did not acquire the Rights evidenced by this Right Certificate from any Person who is, was or became an Acquiring Person or an Affiliate or Associate of an Acquiring Person.

Dated: _____

Signature

NOTICE

The signature to the foregoing Election to Purchase and Certificate must correspond to the name as written upon the face of this Right Certificate in every particular, without alteration or enlargement or any change whatsoever.

Exhibit C

SUMMARY OF SHAREHOLDER RIGHTS PLAN

On May 7, 1999, the Board of Directors of ACE Limited (the "Company") declared a dividend distribution of one Right for each outstanding Ordinary Share, par value \$0.041666667 per share ("Ordinary Share"), of the Company to shareholders of record at the close of business on June 1, 1999 (the "Record Date"). Except as described below, each Right, when exercisable, entitles the registered holder to purchase from the Company one one-thousandth of a Series A Junior Participating Preference Share, par value \$1.00 per share ("Preference Share"), at a price of \$150 per one one-thousandth share (the "Exercise Price").

The description and terms of the Rights are set forth in an Amended and Restated Rights Agreement (the "Rights Agreement") between the Company and Mellon Investor Services LLC, as Rights Agent.

Initially, the Rights will be attached to all Ordinary Share certificates representing shares then outstanding, and no separate Right certificates will be distributed. Until the earlier to occur of (i) 10 days following a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") has acquired, or obtained the right to acquire, beneficial ownership of 15% or more of the outstanding Ordinary Shares (the "Shares Acquisition Date") or (ii) 15 business days (or such later date as may be determined by action of the Board of Directors of the Company (the "Board of Directors") prior to the time that any person becomes an Acquiring Person) following the commencement of (or a public announcement of an intention to make) a tender or exchange offer if, upon consummation thereof, such person or group would be the beneficial owner of 15% or more of such outstanding Ordinary Shares (the earlier of such dates being called the "Distribution Date"), the Rights will be evidenced by the Ordinary Share certificates together with a copy of this Summary of Shareholder Rights Plan and not by separate certificates.

The Rights Agreement also provides that, until the Distribution Date, the Rights will be transferred with and only with the Ordinary Shares. Until the Distribution Date (or earlier redemption, expiration or termination of the Rights), the transfer of any certificates for Ordinary Shares, with or without a copy of this Summary of Shareholder Rights Plan, will also constitute the transfer of the Rights associated with the Ordinary Shares represented by such certificates. As soon as practicable following the Distribution Date, separate certificates evidencing the Rights ("Right Certificates") will be mailed to holders of record of the Ordinary Shares as of the close of business on the Distribution Date and, thereafter, such separate Right Certificates alone will evidence the Rights. Any Ordinary Shares issued after the Distribution Date will generally be accompanied by Right Certificates only if such Ordinary Shares are issued pursuant to the exercise of options or under any employee plan or arrangement or upon the exercise, conversion or exchange of other securities issued by the Company, or in other circumstances where the issuance of

accompanying Rights Certificates is deemed necessary or appropriate by the Board of Directors.

The Rights are not exercisable until the Distribution Date and will expire at the earlier of June 1, 2009 (the "Final Expiration Date") and (ii) the redemption of the Rights by the Company as described below.

If any person (other than the Company, its subsidiaries or any person receiving newly-issued Ordinary Shares directly from the Company) becomes the beneficial owner of 15% or more of the then outstanding Ordinary Shares, each holder of a Right will thereafter have the right to receive, upon exercise at the then current exercise price of the Right, Ordinary Shares (or, in certain circumstances, cash, property or other securities of the Company) having a value equal to two times the exercise price of the Right. The Rights Agreement contains an exemption for any issuance of Ordinary Shares by the Company directly to any person (for example, in a private placement or an acquisition by the Company in which Ordinary Shares are used as consideration), even if that person would become the beneficial owner of 15% or more of the Ordinary Shares, provided that such person does not acquire any additional Ordinary Shares.

If, at any time following the Shares Acquisition Date, the Company is acquired in a merger, amalgamation or other business combination transaction or 50% or more of the Company's assets or earning power are sold, proper provision will be made so that each holder of a Right will thereafter have the right to receive, upon exercise at the then current exercise price of the Right, common stock of the acquiring or surviving company having a value equal to two times the exercise price of the Right.

Notwithstanding the foregoing, following the occurrence of any of the events set forth in the preceding two paragraphs (the "Triggering Events"), any Rights that are, or (under certain circumstances specified in the Rights Agreement) were, beneficially owned by any Acquiring Person will immediately become null and void.

The Exercise Price payable, and the number of Preference Shares or other securities or property issuable, upon exercise of the Rights, are subject to adjustment from time to time to prevent dilution, among other circumstances, in the event of a stock dividend on, or a subdivision, split, combination, consolidation or reclassification of, the Preference Shares or the Ordinary Shares, or a reverse split of the outstanding Preference Shares or Ordinary Shares.

With certain exceptions, no adjustment in the Exercise Price will be required until cumulative adjustments require an adjustment of at least 1% in the Exercise Price. The Company will not be required to issue fractional Preference Shares or Ordinary Shares (other than fractions in multiples of one-thousandths of a Preference Share) and, in lieu thereof, an adjustment in cash may be made based on the market price of the Preference Shares or Ordinary Shares on the last trading date prior to the date of exercise.

The Preference Shares constitute a new series of "other shares" of the Company that is nonredeemable and that ranks junior to other series of preference or preferred shares of the Company that may be issued in the future. Each Preference Share will be entitled to a minimum preferential quarterly dividend of \$1.00 per share but will be entitled to an aggregate dividend equal to 1,000 times the dividend declared per Ordinary Share. In the event of liquidation, each Preference Share will be entitled to a minimum preferential liquidation payment of \$.01 per share but will be entitled to an aggregate payment of 1,000 times the payment made per Ordinary Share. Each Preference Shares will have 1,000 votes, voting together with the Ordinary Shares and other capital stock of the Company. Finally, in the event of any merger, consolidation, amalgamation or other transaction in which Ordinary Shares are exchanged, each Preference Share will be entitled to receive 1,000 times the amount received per Ordinary Share. These rights are protected by customary antidilution provisions. Because of the nature of the Preference Shares' dividend, liquidation and voting rights, the value of the one one-thousandth of a Preference Share purchasable upon the exercise of each Right should approximate the value of one Ordinary Share.

At any time after the date of the Rights Agreement until the time that a person becomes an Acquiring Person, the Board of Directors may redeem the Rights in whole, but not in part, at a price of \$.01 per Right (the "Redemption Price"), which may (at the option of the Company) be paid in cash, Ordinary Shares or other consideration deemed appropriate by the Board of Directors. Upon the effectiveness of any action of the Board of Directors ordering redemption of the Rights, the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

Until a Right is exercised, the holder thereof, as such, will have no rights as a shareholder of the Company, including, without limitation, the right to vote or to receive dividends.

The Board of Directors of the Company is generally responsible for administering, interpreting and making all decisions and taking all actions with respect to the Rights Agreement, including, without limitation, the decision to redeem or exchange the Rights or to amend the Rights Agreement.

The provisions of the Rights Agreement may be amended by the Company, except that any amendment adopted after the time that a person becomes an Acquiring Person may not adversely affect the interests of holders of Rights.

As of March 31, 1999, there were 193,864,482 Ordinary Shares outstanding and 23,576,886 Ordinary Shares reserved for issuance under employee benefit plans. Each outstanding Ordinary Share on June 1, 1999 will receive one Right. In addition, each Ordinary Share issued after the Record Date but prior to the earliest of the Distribution Date, the redemption of the Rights and the Final Expiration Date will receive one Right, subject to adjustment as provided in the Rights Agreement. 500,000 Preference Shares will be reserved for issuance in the event of exercise of the Rights.

The Rights have certain anti-takeover effects. The Rights will cause substantial dilution to a person or group that attempts to acquire the Company without conditioning the offer on the Rights being redeemed or a substantial number of Rights being acquired, and under certain circumstances the Rights beneficially owned by such a person or group will become void. The Rights should not interfere with any merger, amalgamation or other business combination approved by the Board of Directors because, if the Rights would become exercisable as a result of such merger, amalgamation or business combination, the Board of Directors may, at its option, at any time prior to the time that any Person becomes an Acquiring Person, redeem all (but not less than all) of the then outstanding Rights at the Redemption Price.

A copy of the Rights Agreement is being filed with the Securities and Exchange Commission as an exhibit to a Registration Statement on Form 8-A. This summary description of the Rights does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement.

UNDER CERTAIN CIRCUMSTANCES, AS SET FORTH IN THE RIGHTS AGREEMENT, RIGHTS OWNED BY OR TRANSFERRED TO ANY PERSON WHO IS OR BECOMES AN ACQUIRING PERSON (AS DEFINED IN THE RIGHTS AGREEMENT) AND CERTAIN TRANSFEREES THEREOF WILL BECOME NULL AND VOID AND WILL NO LONGER BE TRANSFERABLE.

Exhibit 10.60

First Amendment of the

ACE Limited Elective Deferred Compensation Plan

RESOLVED, that the ACE Limited Elective Deferred Compensation Plan (the "Plan") is hereby amended, effective as of January 1, 2001, by adding the following at the end of subsection 2.1 of the Plan:

"Notwithstanding any other provision of the Plan to the contrary, the Committee may designate as an "Eligible Employee" any individual who has provided services to an Employer (including those individuals who are not and/or have not been employees). In applying the terms of the Plan to any such individual, (i) references in the Plan to an employee of an Employer shall be deemed to also refer to an individual who is a non-employee service provider to an Employer who is designated as an Eligible Employee in accordance with the preceding sentence, (ii) references in the Plan to employment by an Employer shall be deemed to also refer to the provision of services to an Employer by an individual who is designated as an Eligible Employee in accordance with the preceding sentence; and (iii) references to compensation paid to an Eligible Employee shall be deemed to also refer to amounts paid for services rendered to an Employer by an individual who is designated as an Eligible Employee in accordance with the preceding sentence."

Exhibit 10.61

CONFORMED COPY

ACE LIMITED EMPLOYEE RETIREMENT PLAN

(As Amended and Restated July 1, 2001 and

as further amended through the First Amendment)

Mayer, Brown & Platt
Chicago

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ACE LIMITED EMPLOYEE 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 EMPLOYEE RETIREMENT PLAN as in effect on July 1, 2001.

Dated this ____ day of July, 2001.

Chief Administration Officer as Aforesaid

(Seal)

ACE LIMITED EMPLOYEE RETIREMENT PLAN

(As Amended and Restated July 1, 2001)

SECTION 1

General

1.1 History, Purpose and Effective Date. Effective October 1, 1987, ACE Limited, a corporation organized and existing under the laws of the Cayman Islands, having its principal place of business in Hamilton, Bermuda, established the ACE Limited Employee Retirement Plan (the "Plan") for the exclusive benefit of its employees and their beneficiaries. The Plan was previously amended and restated effective as of October 1, 1989, was further amended from time to time, and is now amended, restated and continued effective July 1, 2001, the "Effective Date" of the Plan as set forth herein. The Plan is intended to qualify as a profit-sharing plan under section 401(a) of the Internal Revenue Code of 1986 of the United States, as amended (the "Code").

1.2 Related Companies and Employers. 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 Trust Agreement, Plan Administration and Fiduciary Responsibility.

All contributions made under the Plan will be held, managed and controlled by one or more trustees (the "Trustee") acting under a Trust which forms a part of the Plan. The terms of the Trust as in effect on the Effective Date are set forth in a Trust Agreement known as the ACE Limited Employee Retirement Trust. The authority to control and manage the operation and administration of the Plan is vested in an administrative committee (the "Committee"), as more fully described in subsection 14.1. Except as otherwise expressly provided in subsection 14.1, the Company shall have the rights, duties and obligations of a "plan administrator" as that term is defined in section 414(g) of the Code. With respect to the investment of the Plan's assets, the Committee has the authority and responsibility set forth in the Trust Agreement (defined below). The Company and the Committee shall be named fiduciaries with respect to their authority under the Plan.

1.4 Plan Year. The term "Plan Year" means the twelve-consecutive month period beginning on each January 1.

1.5 Applicable Laws. The Plan shall be construed and administered in accordance with the laws of Bermuda. The Plan is intended to comply by its terms with the applicable provisions of the Code.

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 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 ACE Limited Employee Retirement Savings Plan 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.

1.8 Form and Time of Elections and Signature. 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 of 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, including but not limited to enrolling in the Plan, electing contribution rates, making investment choices, executing loan documents, and consenting to a distribution. Any election made through the Phone System shall be considered submitted to the Committee on the date it is electronically transmitted.

1.9 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.

1.10 Action by Employers. Any action required or permitted to be taken by any Employer which is a corporation shall be by resolution of its Board of Directors, or by a duly authorized officer of the Employer. 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.

1.11 No Reversion to Employers. No part of the corpus or income of the Trust shall revert to the Employers or be used for, or diverted to, purposes other than for the exclusive benefit of Participants and other persons entitled to benefits under the Plan, except as specifically provided in the Trust Agreement.

1.12 Plan Supplements. The provisions of the Plan may be modified or supplemented from time to time by the adoption of one or more Supplements. Each Supplement shall form a part of the Plan as of the Supplement's effective date. In the event of any inconsistency between a Supplement and the Plan document, the terms of the Supplement shall govern.

1.13 Defined Terms. Terms used frequently with the same meaning are indicated by initial capital letters, and are defined throughout the Plan.

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

SECTION 2

Participation in the Plan

2.1 Eligibility for Participation. Each individual who was a participant in the Plan immediately prior to the Effective Date will continue as a Participant in the Plan on and after that date, subject to the conditions and limitations of the Plan. Subject to the conditions and limitations of the Plan, each individual who was not a participant in the Plan immediately prior to the Effective Date shall become a "Participant" in the Plan on the later of the Effective Date or the date on which he is first employed by an Employer. Notwithstanding the foregoing, an employee of an Employer who is a member of a collective bargaining unit as to which retirement benefits have been the subject of good faith bargaining shall not be eligible to become a Participant unless the Plan has been extended to the applicable collective bargaining unit under a currently effective collective bargaining agreement.

Notwithstanding any other provision of the Plan to the contrary, no individual shall be eligible to participate in the Plan for any period during which such individual provides services under a contract or arrangement between an Employer and either such individual himself or an agency or leasing organization, that purports to treat the individual as either an independent contractor or an employee of such agency or leasing organization, even if the individual is later determined (by judicial action or otherwise) to have been a common law employee of an Employer during such period rather than an independent contractor or an employee of such agency or leasing organization.

2.2 Inactive Participation. Once an eligible employee becomes a Participant in the Plan, he will remain a Participant as long as he continues to have an Account balance under the Plan for all purposes under the Plan except the contribution provisions of Sections 4 and 5 and the loan provisions of Section 10.

2.3 Plan Not Guarantee of Employment. The Plan does not constitute a contract of employment, and participation in the Plan will not give any employee or Participant the right to be retained in the employ of any Employer 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.

2.4 Leased Employees. An individual who is not an employee of an Employer or a Related Company shall be considered a 'Leased Employee' if pursuant to an agreement between the Employer or Related Company and any other person ('leasing organization') he has performed services for the Employer or Related Company on a substantially full-time basis for a period of at least one year and such services are performed under the primary direction or control of the Employer or Related Company. Such Leased Employee shall not be eligible to participate in this Plan or in any other plan maintained by an Employer or a Related Company which is qualified under section 401(a) of the Code, but shall be treated as if the services performed by him in such capacity were performed by him as an employee of an Employer to the extent required by section 414 (n) of the Code and applicable Treasury regulations; provided, however, that no such service shall be credited:

(a) for any period during which less than 20% of the non-Highly Compensated workforce of the Employers and the Related Companies consists of Leased Employees and the Leased Employee is a participant in a money purchase pension plan maintained by the leasing organization which (i) provides for a nonintegrated employer contribution of at least 10 percent of compensation, (ii) provides for full and immediate vesting, and (iii) covers all employees of the leasing organization (beginning with the date they become employees), other than those employees excluded under section 414(n)(5) of the Code; or

(b) for any other period unless the Leased Employee provides satisfactory evidence to the Employer or Related Company that he meets all of the conditions of this subsection 2.4 and applicable law required for treatment as a Leased Employee.

For purposes of paragraph (a) above, 'Highly Compensated' shall have the meaning set forth in Section 9.11.

SECTION 3

Vesting Service

3.1 Years of Vesting Service. The term "Years of Vesting Service" means, with respect to any employee or Participant, the number of years, computed to fractional portions thereof, with fractional weeks and months being credited as an additional month, elapsed since the first date for which he was paid, or entitled to payment, for the performance of duties for an Employer or a Related Company, subject to the following:

(a) If an employee's or Participant's employment with the Employers and the Related Companies is terminated and he incurs a One Year Break in Vesting Service (as defined in subsection 3.2), he shall not be credited with service for the period between the date his employment is terminated and the date, if any, of his reemployment by an Employer or a Related Company.

(b) When a Related Company becomes an Employer, each employee of such Related Company shall be credited with Years of Vesting Service to the extent provided by the Committee or the Board of Directors uniformly for all similarly situated employees, subject to the limitations of section 401(a)(4) of the Code, or as otherwise required by law, for employment by such Related Company prior to the date on which it becomes an Employer for which each such employee is not otherwise credited with Years of Vesting Service.

(c) Each employee of the Employers who was a Participant in the Plan immediately prior to the Effective Date shall be credited with Years of Vesting Service as of the Effective Date equal to the number of whole and fractional years of service with which such Participant had been credited under the terms of the Plan as in effect immediately prior to the Effective Date.

3.2 One Year Break in Vesting Service. The term "One Year Break in Vesting Service" means, with respect to any employee or Participant, the 12-consecutive-month period

commencing on the earlier of his Termination Date or the first anniversary of the first date of a period in which the employee or Participant remains absent from service with the Employers and Related Companies for any reason other than a quit, retirement, discharge or death or a Maternity or Paternity Absence (as defined below) if he is not paid or entitled to payment for the performance of duties for an Employer or a Related Company.

3.3 Special Rule for Maternity and Paternity Absences. With respect to an individual whose absence from employment constitutes a Maternity or Paternity Absence, a One Year Break in Vesting Service will commence on the second anniversary of the first day of such absence, and the period between the first and second anniversaries of the first day of a Maternity or Paternity Absence shall not constitute a Year of Vesting Service. The term "Maternity or Paternity Absence" means an employee's or Participant's absence from active employment with an Employer or Related Company by reason of the employee's pregnancy, the birth of a child of the employee, the placement of a child with the employee in connection with the employee's adoption of such child, or for purposes of caring for such child immediately after its birth or placement. The Committee may require the employee or Participant to furnish such information as it considers necessary to establish that such individual's absence was a Maternity or Paternity Absence.

SECTION 4

Participant Before-Tax and Rollover Contributions

4.1 Before-Tax Contributions. Subject to the following provisions of this Section 4 and the limitations set forth in Section 9 and such additional rules as the Committee may establish on a uniform and nondiscriminatory basis, for any Plan Year, a Participant may elect to have his salary or wage reduced, and a corresponding amount contributed on his behalf to the Plan by his Employer as a "Before-Tax Contribution." Any such reductions shall be made in such manner as is permitted by the Committee, and shall be subject to the following:

(a) With respect to a Participant who during the relevant period is not also an active participant in any retirement plan maintained by the Company or an Employer to comply with the requirements of the Bermuda National Pension Scheme (Occupation Pensions) Act 1998, as amended, any successor thereto, or any other relevant Bermuda pension legislation (an "ACE Bermuda Pension Plan"), for the period beginning on the Effective Date and ending on December 31, 2001, the Before-Tax Contribution amount elected by such Participant shall be a whole percentage of not less than 1 percent and not more than 6 percent of his Eligible Compensation, as defined in subsection 4.6, for that period; and for any Plan Year beginning on or after January 1, 2002, the "Before-Tax Contribution" amount elected by such Participant shall be a whole percentage of not less than 1 percent and not more than 10 percent of his Eligible Compensation for that Plan Year.

(b) With respect to a Participant who during the relevant period is also an active participant in an ACE Bermuda Pension Plan:

(i) for the period beginning on the Effective Date and ending on December 31, 2001, the Before-Tax Contribution Amount elected by such Participant shall be a whole percentage of not less than 1 percent and not more than 4% of his Eligible Compensation, as defined in subsection 4.6, for that period;

(ii) for the Plan Year beginning January 1, 2002, the "Before-Tax Contribution" amount elected by such Participant shall be a whole percentage of not less than 1 percent and not more than 7 percent of his Eligible Compensation for that Plan Year.

(iii) for the Plan Year beginning January 1, 2003, the "Before-Tax Contribution" amount elected by such Participant shall be a whole percentage of not less than 1 percent and not more than 6 percent of his Eligible Compensation for that Plan Year.

(iv) for any Plan Year beginning on or after January 1, 2004, the "Before-Tax Contribution" amount elected by such Participant shall be a whole percentage of not less than 1 percent and not more than 5 percent of his Eligible Compensation for that Plan Year.

4.2 Payment of Before-Tax Contributions. Before-Tax Contributions shall be made in equal amounts each payroll period, subject to the restrictions of Section 9, and shall be paid to the Trustee by the Employer on the earliest date on which such contributions can reasonably be segregated from the Employer's general assets, but not later than the 15th business day of the month following the date on which such amounts would otherwise have been payable to the Participant.

4.3 Variation, Discontinuance and Resumption of Before-Tax Contributions.

Subject to such rules and restrictions as the Committee may establish on a uniform and nondiscriminatory basis, a Participant may elect to change his Before-Tax Contribution rate (but not retroactively) within the limits specified in this Section 4, or elect to discontinue or resume such contributions.

4.4 Rollover Contributions. A Participant may, with the consent of the Committee, make a Rollover Contribution to the Plan, to the extent permitted by the following provisions of subsection 4.4:

The term "Rollover Contribution" means

(a) a cash contribution to the Plan by the employee of amounts distributed from a qualified plan described in section 401(a) of the Code and made within 60 days of receipt of such amount, or

(b) a cash payment made to the Plan by another qualified plan described in section 401(a) of the Code as a direct rollover (as contemplated under Code section 401(a)(31)) on behalf of and at the direction of the employee,

provided such distributed or directly rolled over amounts are permitted to be rolled over to a qualified plan under applicable provisions of the Code as then in effect. The Committee may request from the employee such documents as it considers necessary or desirable to establish that the rollover contribution satisfies the foregoing requirements.

4.5 Veterans' Rights. Notwithstanding any other provision of the Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with section 414(u) of the Code.

4.6 Eligible Compensation. For purposes of this Section 4 and Section 5, a Participant's "Eligible Compensation" for any shall mean his base salary or wage plus any overtime pay or bonus, shift differential, commission, beeper pay, catastrophe pay, and any elective pretax contributions made on the Participant's behalf for the applicable period to a plan sponsored by an Employer or a Related Company pursuant to Section 402(g) or Section 125 of the Code; provided, however, that the compensation of any Participant taken into account under the Plan for any Plan Year shall not exceed the maximum amount permitted to be taken into account for such Plan Year under Section 401(a)(17) of the Code and applicable United States Treasury regulations thereunder.

SECTION 5

Employer Contributions

5.1 Matching Contributions. Subject to the following provisions of this Section 5, subsection 4.6 and Section 9, as soon as practicable after the completion of each pay period, the Employer shall contribute to the Trustee, in cash, a "Matching Contribution" on behalf of each Participant who is employed by the Employer on the last day of such payroll period in an amount equal to one hundred percent of the Before-Tax Contribution made by the Employer on behalf of such Participant for that period; provided, however, that the Matching Contribution on behalf of a Participant with respect to any Plan Year shall not exceed six percent of the Participant's Eligible Compensation for that Plan Year (and for the period beginning on the Effective Date and ending on December 31, 2001, shall not exceed six percent of the Participant's Eligible Compensation for such period).

5.2 Discretionary Matching Contributions. Subject to the following provisions of this Section 5, subsection 4.6 and Section 9, each Employer shall make a "Discretionary Matching Contribution" for a Plan Year in the amount, if any, determined by the Company in its sole discretion, on behalf of each Participant who has made a Before-Tax Contribution for such Plan Year and who is employed by an Employer on the last day of that year. Such Discretionary Matching Contribution shall be expressed as a percentage of the Before-Tax Contribution made by the Employer on behalf of such Participant for that Plan Year; provided, however, that the Discretionary Matching Contribution with respect to any Plan Year shall not exceed fifty percent of that portion of the Participant's Before-Tax Contribution which does not exceed six percent of the Participant's Eligible Compensation for that Plan Year (and for the period beginning on the Effective Date and ending December 31, 2001, shall not exceed fifty percent of that portion of the Participant's Before-Tax Contribution which does not exceed six percent of the Participant's Eligible Compensation for such period).

5.3 Qualified Matching Contributions. For each Plan Year each Employer shall make a "Qualified Matching Contribution" on behalf of each Participant employed by that Employer who is not Highly Compensated (as defined in subsection 9.11) in an amount equal to such percentage, if any, of the Before-Tax Contributions made on behalf of such non-Highly Compensated Participant as the Company shall determine in its sole discretion.

5.4 Employer Core Contributions. Subject to the following provisions of this Section 5, subsection 4.6, and Section 9, as soon as practicable after the completion of each payroll period, and in any event no later than the time prescribed by subsection 5.5, each Employer shall make a "Core Contribution" in an amount equal to 6% of the Eligible Compensation of each Participant who is employed by such Employer during such pay period.

5.5 Payment of Employer Contributions. Each Employer's contributions under the Plan (other than Before-Tax Contributions) for any Plan Year shall be paid to the Trustee, without interest, no later than 30 days after the end of the Plan Year; Before-Tax Contributions shall be paid to the Trustee in accordance with Section 4.2.

5.6 Forfeiture of Matching Contributions. Notwithstanding any other provision of the Plan, any portion of a Matching Contribution (or Discretionary Matching Contribution) that is an excess Matching Contribution (or an excess Discretionary Matching Contribution) distributed in accordance with subsection 9.9, and any portion of a Matching Contribution (or Discretionary Matching Contribution) that is attributable to an excess Before-Tax Contribution (or portion thereof) distributed in accordance with subsections 9.5 or 9.7 shall be forfeited and applied in accordance with subsection 9.9 and subsection 13.6.

5.7 Allocating and Crediting Employee and Employer Contributions. Subject to the provisions of Section 9:

(a) Before-Tax, Matching, Core and Rollover Contributions made by or on behalf of a Participant for any payroll period shall be credited to that Participant's appropriate Accounts as of the Accounting Date coinciding with or immediately following the end of such payroll period; and

(b) As of the last day of each Plan Year, each Employer's Discretionary Matching Contributions, if any, made under the Plan for that year will be allocated among and credited to the Discretionary Matching Contribution Accounts of Participants who are employed by that Employer on the last day of that year; and

(c) As of the last day of each Plan Year, each Employer's Qualified Matching Contributions, if any, made under the Plan for that year on behalf of a non-Highly Compensated Participant employed by the Employer will be allocated among and credited to the Qualified Matching Account of each such Participant.

SECTION 6

The Trust Fund, Investment Funds and Investment Elections

6.1 Trust Fund. The Trust Fund as at any date will consist of all property of any kind then held by the Trustee. The Committee shall direct the Trustee to establish and maintain one or more "Investment Funds" from time to time for the investment of Participants' Accounts. The Investment Committee shall also cause the Trustee to maintain a "Loan Account" to reflect any loans to Participants pursuant to subsection 10.1. The Committee in its discretion may add additional Investment Funds, may delete any Investment Fund or may change the investment strategy of any Investment Fund without prior notice to Participants.

6.2 Plan Investment. To the extent provided by the Committee, a Participant may direct investment of the portion of his Account balances that are not invested in the Loan Fund in accordance with the following:

(a) A Participant's Accounts may only be invested in those Investment Funds as permitted by the Committee from time to time; provided, however, that a Participant may not have any portion of his Accounts invested in a manner prohibited under section 4975 of the Code or in a manner that would result in the Trust earning taxable income.

(b) The portion of a Participant's Accounts invested in the Loan Fund shall be invested in promissory notes in accordance with Section 10.

(c) Any election by a Participant as to the investment of amounts contributed by or on behalf of the Participant, or as to investment of amounts held in the Participant's Accounts, shall be made at such time and in such form as the Committee shall provide.

(d) Except as provided by paragraph (b) next above, any portion of a Participant's Accounts as to which he has not elected a form of investment shall be invested in the Investment Fund designated by the Committee, consisting of a money market fund.

(e) Any costs or expenses (including, without limitation, taxes, interest and penalties) incurred by the Trust Fund on account of the investment, or change of investment, of an Account of any Participant shall be charged against that Account, except that no such costs or expenses shall be charged against any Account to the extent that they are paid by the Employers.

(f) A Participant may change the investment of the balances in his Accounts or of the amounts thereafter credited to his Accounts effective as of any date permitted by the Committee, by making an election in such form and at such time as the Committee requires, including by using the Phone System.

6.3 Liability of Trustee, Committees and Company. None of the Trustee, the Committee, the Company or the other Employers are liable or responsible for any loss resulting to an Account by reason of any investment or reinvestment at the direction of a Participant, and none of the Trustee, the Committee, the Company or the other Employers shall have any duty to review from time to time any investment made at the direction of a Participant.

SECTION 7

Participants' Accounts

On and after the Effective Date, the Committee will maintain or cause to be maintained the following Accounts which shall be adjusted from time to time as required by Section 8:

- (a) a "Before-Tax Account" in the name of each Participant which shall reflect Before-Tax Contributions, if any, made on his behalf and the income, losses, appreciation and depreciation attributable thereto;
- (b) a "Matching Account" in the name of each Participant which shall reflect Matching Contributions, if any, made on his behalf and forfeitures, if any, and the income, losses, appreciation and depreciation attributable thereto;
- (c) a "Discretionary Matching Account" in the name of each Participant which shall reflect Discretionary Matching Contributions, if any, made on his behalf and forfeitures, if any, and the income, losses, appreciation and depreciation attributable thereto;
- (d) a "Core Account" in the name of each Participant which shall reflect Core Contributions, if any, made on his behalf and forfeitures, if any, and the income, losses, appreciation and depreciation attributable thereto;
- (e) a "Qualified Matching Account" in the name of each Participant which shall reflect Qualified Matching Contributions, if any, made on his behalf, and the income, losses, appreciation and depreciation attributable thereto; and
- (f) a "Rollover Account" in the name of each Participant which shall reflect Rollover Contributions, if any, made by him and the income, losses, appreciation and depreciation attributable thereto.

The "balance" in any Account maintained in the name of a Participant as of any date shall be equal to the sum of the cash balance and the value of each type of property held in that Account on that date. In addition, the Committee may maintain subaccounts within any of a Participant's Accounts to reflect portions of the Account that are subject to special withdrawal or distribution rights or are otherwise subject to special rules. The Accounts and subaccounts provided for in this Section 7 shall be for accounting purposes only, and there shall be no segregation of assets within the Trust Fund or any of the Investment Funds among the separate Accounts.

SECTION 8

Plan Accounting

8.1 Adjustment for Investment Experience. Amounts credited to a Participant's Accounts shall share in earnings and losses for the period commencing on the date they are transferred to the Trustee, without regard to the date as of which they are credited to the Participant's Accounts.

8.2 Valuation. For purposes of the Plan, the value of any property held under or distributed from the Plan as of any date shall be the fair market value (as determined by the Trustee) of the property on that date, or as of the most recent prior date it was valued by the Trustee. The Trustee shall value property held under the Plan in accordance with rules established by him, provided that all property held under the Plan on the last day of each Plan Year shall be valued by the Trustee as of that date.

8.3 Statement of Accounts. As soon as practicable after the last day of each Plan Year and at such other intervals as the Committee may determine, the Committee will cause to be delivered to each Participant a statement of his Account balances as of such date. Each Participant is responsible for reviewing his statement and any Participant who discovers an error shall bring it to the attention of the Committee within 90 days of receipt of the statement. If a Participant does not bring errors in his statement to the attention of the Committee within 90 days of receipt of his statement, the Participant will be deemed to have confirmed the accuracy of the statement.

8.4 Correction of Errors. In the event of an error in the adjustment of a Participant's Accounts, the Committee, in its sole discretion, may correct such error by either crediting or charging the adjustment required to make such correction to or against income and expenses of the Trust for the Plan Year in which the correction is made or the Company may make an additional contribution to permit correction of the error. In the event a contribution that should have been credited to a Participant's Accounts is incorrectly credited to another Participant's Accounts, such contribution shall be charged against the incorrect Participant's Accounts and credited to the proper Participant's Accounts, and interest shall be credited or debited from the affected Participants' Accounts, as applicable, in the sole discretion of the Committee. Except as provided in this subsection 8.4, the Accounts of other Participants shall not be readjusted on account of an error.

SECTION 9

Limitations on Compensation, Contributions and Allocations

9.1 Reduction of Contribution Rates. To conform the operation of the Plan to sections 401(a)(4), 401(k)(3), 401(m), 402(g) and 415(c) of the Code, the Committee may unilaterally modify or revoke any Before-Tax Contribution election made by a Participant pursuant to Section 4 and may reduce the level of Matching Contributions, Discretionary Matching Contributions or Core Contributions (even to zero) otherwise allocable to any Participant.

9.2 Compensation for Limitation/Testing Purposes. "Compensation" for purposes of this Section 9 shall mean:

(a) the Participant's wages, salaries, commissions, bonuses and other amounts received during the Plan Year from any Employer or Related Company for personal services actually rendered, including taxable fringe benefits, amounts taxable under a section 83(b) election and nondeductible moving expenses, but excluding distributions from any deferred compensation plan (qualified or

nonqualified), amounts realized from the exercise of (or disposition of stock acquired under) any nonqualified stock option or other benefits given special tax treatment; plus

(b) any amounts contributed on the Participant's behalf for the Plan Year to a plan sponsored by an Employer or Related Company pursuant to a salary reduction agreement which are not includable in gross income under sections 125, 402(e)(3), 402(h) or 403(b) of the Code,

up to a maximum limit of \$170,000 or such other amount as may be permitted for any Plan Year under Code section 401(a)(17), taking into account for purposes of such limitation any proration of such amount required under applicable Treasury regulations on account of a short Plan Year.

9.3 Limitations on Annual Additions. Notwithstanding any other provisions of the Plan to the contrary, a Participant's Annual Additions (as defined below) for any Plan Year shall not exceed an amount equal to the lesser of:

(a) \$35,000 (indexed for cost-of-living adjustments under section 415(d) of the Code); or

(b) 25 percent of the Participant's Compensation for that Plan Year (determined without regard to the limitation under section 401(a)(17) of the Code), calculated as if each Section 415 Affiliate (defined below) were a Related Company,

reduced by any Annual Additions for the Participant for the Plan Year under any other defined contribution plan of an Employer or a Related Company or Section 415 Affiliate, provided that, if any other such plan has a similar provision, the reduction shall apply under such other plan prior to being applied under this Plan; and provided further that if such other plan has a provision identical to the immediately foregoing clause, then the reduction shall be applied pro rata between the two plans. The term "Annual Additions" means, with respect to any Participant for any Plan Year, the sum of all contributions (excluding Rollover Contributions) and forfeitures allocated to a Participant's Accounts under the Plan for such year, regardless of whether any such amounts (or portions thereof) are subsequently distributed in accordance with subsections 9.5, 9.7, 9.9, or 9.10. The term Annual Additions shall also include employer contributions allocated for a Plan Year to any individual medical account (as defined in section 415(l) of the Code) which is maintained for a Participant under a defined benefit plan and any amount allocated for a Plan Year to the separate account of a Participant for payment of post-retirement medical benefits under a funded welfare benefit plan (as described in section 419A(d)(2) of the Code) which is maintained by an Employer or a Related Company or a Section 415 Affiliate. "Section 415 Affiliate" means any entity that would be a Related Company if the ownership test of Section 414 of the Code was "more than 50%" rather than "at least 80%".

9.4 Excess Annual Additions. If, as a result of the allocation of forfeitures, a reasonable error in estimating a Participant's Compensation, a reasonable error in determining the amount of Before-Tax Contributions that may be made with respect to a Participant under the limits of Section 415 of the Code or such other mitigating circumstances as the Commissioner of Internal Revenue shall prescribe, the Annual Additions for a Participant for a Plan Year exceed

the limitations set forth in subsection 9.3, the excess amounts shall be treated, as necessary, in accordance with Treas. Reg. ss. 1.415-6(b)(6) (ii), after any Before-Tax Contributions (and any gains or losses attributable thereto) are first returned. Any Before-Tax Contributions returned to the Participant in accordance with this subsection 9.4 shall be disregarded for purposes of subsections 9.5, 9.6, 9.8, and 9.10.

9.5 402(g) Limitation. In no event shall the Before-Tax Contributions for a Participant under the Plan and any other elective deferrals (as defined in

Section 402(g)(3) of the Code) under any other cash-or-deferred arrangement maintained by an Employer or a Related Company for any taxable year exceed \$10,500 or such other amount as may be permitted under Section 402(g) of the Code. If during any taxable year a Participant is also a participant in another cash-or-deferred arrangement not sponsored by an Employer or a Related Company, and if his elective deferrals under such other arrangement together with his Before-Tax Contributions exceed the maximum amount permitted for the Participant for that year under section 402(g) of the Code, the Participant, not later than March 1 following the close of such taxable year, may request the Committee to direct the Trustee to distribute all or a portion of such excess to him, with any gains or losses allocable thereto for that Plan Year determined in accordance with any reasonable method adopted by the Committee for that Plan Year that either (i) conforms to the accounting provisions of Section 8 and is consistently applied to the corrective distributions under this subsection 9.5 and under subsections 9.7, 9.9 and 9.10 to all affected Participants or (ii) satisfies any alternative method set forth in applicable Treasury regulations. Any such request shall be in writing and shall include adequate proof of the existence of such excess, as determined by the Committee in its sole discretion, taking into account any Before-Tax Contributions previously distributed to the Participant pursuant to subsection 9.7. If the Committee is so notified, such excess amount shall be distributed to the Participant no later than the April 15 following the close of the Participant's taxable year. In addition, if the applicable limitation for a Plan Year happens to be exceeded with respect to this Plan alone, or this Plan and another plan or plans of the Employers and Related Companies, the Committee shall direct such excess Before-Tax Contributions (with allocable gains or losses) to be distributed to the Participant as soon as practicable after the Committee is notified of the excess deferrals by the Company, an Employer or the Participant, or otherwise discovers the error (but no later than April 15 following the close of the Participant's taxable year.) Notwithstanding the foregoing provisions of this subsection 9.5, the dollar amount of any distribution hereunder shall be reduced by the dollar amount of any Before-Tax Contribution previously distributed to the same Participant pursuant to subsection 9.7, provided, however that for purposes of subsections 9.3 and 9.6, the correction under this subsection 9.5 shall be deemed to have occurred before the correction under subsection 9.7.

9.6 Section 401(k)(3) Testing. For any Plan Year, the amount by which the average of the Deferral Percentages (as defined below) for the Plan Year for the group of eligible employees who are Highly Compensated (the "Highly Compensated Group Deferral Percentage") exceeds the average of the Deferral Percentages for the preceding Plan Year for the group of eligible employees who are not Highly Compensated (the "Non-Highly Compensated Group Deferral Percentage"), shall be less than or equal to either (i) a factor of 1.25 or (ii) both a factor of 2 and a difference of 2 (or, with respect to the Plan Year ending December 31, 2001, the lesser factor permitted by the Multiple Use Limitation referenced in subsection 9.10). The "Deferral Percentage" for any eligible employee for a Plan Year shall be determined by dividing

his Before-Tax Contributions, and, as elected by the Employer, all or part of his Qualified Matching Contributions, for the year by his Compensation for the year subject to the following special rules:

(a) any employee eligible to participate in the Plan at any time during a Plan Year shall be counted, regardless of whether any Before-Tax Contributions are made on his behalf for the year; excluding, however, to the extent permitted under section 401(k) of the Code and applicable Treasury regulations, an employee who is a nonresident alien who received no earned income (within the meaning of section 911(d)(2)) from the Employers or the Related Companies which constitutes income from sources within the United States (within the meaning of section 861(a)(3) of the Code), as described in section 410(b)(3)(C) (a "Nonresident Alien Participant").

(b) the Deferral Percentage for any Highly Compensated Participant who is eligible to participate in the Plan and who is also eligible to make other elective deferrals under one or more other plans described in section 401(k) of the Code maintained by an Employer or a Related Company for a plan year that ends with or within the same calendar year as the Plan Year (other than a plan subject to mandatory disaggregation under applicable Treasury regulations), shall be determined as if all such elective deferrals were made on his behalf under the Plan;

(c) excess Before-Tax Contributions distributed to a Participant under subsection 9.5 shall be counted in determining such Participant's Deferral Percentage, except in a case of amounts distributable to a Non-Highly Compensated Participant as required to comply with section 401(a)(30) of the Code;

(d) if this Plan is aggregated with one or more other plans for purposes of section 410(b) of the Code (other than the average benefit percentage test), this subsection 9.6 shall be applied as if all such plans were a single plan, provided, however, that such aggregated plans must all have the same plan year; and

(e) for the period beginning on the Effective Date and ending December 31, 2001, which is the first period during which Before-Tax Contributions are permitted under the Plan, the amount taken into account as the Non-Highly Compensated Group Deferral Percentage for the preceding Plan Year shall be the actual Non-Highly Compensated Group Deferral Percentage for such period.

Application of the provisions of this subsection 9.6 and subsection 9.7 shall be made in accordance with the requirements of section 401(k)(3) of the Code and the regulations thereunder, which are hereby incorporated herein by reference.

9.7 Correction Under Section 401(k) Test. In the event that the Highly Compensated Group Deferral Percentage for any Plan Year does not initially satisfy one of the tests referred to in subsection 9.6, the Committee shall direct the Trustee to distribute the "Excess Contributions" (as defined below) for such year, with any gains or losses allocable thereto for the Plan Year. The "Excess Contributions" for any Plan Year shall mean the excess of the aggregate amount of

Before-tax Contributions taken into account in computing the Deferral Percentages of Highly Compensated Participants for such year over the maximum amount of Before-Tax Contributions permitted under the test set forth in subsection 9.6, determined by reducing the amount of Before-Tax Contributions made on behalf of Highly Compensated Participants in order of the Deferral Percentages, beginning with the highest of such percentages. Distribution of the Excess Contributions for a Plan Year shall be made to Highly Compensated Participants making the largest dollar amount of contributions, in the manner required under section 401(k)(8)(C) of the Code. The gain or loss allocable to Excess Contributions shall be determined in accordance with any reasonable method adopted by the Committee for that Plan Year that either (i) conforms to the accounting provisions of Section 8 and is consistently applied to making corrective distributions under this subsection 9.7 and subsections 9.5, 9.9 and 9.10 to all affected Participants or (ii) satisfies any alternative method set forth in applicable regulations. The amounts to be distributed to any Participant pursuant to this subsection 9.7 shall be reduced by the amount of any Before-Tax Contributions distributed to him for the taxable year ending with or within such Plan Year pursuant to subsection 9.5. The Committee shall take such actions and cause any distribution to be made no later than the close of the Plan Year following the Plan Year for which the Excess Contributions were made.

9.8 Section 401(m)(2) Testing. For any Plan Year, the amount by which the average of the Contribution Percentages (as defined below) for the Plan Year for the group of eligible employees who are Highly Compensated (the "Highly Compensated Group Contribution Percentage") exceeds the average of the Contribution Percentages for the preceding Plan Year for the group of eligible employees who are not Highly Compensated (the "Non-Highly Compensated Group Contribution Percentage") shall be less than or equal to either (i) a factor of 1.25, or (ii) both a factor of 2 and a difference of 2 (or, with respect to the Plan Year ending December 31, 2001, the lesser factor permitted by the Multiple Use Limitation referenced in subsection 9.10). The "Contribution Percentage" for any eligible employee for a Plan Year shall be determined by dividing his total Matching Contributions and Discretionary Matching Contributions (excluding those Qualified Matching Contributions included in the testing under subsection 9.6) for that Plan Year by his Compensation for that Plan Year, subject to the following special rules:

(a) any employee who is eligible to participate in the Plan at any time during a Plan Year in accordance with subsection 2.1 (without regard to any suspension imposed by any other provision hereunder) shall be counted, regardless of whether any Matching Contributions or Discretionary Matching Contributions are made on his behalf for the year; excluding, however, to the extent permitted under section 401(m) of the Code and applicable Treasury regulations, an employee who is a Nonresident Alien Participant, as defined in subsection 9.6(a);

(b) the Contribution Percentage for any Highly Compensated employee who is eligible to participate in the Plan and who is also eligible to participate in one or more other qualified plans maintained by an Employer or a Related Company with a plan year that ends with or within the Plan Year (other than a plan subject to mandatory disaggregation under applicable Treasury regulations) with after-tax or matching contributions shall be determined as if all such contributions were made under the Plan; and

(c) if this Plan is aggregated with one or more other plans for purposes of section 410(b) of the Code (other than the average benefit percentage test). This subsection 9.8 shall be applied as if all such plans were a single plan, provided, however, that such aggregated plans must all have the same Plan Year.

(d) for the period beginning on the Effective Date and ending December 31, 2001, which is the first period during which Matching Contributions and Discretionary Matching Contributions are made under the Plan, the amount taken into account as the Non-Highly Compensated Group Contribution Percentage for the preceding Plan Year shall be the actual Non-Highly Compensated Group Contribution Percentage for such period.

Application of the provisions of this subsection 9.8 and subsection 9.9 shall be made in accordance with the requirements of section 401(m) of the Code and the regulations thereunder, which are hereby incorporated herein by reference.

9.9 Correction Under Section 401(m) Test. In the event that the Highly Compensated Group Contribution Percentage for any Plan Year does not initially satisfy one of the tests referred to in subsection 9.8, the Committee shall direct the Trustees to distribute the Excess Aggregate Contributions (as defined below) for such year, with any gains or losses allocable thereto for that Plan Year. The "Excess Aggregate Contributions" for any Plan Year shall mean the excess of the aggregate amount of Matching Contributions and Discretionary Matching Contributions taken into account in computing the Contribution Percentages of Highly Compensated Participants for such year over the maximum amount of Matching Contributions and Discretionary Matching Contributions permitted under the test set forth in subsection 9.8, determined by reducing the amount of such contributions made on behalf of Highly Compensated Participants in order of the Contribution Percentages, beginning with the highest of such percentages. Distribution of the Excess Aggregate Contributions for a Plan Year shall be made to Highly Compensated Participants on the basis of the amount of contributions made on behalf of each such Participant for such year beginning with the Highly Compensated Participants on behalf of whom the largest dollar amount of contributions were made, in the manner and required under section 401(m)(6)(C) of the Code. The gain or loss allocable to Excess Aggregate Contributions shall be determined in accordance with any reasonable method adopted by the Committee for that Plan Year that either (i) conforms to the accounting provisions of Section 8 and is consistently applied to making corrective distributions under this subsection 9.9 and subsections 9.5, 9.7 and 9.10 to all affected Participants or (ii) satisfies any alternative method set forth in applicable Treasury regulations. Notwithstanding the foregoing provisions of this subsection 9.9, any Matching Contributions and Discretionary Matching Contributions distributable as Excess Aggregate Contributions that are not yet vested in accordance with subsection 12.1 or are attributable to excess Before-Tax Contributions distributed in accordance with subsection 9.5 or 9.7 or this subsection 9.9 shall be forfeited as of the end of the Plan Year to which such corrective distributions relate (and treated in the same manner as any other forfeiture under the Plan). The Committee shall make any necessary distribution no later than the close of the Plan Year following the Plan Year in which such Excess Aggregate Contributions were contributed.

9.10 Multiple Use of Alternative Limitation. Notwithstanding any other provisions of this Section 9, if the 1.25 factors referred to in subsections 9.6 and 9.8 are both exceeded for a Plan Year, the corrective distributions prescribed in subsection 9.9 shall be continued until the aggregate limit set forth in Treas. Reg. ss. 1.401(m)-2(b) is satisfied for such Plan Year. For Plan Years beginning on and after January 1, 2002, the foregoing provisions of subsection 9.10 shall not apply.

9.11 Highly Compensated. An active employee (that is, an employee who performs services for the Employer or any Related Company during the year in question) or Participant shall be "Highly Compensated" for any Plan Year if:

- (a) he was at any time during that Plan Year or the preceding Plan Year a 5 percent owner of an Employer or a Related Company; or
- (b) he received Compensation for the preceding Plan Year in excess of \$80,000 (indexed for cost-of-living adjustments under section 415(d) of the Code), and was in the top-paid group of employees (as defined below) for such year.

The determination of who is a Highly Compensated Employee shall be made in accordance with section 414(q) of the Code and the regulations thereunder.

SECTION 10

Loans to Participants

The Committee, upon written request by a Participant who is an employee of an Employer or who otherwise is required to be given the opportunity to borrow under applicable regulations, shall authorize a loan to be made from the Trust Fund to the Participant, but only for the purpose of either paying educational expenses for himself or one or more of his dependents or acquiring a home, subject to the following:

- (a) No loan shall be made to a Participant if, immediately after such loan, the sum of the outstanding balances (including principal and interest) of all loans made to him under this Plan and under any other qualified retirement plans maintained by the Related Companies would exceed the lesser of:
 - (i) \$50,000, reduced by the excess, if any, of:
 - (ii) the highest outstanding balance of loans to the Participant during the one-year period ending on the day immediately before the date on which the loan is made; over
 - (iii) the outstanding balance of loans from the Plan to the Participant on the date on which such loan is made; or
 - (iv) one-half of the total vested balance of the Participant's Accounts under the Plan as of the date the loan is made.

(b) Each loan shall be evidenced by a written note (except as otherwise permitted by subsection 1.8) providing for:

(i) a reasonable repayment period of not more than 5 years from the date of the loan (or 10 years for a loan used to acquire a dwelling which, within a reasonable period of time, will be used as the Participant's principal residence);

(ii) a reasonable rate of interest;

(iii) substantially equal payments of principal and interest over the term of the loan no less frequently than quarterly; and

(iv) such other terms and conditions as the Committee shall determine.

(c) Payments of principal and interest to the Trustee with respect to any loan to a Participant:

(i) shall reduce the outstanding balance with respect to that loan;

(ii) shall reduce the balance of the Loan Fund holding the promissory note reflecting that loan; and

(iii) shall be credited to the Participant's Account from which the loan was made.

(d) A participant's obligation to repay a loan (or loans) from the Plan shall be secured by the Participant's vested interest in the Plan.

(e) Promissory notes shall be held by the Trustee in the Loan Fund. If, within 90 days, or such other time period established by the Committee, of a Participant's Termination Date, any loan or portion of a loan made to him, together with the accrued interest thereon, remains unpaid, an amount equal to such loan or any part thereof, together with the accrued interest thereon, shall be charged to the Loan Fund under the Participant's Accounts after all other adjustments required under the Plan have been made, before any payment or distribution is made to any person pursuant to the provisions of Section 13.

(f) Generally, during the Participant's employment with an Employer or Related Company, loan repayments will be made by payroll deductions, or by such other method as is determined by the Committee. During any period when payroll deduction is not possible or is not permitted under applicable law, repayment will be made by personal check.

(g) The loan may be prepaid in full at any time without penalty.

(h) If the outstanding balance of principal and interest on any loan is not paid when due, a default shall occur and the Trustee shall apply all or a portion of the

Participant's vested interest in the Plan in satisfaction of such outstanding obligation, but only to the extent such vested interest (or portion thereof) is then distributable under applicable provisions of the Code. If necessary to satisfy the entire outstanding obligation, such application of the Participant's vested interest may be executed in a series of actions as amounts credited to the Participant's Account become distributable under applicable provisions of the Code.

(i) If distribution is to be made to a Participant or his Beneficiary in accordance with Section 13, each outstanding promissory note of the Participant shall be canceled and the unpaid balance of the loan, together with any accrued interest thereon, shall be treated as a distribution to or on behalf of the Participant immediately prior to commencement of such distribution under Section 13.

(j) The Committee shall establish uniform procedures for the administration of the loan program, including but not limited to restrictions on the availability of loans applying for a loan, evaluating loan applications, and setting reasonable rates of interest. Such procedures shall be communicated to Participants by means of separate written documents, the relevant portions of which are incorporated herein by reference. The Committee in its discretion from time to time may also set a fee to be charged in connection with future loans.

SECTION 11

Termination Dates

11.1 Regular Termination Date. A Participant's "Termination Date" will be the date on which his employment by the Employer and the Related Companies is terminated for any reason; provided, however, that except as provided at Section 13.3, a Participant may not commence distribution of his Before-Tax Account or Qualified Matching Account pursuant to Section 14, unless and until the occurrence of an event described in section 401(k)(2)(B)(i) of the Code.

SECTION 12

Vesting and Termination Dates

12.1 Determination of Vested Interest. A Participant shall have a fully vested, nonforfeitable interest in his Matching Account, Discretionary Matching Account and Core Account upon his completion of one Year of Vesting Service. A Participant shall at all times have a nonforfeitable interest in his Before-Tax Account, Qualified Matching Account and Rollover Account.

12.2 Accelerated Vesting. Notwithstanding the foregoing provisions of this Section 12, a Participant shall have a fully vested, nonforfeitable interest in all his Accounts when he attains age 65 or dies while employed by the Employer or a Related Company. In addition, in the event of the Plan's termination (in accordance with subsection 15.2) or partial termination (as

determined under applicable law and regulations), each Participant shall be fully vested in all his Accounts.

SECTION 13

Distributions

13.1 Distributions to Participants After Termination of Employment. If a Termination Date occurs with respect to a Participant (for a reason other than his death), the vested portions of his Accounts shall be distributed in accordance with the following provisions of this subsection 13.1, subject to the rules of subsection 13.3:

(a) If the value of the vested portions of the Participant's Accounts does not exceed \$5,000, determined as of his Distribution Date, such vested portions, less any outstanding loan balance distributable in accordance with paragraph 10(i), shall be distributed to the Participant as soon as practicable after such Distribution Date, in a lump sum cash payment; provided, however, that the distribution shall not commence earlier than 30 days after the Participant is given the direct rollover notice required under section 402(f) of the Code unless the Participant has been informed of his right to a period of at least 30 days to consider the decision of whether or not to elect a direct rollover, and the Participant, after receiving such notice, affirmatively elects the distribution.

(b) If the value of the vested portions of the Participant's Accounts exceeds \$5,000, determined as of his Termination Date, such vested portions, less any outstanding loan balance distributable in accordance with paragraph 10(i), shall be distributed (or shall begin to be distributed) to the Participant on (or as soon as practicable after) the Distribution Date he elects in one lump sum cash payment.

(c) A Participant's "Distribution Date" for purposes of paragraph (a) above shall mean the Participant's Termination Date, and for purposes of paragraph (b) above shall mean the date as of which a payment is made pursuant to this Section 13. If the Participant has not yet attained age 65 and the value of the vested portion of his Accounts exceeds \$5,000, he must consent in writing to the distribution of his Accounts. A Participant may elect that his Distribution Date with respect to any of his Accounts occur as of any day occurring on or after his Termination Date (but not later than the last day of the Plan Year coincident with or next following the later of the date on which he attains age 65 or his Termination Date). A Participant's election form must be received by the Committee prior to the day which the Participant elects as his Distribution Date, in accordance with uniform procedures established by the Committee or its delegate. No election of a Distribution Date will be valid if it is made more than 90 days prior to such date and the distribution shall not commence earlier than 30 days after the Participant is given the direct rollover notice required under section 402(f) of the Code and the notice required under Treasury regulation section 1.411(a)-11(c) unless the Participant has been informed of his right to a period of at least 30 days to

consider the decision of whether or not to elect a distribution, and the Participant, after receiving such notices, affirmatively elects the distribution.

(d) Notwithstanding the foregoing provisions of this subsection 13.1, the provisions of paragraph 6.2(a) of the Plan as in effect immediately prior to the Effective Date (regarding the election to receive a distribution in one lump sum or in installments) shall continue in effect with respect to any distribution to a Participant for which Distribution Date occurs before the earlier of (i) January 1, 2003 or (ii) the date that is the 90th day after such Participant receives a summary that reflects the amendment of the Plan to eliminate the installment form of payment, which summary satisfies the requirements of 29 CFR 2520.104b-3.

(e) A Participant who had begun to receive a distribution of his Accounts under the Plan on or before the Effective Date shall have a one-time opportunity to elect to receive the remaining balance of his Accounts in the form of a single lump sum payment rather than to continue to receive installment payments. Such election shall be made at such time and in such form as the Committee or its delegate requires, provided that such election is made on or after the Effective Date and no later than December 31, 2001. Payment shall be made of the remainder of the Participant's Account to the Participant in a single lump sum as soon as administratively practicable following such election; provided, however, that the distribution shall be made within 90 days of such election; and provided further that the distribution shall not commence earlier than 30 days after the Participant is given the direct rollover notice required under section 402(f) of the Code and the notice required under Treasury regulation section 1.411(a)-11(c) unless the Participant has been informed of his right to a period of at least 30 days to consider the decision of whether or not to elect a distribution, and the Participant, after receiving such notices, affirmatively elects the distribution.

13.2 Distributions to Beneficiaries. Subject to the provisions of subsection 13.3, the following rules shall apply if a Participant dies while any vested portions of his Accounts remain undistributed:

(a) If the Participant dies before benefit payments to him have commenced, the vested balance of his Accounts, less any outstanding loan balance distributable in accordance with paragraph 10.1(i) shall be distributed as soon as practicable after the day following the date of his death, to his Beneficiary (as defined in subsection 13.4) in a lump sum payment.

(b) If a Participant dies after benefit payments to him have commenced, the remaining portion, if any, of his Accounts shall be distributed as soon as practicable following the date of his death, to his Beneficiary in a lump sum payment.

13.3 Limits on Commencement and Duration of Distributions. The following distribution rules shall be applied in accordance with sections 401(a)(9) and 401(a)(14) of the

Code and applicable regulations thereunder, and shall supersede any other provision of the Plan to the contrary:

(a) In no event shall distribution commence later than 60 days after the close of the Plan Year in which the latest of the following events occurs: the Participant's attainment of age 65; the 10th anniversary of the year in which the Participant began participating in the Plan; or the Participant's Termination Date.

(b) Notwithstanding any other provision herein to the contrary, distribution of the Participant's Accounts shall commence no later than his "Required Beginning Date", that is, the April 1 of the calendar year following the later of (i) the calendar year in which he attains age 70-1/2, or (ii) the calendar year in which the Participant terminates employment with an Employer or Related Company; provided, however, that (ii) shall not apply to any Participant who is a 5-percent owner (as defined in section 416 of the Code) of any Employer or Related Company. For purposes of this paragraph 13.3, any Participant who attains age 70-1/2 before the later of: December 31, 1998 or the Effective Date shall have a "Required Beginning Date" of April 1 of the calendar year following the calendar year in which the Participant attains age 70-1/2, regardless of whether the Participant's Termination Date has occurred.

(c) If a Participant dies before distribution of his vested interest in the Plan has been made, distribution of such vested interest to his Beneficiary shall be completed by December 31 of the calendar year in which the fifth anniversary of the Participant's death occurs; provided, however, that if the Beneficiary of the Participant is the Participant's surviving spouse, distribution shall be made no later than the date on which the Participant would have attained age 70-1/2 years and, if the surviving spouse dies before distribution commences, distribution shall be applied under this paragraph (c) as if the surviving spouse were a Participant.

(d) For purposes of paragraph (c), distribution of a Participant's vested interest in the Plan is considered to begin on his Required Beginning Date.

With respect to distributions under the Plan made for calendar years beginning on or after January 1, 2002, the Plan will apply the minimum distribution requirements of section 401(a)(9) of the Code in accordance with the regulations under section 401(a)(9) that were proposed on January 17, 2001, notwithstanding any provision of the Plan to the contrary. This provision shall continue in effect until the end of the last calendar year beginning before the effective date of final regulations under section 401(a)(9) or such other date as may be specified in guidance published by the Internal Revenue Service.

13.4 Beneficiary Designations. The term "Beneficiary" shall mean the Participant's surviving spouse. However, if the Participant is not married, or if the Participant is married but his spouse consents to the designation of a person other than the spouse, the term Beneficiary shall mean such person or persons as the Participant designates to receive the vested portion of his Accounts upon his death. Such designation may be made, revoked or changed
(without the consent of any previously-designated Beneficiary except his spouse)
only by an instrument

signed by the Participant and received by the Committee prior to his death. A spouse's consent to the designation of a Beneficiary other than the spouse shall be in writing, shall acknowledge the effect of such designation, shall be witnessed by a Plan representative or a notary public and shall be effective only with respect to such consenting spouse. In default of such designation, or at any time when there is no surviving spouse and no surviving Beneficiary designated by the Participant, his Beneficiary shall be his surviving children (per capita) or, if he has no children, the estate of the last to die of the Participant or his designated Beneficiary. For purposes of the Plan, "spouse" means the person to whom the Participant is legally married at the relevant time.

13.5 Direct Rollover Option. To the extent required under the applicable provisions of section 401(a)(31) of the Code and regulations issued thereunder, any person receiving an "eligible rollover distribution" (as defined in Code section 401(a)(31)) may direct the Committee to transfer such distributable amount, or a portion thereof, to an "eligible retirement plan" (as defined in Code section 401(a)(31)) as a direct rollover, in accordance with uniform rules established by the Committee.

13.6 Forfeitures and Restorations of Unvested Contributions. If a Termination Date occurs with respect to a Participant before he is credited with one Year of Vesting Service under the Plan, his Matching Account, Discretionary Matching Account and Core Account shall be forfeited as of the Accounting Date next following such Termination Date, and the Participant shall be deemed to have received a distribution of the vested portion of such Accounts, equal to zero. If, however, the Participant is reemployed by an Employer or a Related Company before he incurs five consecutive One Year Breaks in Vesting Service, the amount forfeited (without adjustment for gains or losses after the forfeiture) shall be restored to his Matching Account, Discretionary Matching Account and Core Account, as applicable, as soon as practicable after the date of his reemployment and shall not be considered an Annual Addition for purposes of subsection 9.3. Any such restoration shall be made first from current forfeitures, if any, under the Plan and then, if necessary, from a special Employer contribution. If, instead, the Participant is reemployed by the Employer after he incurs five consecutive One Year Breaks in Vesting Service, his reemployment shall have no effect on the forfeiture under this subsection 13.6.

13.7 Application of Forfeitures. Any forfeiture of Matching Contributions, Discretionary Matching Contributions, and Core Contributions and earnings thereon during a Plan Year pursuant to subsection 13.6 first shall be used to restore any prior forfeitures as required by subsection 13.6 and then shall be treated as a Matching Contribution, Discretionary Matching Contribution, or Core Contribution and used to reduce the Employer Matching Contributions, Discretionary Matching Contributions and Core Contributions.

13.8 Facility of Payment. Notwithstanding the provisions of subsections 13.1 and 13.2, if, in the Committee's opinion, a Participant or Beneficiary is under a legal disability or is in any way incapacitated so as to be unable to manage his financial affairs, the Committee may direct the Trustee to make payment to a relative or friend of such person for his benefit until claim is made by a conservator or other person legally charged with the care of his person or his estate. Thereafter, any benefits under the Plan to which such Participant or Beneficiary is entitled shall be paid to such conservator or other person legally charged with the care of his person or his estate.

13.9 Interests Not Transferable. The interests of Participants and other persons entitled to benefits under the Plan are not subject to the claims of their creditors and may not be voluntarily or involuntarily assigned, alienated or encumbered, except in the case of (a) loans made under the Plan;

(b) qualified domestic relations orders that relate to the provision of child support, alimony or marital property rights of a spouse, child or other dependent of the Participant and which meet such other requirements as may be imposed by section 414(p) of the Code or regulations issued thereunder; and (c) judgments, orders, decrees or settlement agreements providing for an offset of a Participant's benefits as a result of the Participant's breach of fiduciary duty to the Plan or commission of a criminal act against the Plan, which meet such requirements as may be imposed by Section 401(a)(13)(B) and Section 401(a)(13)(C) of the Code or regulations issued thereunder. Notwithstanding any other provision of the Plan to the contrary, a domestic relations order described in clause (b), above, may permit distribution of the entire portion of the vested Account balance of a Participant awarded to his alternate payee, in a lump sum payment as soon as practicable after the Committee determines that such order is qualified, without regard to whether the Participant would himself be entitled under the terms of the Plan to withdraw or receive a distribution of such vested amount at that time.

13.10 Absence of Guaranty. None of the Trustees, the Committee, or the Employers in any way guarantees the Trust Fund from loss or depreciation. The Employers do not guarantee any payment to any person. The liability of the Trustee to make any payment is limited to the available assets of the Trust Fund.

13.11 Missing Participants or Beneficiaries. Each Participant and each designated Beneficiary must file with the Committee from time to time in writing his post office address and each change of post office address. Any communication, statement or notice addressed to a Participant or designated Beneficiary at his last post office address filed with the Committee, or, in the case of a Participant, if no address is filed with the Committee, then at his last post office address as shown on the Company's records, will be binding on the Participant and his designated Beneficiary for all purposes of the Plan. None of the Committee, the Employers nor the Trustee will be required to search for or locate a Participant or designated Beneficiary.

SECTION 14

The Committee

14.1 Membership and Authority. The Committee referred to in subsection 1.3 shall consist of one or more members who shall be appointed by the Company. Except as otherwise specifically provided in this Section 14, in controlling and managing the operation and administration of the Plan, the Committee shall act by a majority of its then members, by meeting or by writing filed without meeting, and shall have the following discretionary authority, powers, rights and duties in addition to those invested in it elsewhere in the Plan or Trust, and any decision made by the Committee pursuant to this subsection 14.1 (or any other provision of the Plan granting it such authority) shall be final:

(a) To adopt such rules of procedure and regulations as, in its opinion, may be necessary for the proper and efficient administration of the Plan and as are consistent with the provisions of the Plan.

- (b) To enforce the Plan in accordance with its terms and with such applicable rules and regulations as may be adopted by the Committee.
- (c) To determine conclusively all questions arising under the Plan, including the power to determine the rights or eligibility of employees, and the rights of Participants and other persons entitled to benefits under the Plan and their respective benefits, and to remedy any ambiguities, inconsistencies or omissions of whatever kind.
- (d) To maintain and keep adequate records concerning the Plan and concerning its proceedings and acts in such form and detail as the Committee may decide.
- (e) To direct all payments of benefits under the Plan.
- (f) To perform the functions of a "plan administrator" (as defined in section 414(g) of the Code) for purposes of subsection 13.4 and for purposes of establishing and implementing procedures to determine the qualified status of domestic relations orders (in accordance with the requirements of section 414(p) of the Code) and to administer distributions under such qualified orders.
- (g) To employ agents, attorneys, accountants or other persons (who may also be employed by or represent the Employers) for such purposes as the Committee considers necessary or desirable to discharge its duties.
- (h) To establish a claims procedure.

The certificate of a majority of the members of the Committee that the Committee has taken or authorized any action shall be conclusive in favor of any person relying on the certificate.

14.2 Allocation and Delegation of Committee Responsibilities and

Powers. In exercising its authority to control and manage the operation and administration of the Plan, the Committee may allocate all or any part of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it. Any such allocation or delegation may be revoked at any time. Any member or delegate exercising Committee responsibilities and powers under this subsection shall periodically report to the Committee on its exercise thereof and the discharge of such responsibilities.

14.3 Uniform Rules. In managing the Plan, the Committee will uniformly apply rules and regulations adopted by it to all persons similarly situated.

14.4 Information to be Furnished to Committee. The Employers shall furnish the Committee such data and information as may be required. The records of the Employers as to any employee's or Participant's period of employment, termination of employment and the reason therefore, leave of absence, reemployment and Compensation will be conclusive on all persons unless determined to be incorrect. Participants and other persons entitled to benefits under the Plan must furnish to the Committee such evidence, data or information as the Committee considers desirable to carry out the Plan.

14.5 Committee's Decision Final. Any interpretation of the Plan and any decision on any matter within the discretion of the Committee made by the Committee is binding on all persons. Benefits under the Plan will be paid only if the Committee decides in its discretion that the applicant is entitled to them under the terms of the Plan. 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.

14.6 Exercise of Committee's Duties. Notwithstanding any other provisions of the Plan, the Committee shall discharge its duties hereunder solely in the interests of the Participants and other persons entitled to benefits under the Plan, and:

(a) for the exclusive purpose of providing benefits to Participants and other persons entitled to benefits under the Plan; and

(b) with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

14.7 Remuneration and Expenses. No remuneration shall be paid to any Committee member as such. However, the reasonable expenses (including the fees and expenses of persons employed by it in accordance with paragraph 13.1(g)) of a Committee member incurred in the performance of a Committee function shall be reimbursed by the Employers.

14.8 Indemnification of the Committee. The Committee and the individual members thereof shall be indemnified by the Employers against any and all liabilities, losses, costs, and expenses (including legal fees and expenses) of whatsoever kind and nature which may be imposed on, incurred by or asserted against the Committee or its members by reason of the performance of a Committee function if the Committee or such members did not act dishonestly or in willful violation of the law or regulation under which such liability, loss, cost or expense arises.

14.9 Resignation or Removal of Committee Member. A Committee member may resign at any time by giving ten days' advance written notice to the Employers, the Trustee and the other Committee members. The Company may remove a Committee Member effective upon written notice to him, the Trustee and the other Committee members.

14.10 Appointment of Successor Committee Members. The Company may increase the number of Committee members and shall fill any vacancy in the membership of the Committee. The Committee shall give prompt written notice of any action taken by it in accordance with the foregoing sentence to the other Committee members and the Trustee.

14.11 Interested Committee Member. A member of the Committee may not decide or determine any matter or question concerning his own benefits under the Plan or as to how they are to be paid to him unless such decision could be made by him under the Plan if he were not a member of the Committee.

Amendment or Termination

15.1 Amendment or Termination. While the Company expects to continue the Plan, it must necessarily reserve and reserves the right, subject to the provisions of the Trust Agreement, to amend the Plan from time to time, except that no amendment or termination will reduce a Participant's interest in the Plan to less than an amount equal to the amount he would have been entitled to receive if his employment with the Employers and the Related Companies as an employee had terminated on the date of the amendment and no amendment will eliminate an optional form of benefit with respect to a Participant or Beneficiary except as otherwise permitted by law.

15.2 Termination. The Plan will terminate as to all of the Employers on any day specified by the Company if advance written notice of the termination is given to the other Employers. Employees of any Employer shall cease active participation in the Plan (and will be treated as inactive Participants in accordance with subsection 2.2) on the first to occur of the following:

(a) the date on which that Employer, by appropriate action communicated in writing to the Company, ceases to be a contributing sponsor of the Plan;

(b) the date that Employer is judicially declared bankrupt or insolvent; or

(c) the dissolution, merger, consolidation, reorganization or sale of that Employer, or the sale by that Employer of all or substantially all of its assets, except that, subject to the provisions of subsection 15.3, with the consent of the Company, in any such event arrangements may be made whereby the Plan will be continued by any successor to that Employer or any purchaser of all or substantially all of that Employer's assets, in which case the successor or purchaser will be substituted for the Employer under the Plan.

15.3 Merger and Consolidation of Plan, Transfer of Plan Assets. In the case of any merger or consolidation with, or transfer of assets and liabilities to, any other plan, provisions shall be made so that each affected Participant in the Plan on the date thereof (if the Plan, as applied to that Participant, then terminated) would receive a benefit immediately after the merger, consolidation or transfer which is equal to or greater than the benefit he would have been entitled to receive immediately prior to the merger, consolidation or transfer if the Plan, as applied to him, had then terminated.

15.4 Notice of Amendment, Termination or Partial Termination. Affected Participants will be notified of an amendment, termination or partial termination of the Plan as required by law.

**SUPPLEMENT A
TO
ACE Limited Employee Retirement Plan**

(Top-heavy Status)

Application -----	<p>A1. This Supplement A to the ACE Limited Employee Retirement Plan (the "Plan") shall be applicable on and after the date on which the Plan becomes Top-heavy (as described in subsection A).</p>
Definitions -----	<p>A2. Unless the context clearly implies or indicates the contrary, a word, term or phrase used or defined in the Plan is similarly used or defined for purposes of this Supplement A.</p>
Affected Participant -----	<p>A3. For purposes of this Supplement A, the term "Affected Participant" means each Participant who is employed by an Employer or a Related Company during any Plan Year for which the Plan is Top-heavy.</p>
Top-Heavy -----	<p>A4. The Plan shall be "Top-Heavy" for any Plan Year if, as of the Determination Date for that year (as described in paragraph (a) next below), the present value of the benefits attributable to Key Employees (as defined in subsection A) under all Aggregation Plans (as defined in subsection A) exceeds 60% of the present value of all benefits under such plans. The foregoing determination shall be made in accordance with the provisions of section 416 of the Code. Subject to the preceding sentence:</p> <p>(a) The Determination Date with respect to any plan for purposes of determining Top-Heavy status for any plan year of that plan shall be the last day of the preceding plan year or, in the case of the first plan year of that plan, the last day of that year. The present value of benefits as of any Determination Date shall be determined as of the accounting date or valuation date coincident with or next preceding the Determination Date. If the plan years of all Aggregation Plans do not coincide, the Top-Heavy status of the Plan on any Determination Date shall be determined by aggregating the present value of Plan benefits on that date with the present value of the benefits under each other Aggregation Plan determined as of the Determination Date of such other Aggregation Plan which occurs in the same calendar year as the Plan's Determination Date.</p> <p>(b) Benefits under any plan as of any Determination Date shall include the amount of any distributions from that plan made during the plan year which includes the Determination Date or during any of the preceding four plan years, but shall not include any amounts attributable to employee contributions</p>

which are deductible under section 219 of the Code, any amounts attributable to employee-initiated rollovers or transfers made after December 31, 1983 from a plan maintained by an unrelated employer, or, in the case of a defined contribution plan, any amounts attributable to contributions made after the Determination Date unless such contributions are required by section 412 of the Code or are made for the plan's first plan year. Subject to the foregoing provisions of this paragraph (b), the present value of a Participant's benefits under a defined contribution plan as of any date shall be the balance of the Participant's account under that plan as of that date.

- (c) Benefits attributable to a participant shall include benefits paid or payable to a beneficiary of the participant, but shall not include benefits paid or payable to any participant who has not been employed by an Employer or Related Company during any of the five plan years ending on the applicable Determination Date.

Key Employee

A5. The term "Key Employee" means an employee or

deceased employee (or beneficiary of such deceased employee) who is a key employee within the meaning ascribed to that term by section 416(i) of the Code. Subject to the preceding sentence, the term Key Employee includes any employee or deceased employee (or beneficiary of such deceased employee) who at any time during the plan year which includes the Determination Date or during any of the four preceding plan years was:

- (a) an officer of any Employer or Related Company with Compensation in excess of 50 percent of the amount in effect under section 415(b)(1)(A) of the Code for the calendar year in which that year ends; provided, however, that the maximum number of employees who shall be considered Key Employees under this paragraph (a) shall be the lesser of 50 or 10% of the total number of employees of any Employer or Related Company (disregarding excludible employees under Code section 414(q)(5));
- (b) one of the 10 employees owning the largest interests in any Employer or Related Company (disregarding any ownership interest which is less than 1/2 of one percent);
- (c) a 5% owner of any Employer or Related Company; or
- (d) a 1% owner of any Employer or Related Company having Compensation in excess of \$150,000.

Compensation -----	<p>A6. The term "Compensation" for purposes of this</p> <p>Supplement A generally means compensation within the meaning of section 415(c)(3) for that year, not exceeding such amount as may be permitted for any year under Code section 401(a)(17). However, solely for purposes of determining who is a Key Employee, the term "Compensation" means compensation as defined in Code section 414(q)(7).</p>
Non-Key Employee -----	<p>A7. The term "Non-Key Employee" means any employee</p> <p>(or beneficiary of a deceased employee) who is not a Key Employee.</p>
Aggregation Plan -----	<p>A8. The term "Aggregation Plan" means the Plan and</p> <p>each other retirement plan maintained by an Employer or Related Company which is qualified under section 401(a) of the Code and which:</p> <ul style="list-style-type: none"> (a) during the plan year which includes the applicable Determination Date, or during any of the preceding four plan years, includes a Key Employee as a participant; (b) during the plan year which includes the applicable Determination Date or, during any of the preceding four plan years, enables the Plan or any plan in which a Key Employee participates to meet the requirements of section 401(a)(4) or 410 of the Code; or (c) at the election of the Employer, would meet the requirements of sections 401(a)(4) and 410 if it were considered together with the Plan and all other plans described in paragraphs (a) and (b) next above.
Required Aggregation ----- Plan ----	<p>A9. The term "Required Aggregation Plan" means a</p> <p>plan described in either paragraph (a) or (b) of</p> <p>subsection A-8.</p>
Permissive Aggregation ----- Plan ----	<p>A10. The term "Permissive Aggregation Plan" means a</p> <p>plan described in paragraph(c) of subsection A-8.</p>
Minimum Contribution -----	<p>A11. For any Plan Year during which the Plan is</p> <p>Top-Heavy, the minimum amount of Employer contributions and forfeitures, excluding elective contributions as defined in Code section 401(k) and employer matching contributions as defined in Code section 401(m) allocated to the Accounts of each Affected Participant who is employed by or associated with an Employer or Related Company on the last day of that year, who is a Non-Key Employee and who is not entitled to a minimum benefit for that year under any defined benefit Aggregation Plan, nor is entitled to a minimum benefit for that year under any other defined contribution Aggregation Plan maintained by the Employer which is top-heavy shall, when expressed as a percentage of the Affected Participant's</p>

Compensation, be equal to the lesser of:

- (a) 3%; or
- (b) the percentage at which Employer contributions are allocated to the Accounts of the Key Employee for whom such percentage (when expressed as a percentage of Compensation) is greatest.

Paragraph (b) next above shall not be applicable for any plan year if the Plan enables a defined benefit plan described in paragraph A8(a) or A8(b) to meet the requirements of section 401(a)(4) or 410 for that year. Employer Contributions for any Plan Year during which the Plan is top-heavy shall be allocated first to Non-Key Employees until the requirements of this subsection A11 have been met and, to the extent necessary to comply with the provisions of this subsection A11, additional contributions shall be required of the Employer.

Aggregate Benefit Limit

A12. For any Plan Year during which the Plan is Top-Heavy, paragraphs (2)(B) and (3)(B) of section 415(e) of the Code shall be applied by substituting "1.0" for "1.25"

C L I F F O R D LIMITED LIABILITY PARTNERSHIP

C H A N C E

EXECUTION COPY

DATED 21 NOVEMBER 2001

**ACE LIMITED
AS ACCOUNT PARTY**

**ACE BERMUDA INSURANCE LTD
AS GUARANTOR**

**CITIBANK, N.A.
AS LEAD ARRANGER**

**BARCLAYS BANK PLC
AS ARRANGER**

**ING BARINGS
AS CO-ARRANGER**

**CITIBANK INTERNATIONAL PLC
AS AGENT AND SECURITY TRUSTEE**

AND

OTHERS

**SECOND AMENDMENT AND RESTATEMENT AGREEMENT
RELATING TO A LETTER OF CREDIT FACILITY
AGREEMENT DATED 19 NOVEMBER 1999**

(as amended and restated pursuant to an amendment and restatement agreement dated 17 November 2000 and as amended pursuant to an amendment agreement dated 23 October 2001)

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THIS SECOND AMENDMENT AND RESTATEMENT AGREEMENT is made the 21st day of November 2001

BETWEEN

- (1) ACE LIMITED (the "Account Party");
- (2) ACE BERMUDA INSURANCE LTD. (the "Guarantor");
- (3) CITIBANK, N.A. (the "Lead Arranger");
- (4) BARCLAYS BANK PLC (the "Arranger");
- (5) ING BARINGS (the "Co-Arranger")((3) ,(4) and (5) together the "Arrangers");
- (6) CITIBANK INTERNATIONAL plc (the "Agent" and "Security Trustee"); and
- (7) THE FINANCIAL INSTITUTIONS listed in the signature pages hereof as Banks (the "Banks").

WHEREAS

(A) By a letter of credit facility agreement dated 19 November 1999 as amended and restated by an amendment agreement dated 17 November 2001 and as amended by an amendment agreement dated 23 October 2001 (the "Facility Agreement") made between (1) the Account Party, (2) the Guarantor, (3) the Arrangers, (4) the Agent and (5) the Banks, such Banks granted to the Borrower a letter of credit facility in an aggregate amount of (pounds)390,000,000.

(B) The parties hereto wish to release the security under the existing Charge Agreement dated on or about 24 November 1998, increase the amount of the Facility to (pounds)440,000,000 and to amend the Facility Agreement upon the terms and subject to the conditions set out below.

NOW IT IS AGREED as follows:

1. INTERPRETATION

1.1 Terms defined in the Facility Agreement and not otherwise defined herein shall have the same meaning in this Agreement. Any reference to a Clause, an Exhibit or a Schedule shall be construed as references to a Clause hereof or an Exhibit or a Schedule hereto unless the contrary is expressed.

1.2 In this agreement:

"Amended Agreement" means the Facility Agreement as amended by this Agreement;

"Commencement Date" means the date which is the later of 21 November 2001 and the date on which the Agent confirms in writing to the Obligors and the Banks that it has received in form and substance satisfactory to it each of the documents and other items specified in Schedule 3 (Conditions Precedent) of the Exhibit hereto.

2. AMENDMENT AND RESTATEMENT OF THE FACILITY AGREEMENT

With effect from the Commencement Date the Facility Agreement shall be amended and restated so that it shall be read and construed for all purposes as set forth in the Exhibit hereto.

3. RELEASE OF SECURITY

On the Commencement Date, the Security Trustee agrees that all existing security under the Existing Charge Agreement will be released.

4. AGREEMENT SUPPLEMENTAL

This Agreement is and shall be construed as supplemental to the Facility Agreement and the Facility Agreement and every clause thereof shall continue to be in full force and effect and binding on the parties thereto save as expressly amended and supplemented by this Agreement.

5. REPRESENTATIONS

On the Commencement Date, the Obligors shall make the Representations set out in Clause 14 (Representations) of the Amended Agreement as if each reference in those Representations to "this Agreement" and "the Finance Documents" includes a reference to (a) this Agreement and (b) the Amended Agreement.

6. COSTS AND EXPENSES

6.1 Transaction Expenses

The Account Party shall promptly on demand pay the Banks the amount of all costs and expenses (including legal fees) reasonably incurred by the Banks in connection with the negotiation, preparation, printing and execution of this Agreement and any other documents referred to in this Agreement.

6.2 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.

6.3 Stamp Taxes

The Account Party shall pay and, within three Business Days of demand, indemnify each Bank against any costs, 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.

7. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with English law.

8. INCORPORATION OF TERMS

The provisions of Clause 30.2 (Partial Invalidity) and Clause 35 (Jurisdiction) of the Facility Agreement shall apply, mutatis mutandis, hereto.

9. COUNTERPARTS

This Agreement may be executed in any number of counterparts and by different parties hereto on separate counterparts each of which, when executed and delivered shall constitute an original, but all the counterparts together shall constitute but one and the same Agreement.

AS WITNESS the hands of the duly authorised representatives of the parties hereto the day and year first before written.

The Account Party

ACE LIMITED

By:

Address: ACE Global Headquarters
17 Woodbourne Avenue
Hamilton HM08
Bermuda

Telefax: +1 441 296 0087

The Guarantor

ACE BERMUDA INSURANCE LTD.

By:

Address: ACE Global Headquarters
17 Woodbourne Avenue
Hamilton HM08
Bermuda

Telefax: +1 441 296 0087

The Lead Arranger

CITIBANK, N.A.

By:

The Arranger

BARCLAYS BANK PLC

By:

The Co-Arranger

ING BARINGS

By:

The Agent and Security Trustee

EXECUTED AS A DEED)
BY CITIBANK INTERNATIONAL PLC)

Director

Director/Secretary

Address: Riverdale House
3/rd/ Floor
68 Molesworth Street
London SE13 7EU

Telefax: +44 20 7500 4482/3
Attention: Loans Agency

The Banks

ABN AMRO BANK N.V., LONDON BRANCH

By:

BARCLAYS BANK PLC

By:

CITIBANK, N.A.

By:

CREDIT LYONNAIS NEW YORK BRANCH

By:

ING BANK N.V., LONDON BRANCH

By:

LLOYDS TSB BANK PLC

By:

NATIONAL WESTMINSTER BANK PLC

By:

EXHIBIT

DATED 19 NOVEMBER 1999

(as (i) amended and restated pursuant to the First Restatement Agreement dated 17 November 2000, (ii) amended pursuant to the Amendment Agreement dated 23 October 2001 and (iii) amended and restated pursuant to the Second Restatement Agreement dated 21 November 2001)

**ACE LIMITED
as Account Party**

**ACE BERMUDA INSURANCE LTD.
as Guarantor**

**CITIBANK, N.A.
as Lead Arranger**

**BARCLAYS BANK PLC
as Arranger**

**ING BARINGS
as Co-Arranger**

**CITIBANK INTERNATIONAL plc
as Agent and Security Trustee**

and

OTHERS

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THIS AGREEMENT originally dated 19 November 1999, as (i) amended and restated pursuant to the First Restatement Agreement dated 17 November 2000, (ii) amended by an Amendment Agreement dated 23 October 2001 and (iii) further amended and restated as of the Commencement Date referred to in the Second Restatement Agreement dated 21 November 2001.

BETWEEN

- (1) ACE LIMITED as account party (the "Account Party");
- (2) ACE BERMUDA INSURANCE LTD. as guarantor (the "Guarantor");
- (3) CITIBANK, N.A. as lead arranger of the Facility (the "Lead Arranger");
- (4) BARCLAYS BANK PLC as arranger of the Facility (the "Arranger");
- (5) ING BARINGS as co-arranger of the Facility (the "Co-Arranger");
- (6) CITIBANK INTERNATIONAL plc as agent and trustee for the banks (when acting in such capacities the "Agent" and the "Security Trustee" respectively); and
- (7) THE BANKS as defined below.

IT IS AGREED as follows.

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

"ACE INA" means ACE INA Holdings Inc., a Delaware company and its successors.

"ACE US" means ACE US Holdings, Inc., a Delaware company and its successors.

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

"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 the 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 per cent. 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.

"Amendment Agreement" means the amendment agreement dated 23 October 2001 which amends the First Restatement Agreement.

"Applicant" means each of ACE Capital Limited, ACE Capital IV Limited, ACE Capital V Limited, ACE Capital VI Limited and ACE Capital VII Limited and their successors and substitutes within the Group from time to time.

"Approved Credit Institution" means a credit institution within the meaning of the First Council Directive on the co-ordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of credit institutions (No. 77/780/EEC) which has been approved by the Council of Lloyd's for the purpose of providing guarantees and issuing or confirming letters of credit comprising a member's Funds at Lloyd's.

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

"Arrangers" means the Lead Arranger, the Arranger and the Co-Arranger.

"Authorised Signatory" means, in relation to an Obligor, any person who is duly authorised (in such manner as may be reasonably acceptable to the Agent) and in respect of whom the Agent has received a certificate signed by a director or another Authorised Signatory of such Obligor setting out the name and signature of such person and confirming such person's authority to act.

"Available Commitment" means, in relation to a Bank at any time and save as otherwise provided herein its Commitment less its share of the Sterling Amount of Outstandings at such time provided that such amount shall not be less than zero.

"Available Facility" means, at any time, the aggregate of the Available Commitments adjusted, in the case of a proposed utilisation pursuant to a Utilisation Request, so as to take into account:-

- (a) any reduction in the Commitment of a Bank pursuant to the terms hereof; and
- (b) any Letter of Credit which pursuant to any other Utilisation Request, is to be issued;

on or before the proposed Utilisation Date relating to such utilisation.

"Availability Period" means the period from the Commencement Date to the Commitment Termination Date (or such other date which Lloyd's may specify as the Funds Date for 2001) inclusive.

"Bank" means any financial institution:

- (a) named in Schedule 1 (The Banks); or
- (b) which has become a party hereto in accordance with Clause 26.4 (Assignments by Banks) or Clause 26.5 (Transfers by Banks),

and which has not ceased to be a party hereto in accordance with the terms hereof.

"Bermuda Companies Law" means The Companies Act 1981 of Bermuda, as amended, and the regulations promulgated thereunder.

"Bermuda Insurance Law" means The Insurance Act 1978 of Bermuda, as amended, and the regulations promulgated thereunder.

"Business Day" means a day (other than a Saturday or Sunday) on which banks generally are open for business in London and Bermuda and, in the case of payments to be made in dollars, New York.

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

"Cash Collateral" means, in relation to any Bank's L/C Proportion of any Letter of Credit, a deposit in such interest-bearing account or accounts as such Bank or, as the case may be, the Agent may specify, such deposit and account to be secured in favour of, and on terms and conditions acceptable to, such Bank.

"Charge Agreement" means the charge agreement dated on or about the date of the Second Restatement Agreement, in substantially the form set out in Schedule 11 (Form of Charge Agreement).

"Charged Portfolio" has the meaning ascribed to it in the Charge Agreement.

"Commencement Date" has the meaning given to it in the Second Restatement Agreement.

"Commitment" means, in relation to a Bank at any time and save as otherwise provided herein, the amount set opposite its name under the heading "Commitment" in Schedule 1 (The Banks).

"Commitment Termination Date" means 29 November 2001.

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

"Consolidated Debt" means at any date the Debt of the Account Party and its Consolidated Subsidiaries, determined on a Consolidated basis as of such date.

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

"Consolidated Subsidiary" means at any date any Subsidiary or other entity the accounts of which would be consolidated with those of the Account Party in its consolidated financial statements if such statements were prepared as of such date.

"Consolidated Net Worth" means at any date the Consolidated stockholder's equity of the Account Party and its Consolidated Subsidiaries determined as of such date, provided that such determination for the purposes of Clause 15.7 (Adjusted Consolidated Debt to Total Capitalisation Ratio), Clause 15.8 (Consolidated Net Worth) and Clause 15.9 (Liens) shall be made without giving effect to adjustments pursuant to

"Contingent Obligation" means, with respect to any Person, any obligation or arrangement of such Person to guarantee or indemnify or intended to guarantee or indemnify 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 non-performance 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.

"Custodian" means (at the date of the Charge Agreement) State Street Bank and Trust Company, or such other entity or entities as may be agreed from time to time between the Account Party and the Security Trustee (each acting reasonably), provided that such other Custodian has entered into Security Documents in a form reasonably acceptable to the Security Trustee.

"Custodian's Undertaking" means the undertaking delivered to the Security Trustee by the Custodian in respect of the Charged Portfolio as contemplated by the Charge Agreement.

"Debenture" means debt securities issued by the Account Party or ACE INA 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 Capitalised Leases (excluding imputed interest);
- (f) all obligations of such Person under acceptance, letter of credit or similar facilities;
- (g) all obligations of such Person (except for Approved Investments) 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 the purposes of Clause 15.7 (Adjusted Consolidated Debt to Total Capitalisation Ratio) and Clause 15.8 (Consolidated Net Worth) and the definitions of "Adjusted Consolidated Debt" and "Total Capitalisation", "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 Account Party or ACE INA under any Debentures or under any subordinated guarantee or any Preferred Securities or obligations of a Special Purpose Trust under any Preferred Securities.

"Default" means an Event of Default or a Potential Event of Default.

"Derivatives Obligations" of any Person means all obligations of such Person in respect of any rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or other similar transaction (including any option with respect to any of the foregoing transactions) or any combination of the foregoing transactions.

"Effective Date" means, in respect of each Letter of Credit, 29 November 2001.

"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 authorised or otherwise existing on any date of determination.

"Event of Default" means any circumstance described as such in Clause 16 (Events of Default).

"Expiry Date" means, in relation to any Letter of Credit, the date on which the maximum aggregate liability thereunder is to be reduced to zero.

"Facility" means the sterling and dollar letter of credit facility granted to the Account Party in this Agreement.

"Facility Office" means, in relation to the Agent, the office identified with its signature below or such other office as it may select by notice and, in relation to any Bank, the office notified by it to the Agent in writing prior to the date hereof (or, in the case of a Transferee, at the end of the Transfer Certificate to which it is a party as Transferee) or such other office as it may from time to time select by notice to the Agent.

"Finance Documents" means this Agreement and any Security Document entered into pursuant to sub-clause 17.1.2 of Clause 17.1 (Letter of Credit Commission) and any other document or documents as may be agreed by the Agent and the Account Party.

"Finance Parties" means the Agent, the Security Trustee, the Arrangers and the Banks.

"First Restatement Agreement" means the amendment and restatement agreement dated 17 November 2000 made between (amongst others) the Account Party, the Guarantor, the Agent and the Banks named therein.

"Funds at Lloyd's" has the meaning given to it in paragraph 4 of the Membership Bylaw (No. 17 of 1993).

"Funds at Lloyd's Requirements" means, in respect of any member, the amount required to be maintained by that member as Funds at Lloyd's.

"Funds Date" means the date notified by Lloyd's each year as being the latest date in that year by which Funds at Lloyd's can be placed with Lloyd's in order to satisfy Funds at Lloyd's Requirements in respect of the immediately succeeding calendar year, such date notified by Lloyd's in respect of the 2001 calendar year being 29 November 2001, or such other date as may be advised by Lloyd's.

"GAAP" has the meaning specified in Clause 1.7 (Accounting Terms and Determinations).

"Group" means the Account Party and its Subsidiaries for the time being.

"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.

"Internal Revenue Code" means the Internal Revenue Code of 1986 of the United States of America, as amended, or any successor statute, and includes regulation 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 US Facility Agreement 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 US Facility Agreement Loan Party or any Subsidiary in accordance with its customary reinsurance underwriting procedures, or the entry by any US Facility Agreement Loan Party or any Subsidiary into swap transactions 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.

"L/C Commission Rate" means the rate per annum determined in accordance with Clause 17.1 (Letter of Credit Commission) or Schedule 9 (Pricing Schedule), as the case may be.

"L/C Proportion" means, in relation to a Bank in respect of any Letter of Credit and save as otherwise provided herein, the proportion (expressed as a percentage) borne by such Bank's Available Commitment to the Available Facility immediately prior to the issue of such Letter of Credit.

"L/C Valuation Date" means the first Business Day which falls six months after the Commencement Date and each day falling at six monthly intervals thereafter.

"Letter of Credit" means a letter of credit issued or to be issued pursuant to Clause 3 (Utilisation of the Facility) substantially in the form set out in Schedule 6 (Form of Letter of Credit) or in such other form requested by the Account Party which is approved by the Banks (such approval not to be unreasonably withheld or delayed).

"Letter of Credit Commission" means the letter of credit commission described in Clause 17.1 (Letter of Credit Commission).

"LIBOR" means, in relation to any Unpaid Sum on which interest for a given period is to accrue, the percentage rate per annum equal to the offered quotation which appears on the page of the Telerate Screen which displays an average British Bankers Association Interest Settlement Rate for the currency of the relevant amount (being currently "3740" or, as the case may be, "3750") for such period as of 11.00 a.m. on the Quotation Date for such period or, if such page or such service shall cease to be available, such other page or such other service for the purpose of displaying an average British Bankers Association Interest Settlement Rate for such currency as the Agent, after consultation with the Banks and the Account Party, shall select, acting reasonably.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement that has the practical effect of creating a security interest, in respect of such asset. For the purposes of this Agreement, the Account Party shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"Lloyd's" means the society incorporated by Lloyd's Act 1871 by the name of Lloyd's.

"Mandatorily Convertible Preferred Securities" means units comprised of

- (i) Preferred Securities or preferred shares of the Account Party and
- (ii) a contract for the sale of ordinary shares of the Account Party (including "Feline Prides™", "Rhinos™" or any substantially similar securities).

"Mandatory Liquid Asset Costs Rate" in relation to any Unpaid Sum shall bear the meaning given to it in Schedule 7 (Mandatory Liquid Asset Costs Rate).

"Majority Banks" means, save as otherwise provided herein:

- (a) whilst there are no Outstandings, a Bank or Banks whose Commitments amount (or, if each Bank's Commitment has been reduced to zero, did immediately before such reduction to zero, amount) in aggregate to sixty-six and two thirds

per cent. or more (or for the purposes of Clause 16.18 (Acceleration and Cancellation) to more than fifty per cent.) of the Total Commitments; and

(b) whilst there are Outstandings a Bank or Banks to whom in aggregate more than sixty-six and two thirds per cent. (or for the purposes of Clause 16.18 (Acceleration and Cancellation) more than fifty per cent.) of the Outstandings is owed,

provided that, in respect of a Letter of Credit issued by a Declining Bank pursuant to sub-clause 4.7.2 of Clause 4.7 (Replacement Letters of Credit), an amount equal to the amount of its Outstandings in respect thereof multiplied by the Reduction Percentage applicable at that time shall be excluded in determining the amount of Outstandings owed to such Bank for the purposes of this definition only.

"Material Debt" means Debt of the Account Party and/or one or more of its Subsidiaries, arising in one or more related or unrelated transactions, in an aggregate principal or face amount exceeding US\$25,000,000.

"Material Financial Obligations" means a principal amount of Debt and/or current payment obligations in respect of Derivatives Obligations of the Account Party and/or one or more of its Subsidiaries, arising in one or more related or unrelated transactions, exceeding in the aggregate US\$25,000,000.

"Material Subsidiary" means any Subsidiary having (i) assets (after inter company eliminations) in excess of 10 per cent. of the total assets of the Account Party and its Subsidiaries determined on a Consolidated basis, or (ii) annual net income constituting 10 per cent. or more of the total annual net income of the Account Party and its Subsidiaries on a Consolidated basis, in each case determined as of the end of the most recently ended fiscal year and in any event ACE UK Limited and ACE Tempest Reinsurance Ltd. shall be construed as Material Subsidiaries.

"Notice of Charge" means the notice of charge of the Charged Portfolio to be delivered by the Obligors to the Custodian pursuant to the terms of the Charge Agreement.

"Obligors" means the Account Party and the Guarantor.

"Original Agreement" means this Agreement as (i) amended and restated pursuant to the First Restatement Agreement and (ii) amended by the Amendment Agreement, prior to its amendment and restatement on the Commencement Date.

"Original Letters of Credit" means the letters of credit issued under the Original Agreement.

"Original Sterling Amount" means:

(a) in relation to a Letter of Credit denominated in sterling, the amount specified as the amount of the Letter of Credit in the Utilisation Request relating thereto; and

(b) in relation to a Letter of Credit denominated in dollars, the amount of sterling which could be purchased with the dollar amount of such Letter of Credit at the

spot rate of exchange quoted by the Agent at or about 11.00 am London time on the day falling three Business Days before the Utilisation Date for the purchase of sterling with dollars for delivery two business days thereafter.

"Outstandings" means, at any time the aggregate of the Sterling Amounts of the maximum actual and contingent liabilities of the Banks in respect of each outstanding Letter of Credit.

"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 materialsmen'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, a company, a corporation, a partnership, an association, a trust or any other entity or organisation, including a government or political subdivision or an agency or instrumentality thereof.

"Potential Event of Default" means any event which would reasonably be expected to become (with the passage of time, the giving of notice, the making of any determination hereunder or any combination thereof) an Event of Default.

"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 the 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.

"Proportion" means, in relation to a Bank the proportion borne by its Commitment to the Total Commitments (or, if the Total Commitments are then zero, by its Commitment to the Total Commitments immediately prior to their reduction to zero).

"Qualifying Bank" means an institution which is a bank as defined for the purposes of Section 349 of the Income and Corporation Taxes Act 1988 and such bank is within the charge to United Kingdom corporation tax as respects to interest which is (or which, if it were a Bank, would be) payable to it hereunder.

"Quotation Date" means, in relation to any period for which an interest rate is to be determined hereunder, the day on which quotations would ordinarily be given by prime banks in the London Interbank Market for deposits in the currency in relation to which such rate is to be determined for delivery on the first day of that period, provided that, if, for any such period, quotations would ordinarily be given on more than one date, the Quotation Date for that period shall be the last of those dates.

"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.

"Reduction Percentage" means $20 \text{ per cent.} \times (5 - a)$; where "a" equals the remaining number of years (and for such purposes any incomplete year shall be treated as one year) for which the relevant Letter of Credit is currently valid.

"Representations" means each of the representations set out in Clause 14 (Representations).

"Required Value" has the meaning ascribed to it in the Charge Agreement.

"Second Restatement Agreement" means the agreement dated 21 November 2001 which amends and restates the Original Agreement.

"Securitisation Transaction" means any sale, assignment or other transfer by the Account Party or any Subsidiary of any accounts receivable, premium finance loan receivables, lease receivables or other payment obligations owing to the Account Party 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 favour of the Account Party or such Subsidiary supporting or securing payment by the obligor thereon of, or otherwise related to, any such receivables.

"Security" means any security granted over the Charged Portfolio by the Obligors in favour of the Security Trustee pursuant to the Charge Agreement.

"Security Documents" means the Charge Agreement, the Custodian's Undertaking and the Notice of Charge.

"Special Purpose Trust" means a special purpose business trust established by the Account Party or ACE INA of which the Account Party or ACE INA will hold all the common securities, which will be the issuer of Preferred Securities, and which will loan to the Account Party 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.

"Spot Rate" means the spot rate of exchange quoted by the Agent at or about 11.00 am London time on the day on which the relevant calculation is to be made for the purchase

of sterling with dollars or any other relevant currency for delivery two business days thereafter.

"Sterling Amount" means:

(a) in relation to a Letter of Credit at any time:

(i) if such Letter of Credit is denominated in sterling, the maximum actual and contingent liability of the Banks thereunder or in respect thereof at such time; and

(ii) if such Letter of Credit is denominated in dollars, the equivalent in sterling of the maximum actual and contingent liability of the Banks thereunder at such time, calculated as at the later of the date which falls (1) two Business Days before its Utilisation Date or (2) the most recent L/C Valuation Date; and

(b) in relation to the Outstandings, the aggregate of the Sterling Amounts of each outstanding Letter of Credit.

"Subsidiary" means, as to any Person, any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person; unless otherwise specified, "Subsidiary" means a Subsidiary of the Account Party.

"Term" means, save as otherwise provided herein:

(a) in relation to any Letter of Credit, the period from its Effective Date until its Expiry Date; and

(b) in relation to an Unpaid Sum, any of those periods mentioned in Clause 19 (Default Interest and Break Costs).

"Termination Date" means 31 December 2006.

"Total Capitalisation" means, at any time, an amount (without duplication) equal to (i) the then outstanding Consolidated Debt of the Account Party and its Subsidiaries plus (ii) Consolidated stockholders' equity of the Account Party 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.

"Total Commitments" means, at any time, the aggregate of the Banks' Commitments.

"Transfer Certificate" means a certificate substantially in the form set out in Schedule 2 (Form of Transfer Certificate) signed by a Bank and a Transferee under which:

(a) such Bank seeks to procure the transfer to such Transferee of all or a part of such Bank's rights, benefits and obligations under the Finance Documents upon

and subject to the terms and conditions set out in Clause 26.3 (Assignments and Transfers by Banks); and

(b) such Transferee undertakes to perform the obligations it will assume as a result of delivery of such certificate to the Agent as contemplated in Clause 26.5 (Transfers by Banks).

"Transfer Date" means, in relation to any Transfer Certificate, the date for the making of the transfer as specified in such Transfer Certificate.

"Transferee" means a person to which a Bank seeks to transfer by novation all or part of such Bank's rights, benefits and obligations under the Finance Documents.

"Unpaid Sum" means the unpaid balance of any of the sums referred to in Clause 19.1 (Default Interest).

"US Facility Agreements" means each of:

(a) the US\$800,000,000 364 day revolving credit facility agreement originally entered into on 11 June 1999 (as amended and restated on (i) 8 May 2000 and (ii) 6 April 2001) and made between, inter alia, ACE Limited and ACE INA as borrowers, the financial institutions named therein and others; and

(b) the US\$250,000,000 revolving credit facility agreement originally entered into on 11 June 1999 (as amended and restated on 8 May 2000) and made between, inter alia, ACE Limited and ACE INA as borrowers, the financial institutions named therein and others (the "Five Year US Facility"),

in each case as the same may be further amended or restated from time to time.

"US Facility Agreement Loan Parties" means, at any time, any or all of the Account Party, ACE INA, ACE Financial Services Inc., ACE Guaranty Re Inc., ACE Bermuda Insurance Ltd. and ACE Tempest Reinsurance Ltd.

"US Fee Letter" means the fee letter dated 5 March 2001 and made between, inter alia, the Account Party, the arrangers of the US Facility Agreements, JP Morgan Securities Inc. and others.

"US Letter of Credit Agreements" means any and all letter of credit agreements entered into by any borrower pursuant to the Five Year US Facility.

"US Loan Documents" means (i) each US Facility Agreement, (ii) the US Notes, (iii) the US Fee Letter and (iv) each US Letter of Credit Agreement.

"US Notes" means each promissory note issued or to be issued pursuant to the terms of the US Facility Agreements.

"Utilisation Date" means the date on which a Letter of Credit is to be issued.

"Utilisation Request" means a notice substantially in the form set out in Schedule 4 (Form of Utilisation Request).

"Voting Interests" means shares of capital stock issued by a corporation, or equivalent Equity Interest 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.

"Wholly-Owned Consolidated Subsidiary" means any Consolidated Subsidiary all of the shares of capital stock or other ownership interests of which (except directors' qualifying shares) are at the time directly or indirectly owned by the Account Party.

1.2 Interpretation Any reference in this Agreement to:

the "Agent", "Security Trustee" or any "Bank" shall be construed so as to include its and any subsequent successors and permitted transferees in accordance with their respective interests;

"continuing", in the context of an Event of Default shall be construed as a reference to an Event of Default which has not been remedied or waived in accordance with the terms hereof and in relation to a Potential Event of Default, one which has not been remedied within the relevant grace period or waived in accordance with the terms hereof.

the "euro" means the single currency of participating member states of the European Union;

a "holding company" of a company or corporation shall be construed as a reference to any company or corporation of which the first-mentioned company or corporation is a Subsidiary;

a "law" shall be construed as any law (including common or customary law), statute, constitution, decree, judgment, treaty, regulation, directive, bye-law, order or any other legislative measure of any government, supranational, local government, statutory or regulatory body or court;

a "member" shall be construed (as the context may require) as a reference to an underwriting member of Lloyd's;

a "month" is a reference to a period starting on one day in a calendar month and ending on the numerically corresponding day in the next succeeding calendar month save that, where any such period would otherwise end on a day which is not a Business Day, it shall end on the next succeeding Business Day, unless that day falls in the calendar month succeeding that in which it would otherwise have ended, in which case it shall end on the immediately preceding Business Day, provided that, if a period starts on the last Business Day in a calendar month or if there is no numerically corresponding day in the month in which that period ends, that period shall end on the last Business Day in that later month (and references to "months" shall be construed accordingly);

a Bank's "participation", in relation to a Letter of Credit, shall be construed as a reference to the rights and obligations of such Bank in relation to such Letter of Credit as are expressly set out in this Agreement;

a "successor" shall be construed so as to include an assignee or successor in title of such party and any person who under the laws of its jurisdiction of incorporation or domicile has assumed the rights and obligations of such party under this Agreement or to which, under such laws, such rights and obligations have been transferred;

"tax" shall be construed so as to include any tax, levy, impost, duty or other charge of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same);

"VAT" shall be construed as a reference to value added tax including any similar tax which may be imposed in place thereof from time to time; and

the "winding-up", "dissolution" or "administration" of a company or corporation shall be construed so as to include any equivalent or analogous proceedings under the law of the jurisdiction in which such company or corporation is incorporated or any jurisdiction in which such company or corporation carries on business including the seeking of liquidation, winding-up, reorganisation, dissolution, administration, arrangement, adjustment, protection or relief of debtors.

1.3 Currency Symbols

1.3.1 "(pound)" and "sterling" denote lawful currency of the United Kingdom for the time being.

1.3.2 "US\$" and "dollars" denote lawful currency of the United States of America for the time being.

1.4 Agreements and Statutes Any reference in this Agreement to:

1.4.1 this Agreement or any other agreement or document shall be construed as a reference to this Agreement or, as the case may be, such other agreement or document as the same may have been, or may from time to time be, amended, varied, novated or supplemented;

1.4.2 a statute or treaty shall be construed as a reference to such statute or treaty as the same may have been, or may from time to time be, amended or, in the case of a statute, re-enacted; and

1.4.3 a bylaw shall be construed as a reference to a bylaw made under Lloyd's Acts 1871 to 1982 as the same may have been, or may from time to time be, amended or replaced.

1.5 Headings

Clause and Schedule headings are for ease of reference only.

1.6 Time Any reference in this Agreement to a time of day shall, unless a contrary indication appears, be a reference to London time.

1.7 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 Account Party's independent public accountants) with the most recent audited consolidated financial statements of the Account Party and its Consolidated Subsidiaries delivered to the Banks; provided that, if the Account Party notifies the Agent that the Account Party wishes to amend any covenant in Clause 15 (Covenants) to eliminate the effect of any change in generally accepted accounting principles on the operation of such covenant (or if the Agent notifies the Account Party that the Majority Banks wish to amend Clause 15 (Covenants) for such purpose), then the Account Party'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 account principals became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Account Party and the Majority Banks.

1.8 Third party rights A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement.

2. THE FACILITY

2.1 Grant of the Facility The Banks, upon the terms and subject to the conditions hereof, grant to the Account Party a dual currency letter of credit facility in an aggregate amount of (pounds)440,000,000.

2.2 Purpose and Application The Facility is intended to support Funds at Lloyd's, and, accordingly, the Account Party shall apply all Letters of Credit issued hereunder in or towards satisfaction of such purpose and none of the Finance Parties shall be obliged to concern themselves with such application.

2.3 Conditions Precedent Save as the Banks may otherwise agree, the Account Party may not deliver any Utilisation Request unless the Agent has confirmed to the Account Party and the Banks that it has received all of the documents and other evidence listed in Schedule 3 (Conditions Precedent) and that each is, in form and substance, satisfactory to the Agent.

2.4 Several Obligations The obligations of each Bank are several and the failure by a Bank to perform its obligations hereunder and/or under any Letter of Credit issued hereunder shall not affect the obligations of either Obligor towards any other party hereto nor shall any other party be liable for the failure by such Bank to perform its obligations hereunder and/or under such Letter of Credit.

2.5 Several Rights The rights of each Finance Party are several and any debt arising hereunder at any time from an Obligor to any Finance Party shall be a separate and independent debt. Each such party shall be entitled to protect and enforce its individual rights arising out of this Agreement independently of any other party (so that it shall not be necessary for any party hereto to be joined as an additional party in any proceedings for this purpose).

2.6 Cancellation of Original Letters of Credit On and with effect from the Effective Date, all outstanding Original Letters of Credit shall be replaced by the Letters of Credit issued after the Commencement Date.

3. UTILISATION OF THE FACILITY

3.1 Utilisation Conditions for the Facility Save as otherwise provided herein, a Letter of Credit will be issued at the request of the Account Party on behalf of an Applicant if:

- 3.1.1 no later than 10.00 a.m. two Business Days before the proposed Utilisation Date, the Agent has received a duly completed Utilisation Request from the Account Party;
- 3.1.2 the proposed Utilisation Date is a Business Day falling within the Availability Period;
- 3.1.3 the proposed Original Sterling Amount of such Letter of Credit is less than or equal to the Available Facility;
- 3.1.4 the proposed Term of the Letter of Credit is a period ending on or before the Termination Date;
- 3.1.5 the Letter of Credit is substantially in the form set out in Schedule 6 (Form of Letter of Credit) or in such other form requested by the Account Party which is approved by the Banks (such approval not to be unreasonably withheld or delayed);
- 3.1.6 the beneficiary of such Letter of Credit is Lloyd's;
- 3.1.7 on and as of the proposed Utilisation Date (a) no Event of Default or Potential Event of Default has occurred and is continuing and (b) the Representations are true in all material respects; and
- 3.1.8 the Agent has received evidence acceptable to it that the Charged Portfolio has been delivered to the Custodian and the amount of the Charged Portfolio is at least equal to the Required Value.

3.2 Request for Letters of Credit A single Utilisation Request may be issued in respect of more than one Letter of Credit.

3.3 Completion of Letters of Credit The Agent is authorised to arrange for the issue of any Letter of Credit pursuant to Clause 3.1 (Utilisation Conditions for the Facility) by:

- 3.3.1 completing the Effective Date and the proposed Expiry Date of such Letter of Credit;
- 3.3.2 completing the schedule to such Letter of Credit with the percentage participation of each Bank as allocated pursuant to the terms hereof; and
- 3.3.3 executing such Letter of Credit on behalf of each Bank and following such execution delivering such Letter of Credit to Lloyd's on the Utilisation Date,

provided that the Agent shall not deliver any such Letter of Credit to Lloyd's unless the Agent is satisfied that (a) Lloyd's has cancelled (or will upon such delivery cancel) the Original Letters of Credit and (b) all amounts outstanding in respect of the Original Letters of Credit have been paid in full.

3.4 Dollar Option The Account Party may, in a Utilisation Request, request that such Letter of Credit be denominated in dollars in which event such Letter of Credit shall be denominated in dollars.

3.5 Amounts of Letters of Credit The amount of a Letter of Credit shall be:

- 3.5.1 the Original Sterling Amount of such Letter of Credit, if such Letter of Credit is to be denominated in sterling; and
- 3.5.2 if such Letter of Credit is to be denominated in dollars, the amount specified in the Utilisation Request relating thereto.

3.6 Each Bank's Participation in Letters of Credit Save as otherwise provided herein, each Bank will participate in each Letter of Credit issued pursuant to this Clause 3 in the proportion borne by its Available Commitment to the Available Facility immediately prior to the issue of such Letter of Credit.

3.7 Cancellation of Commitments On the expiry of the Availability Period the Available Facility and each Bank's Available Commitment shall be reduced to zero.

4. EXTENSION OF LETTERS OF CREDIT

4.1 Bank Notification Each Bank acknowledges that the Account Party may request one or more extensions of a Letter of Credit hereunder, and that pursuant to the terms thereof each Letter of Credit shall be extended automatically for a further year each year unless Lloyd's receives notice to the contrary. Accordingly, each Bank undertakes to notify the Agent in writing as soon as reasonably practicable after it has determined that it will not agree to a requested extension, and in any event by no later than close of business on the date which falls ten weeks prior to the first date which Lloyd's notifies as being the Funds Date of such year and the Agent shall give notice thereof to the Account Party within two Business Days of notification from such Bank. Unless notice is given to the Agent as aforesaid each Bank will be deemed automatically to have agreed to such extension.

4.2 Request for Extension If the Account Party wishes to request the extension of a Letter of Credit, the Account Party shall give the Agent notice, by way of a Letter of Credit extension request in the form of Schedule 5 (Form of Extension Request) by the date which falls thirteen weeks prior to the Funds Date of such year, specifying that the Expiry Date of the applicable Letter of Credit is to be extended to 31 December of the year immediately succeeding the year in which the then current Expiry Date falls (such notice being a "Notice of Extension"). A single Notice of Extension may be delivered in respect of more than one Letter of Credit.

4.3 Non-Delivery of Notice of Extension If the Account Party does not deliver a Notice of Extension in accordance with the provisions of Clause 4.2 (Request for Extension), the Agent shall:

- 4.3.1 as soon as reasonably practicable after the date which falls ten weeks prior to the Funds Date of such year, notify the Account Party and then notify the Banks thereof; and
- 4.3.2 as soon as reasonably practicable after the date which falls ten weeks prior to the Funds Date of such year and in any event by no later than close of business on the Business Day immediately preceding the Funds Date of such year, notify Lloyd's that the Term of the relevant Letter of Credit will not be extended beyond its then current Expiry Date.

4.4 Notification to Banks Upon receipt of a Notice of Extension, the Agent shall promptly notify each Bank of the contents thereof and of the amount of such Bank's participation in the applicable Letter of Credit, together with notice of the applicable Funds Date for such year.

4.5 Extension of a Letter of Credit

- 4.5.1 If all of the Banks agree (or are deemed to have agreed) to the extension of the Letter of Credit in accordance with Clause 4.1 (Bank Notification) the Agent shall notify the Account Party and the Banks thereof and subject to the provisions of Clause 4.8 (Extension Conditions Precedent), the Letter of Credit shall be automatically extended in accordance with the terms thereof.
- 4.5.2 If a Bank gives notice in accordance with the provisions of Clause 4.1 (Bank Notification) that it does not agree to a requested extension of any Letter of Credit the Agent shall notify the Account Party and Lloyd's accordingly within two Business Days thereafter, and the succeeding provisions of this Clause 4 shall apply.

4.6 Substitute Bank

- 4.6.1 If any Bank (a "Declining Bank") gives notice in accordance with the provisions of Clause 4.1 (Bank Notification) that it does not agree to a requested extension, then the Account Party may designate by the date which falls four weeks prior to the Funds Date of such year an Approved Credit Institution (the "Substitute Bank") which is willing to assume all of the rights and obligations

of the Declining Bank in respect of its participation in the relevant Letter of Credit (the "Old Letter of Credit").

- 4.6.2 If the Account Party has found a Substitute Bank it shall promptly notify the Agent and the Declining Bank thereof and shall procure the release by Lloyd's of the Old Letter of Credit from the Funds at Lloyd's of the relevant Applicant.
- 4.6.3 The Declining Bank shall as soon as reasonably practicable and in any event no later than the date which falls two weeks prior to the Funds Date of such year transfer its rights and obligations hereunder to the Substitute Bank in accordance with the provisions of Clause 26.5 (Transfers by Banks).
- 4.6.4 The Substitute Bank shall pay to the Declining Bank all amounts then due and owing (and all fees accrued to but excluding the date of such transfer) to the Declining Bank in respect of its participation in the Old Letter of Credit.

4.7 Replacement Letters of Credit

- 4.7.1 If a Substitute Bank has become party hereto pursuant to Clause 4.6 (Substitute Bank), then subject to the provisions of Clause 4.8 (Extension Conditions Precedent) the Banks who have confirmed their agreement to the extension of the Old Letter of Credit (the "Extending Banks") shall, together with the Substitute Bank, participate in, and issue by the Funds Date of such year, a new Letter of Credit (the "New Letter of Credit") which shall (i) replace the Old Letter of Credit, (ii) be in an amount equal to the Old Letter of Credit and (iii) have an Expiry Date which corresponds with the Expiry Date requested in the Notice of Extension.

- 4.7.2 If a Substitute Bank has not been found then: (a) the Account Party shall procure the release by Lloyd's of the Old Letter of Credit from the Funds at Lloyd's of the relevant Applicant, (b) subject to the provisions of Clause 4.8 (Extension Conditions Precedent), the Extending Banks shall participate in, and issue by the Funds Date of such year, a new Letter of Credit (the "Reduced Letter of Credit") which shall (1) replace their participation in the Old Letter of Credit, (2) be in an amount equal to the Old Letter of Credit less the amount of the

Declining Bank's participation and (3) have an Expiry Date which corresponds with the Expiry Date requested in the Notice of Extension; and (c) the Declining Bank shall participate in a separate Letter of Credit (a "Bilateral Letter of Credit") which shall (1) replace its participation in the Old Letter of Credit, (2) be in an amount equal to the Declining Bank's participation in the Old Letter of Credit and (3) have an Expiry Date which is the same as the Expiry Date specified in the Old Letter of Credit (as the same may have been extended from time to time with the consent of the Declining Bank).

4.8 Extension Conditions Precedent

- 4.8.1 On or prior to close of business on the Funds Date immediately following the delivery of any Notice of Extension, the Account Party shall promptly notify the Agent if:

- (a) an Event of Default or Potential Event of Default occurs which is continuing;
- (b) any of the representations and warranties of either or both of the Obligors contained in this Agreement or in the Charge Agreement cease to be correct in all material respects, or become misleading in any material respect; or
- (c) the Letter of Credit which is the subject of such Notice of Extension ceases solely to be used to support the relevant Applicant's underwriting business at Lloyd's which has been provided in accordance with the requirements of Lloyd's applicable to it.

4.8.2 Subject to due notification to Lloyd's in accordance with the provisions of the relevant Letter of Credit, the Banks shall not be obliged to agree to any extension requested if the Account Party fails to comply with its obligations under Clause 4 (Extension of Letters of Credit) or if any of the events specified in sub-clause 4.8.1 above occurs.

4.9 Cancellation of Bilateral Letters of Credit

At any time after the issue of a Bilateral Letter of Credit by a Declining Bank the Account Party may give the Agent and the Declining Bank not less than fourteen days' prior written notice of its intention to procure that the liability of the Declining Bank under such Letter of Credit is reduced to zero (whereupon it shall do so).

4.10 Mandatory Collateralisation

If a Letter of Credit is automatically extended in accordance with the terms thereof and, on or prior to the time of such extension the Company had failed to comply with its obligations under Clause 4 (Extension of Letters of Credit) or any of the events specified in sub-clause 4.8.1 thereof had occurred, the Agent may (and if so instructed by the Majority Banks participating in such Letter of Credit shall) require the Account Party to procure that the liabilities of each of the Banks under such Letter of Credit are reduced to zero and/or provide Cash Collateral for each Bank's L/C Proportion under such Letter of Credit.

4.11 Revised Letters of Credit

In the event that the Funds at Lloyd's Requirements of an Applicant change at or around the time of any given Funds Date in terms of amount and/or the identity of the Applicant, subject to the approval of Lloyd's and subject to each Bank's Outstandings under the Letters of Credit issued hereunder not being increased other than in accordance with Clause 5 (Increase of the Facility), the Banks shall co-operate with the Account Party to ensure to the extent reasonably possible that the Letters of Credit provide for the revised Funds at Lloyd's Requirements of the Applicants.

5. Increase of the Facility

5.1 Request for Increase

In the event that the Funds at Lloyd's Requirements of an Applicant increases at or around the time of any given Funds Date and as a result of such increase the aggregate amount of the Funds at Lloyd's Requirements of the Applicants on such Funds Date

would exceed the aggregate amount of the Banks' Outstandings under the Letters of Credit, the Account Party shall be entitled to request an increase of the amount of the Letter of Credit of such Applicant by giving notice to the Agent no later than thirteen weeks prior to the Funds Date of such year (the "Increase Request"). The Increase Request shall be made in writing and shall be unconditional and irrevocable and shall specify:

- 5.1.1 which Letters of Credit and Applicants the Increase Request relates to;
- 5.1.2 the additional amount of commitments required by the Account Party from the Banks; and
- 5.1.3 any other information relevant to the Increase Request.

5.2 Notification of Increase Request

The Agent shall forward a copy of the Increase Request to the Banks as soon as practicable, and in any event no later than two Business Days after receipt thereof together with notification of the amount of such Banks' pro rata participation in any such increased Letter of Credit.

5.3 Response to Increase Request

If a Bank, in its sole discretion, agrees to the increase requested by the Account Party pursuant to the Increase Request, it shall give notice to the Agent (a "Notice of Increase") accordingly not less than ten weeks prior to the Increase Date. If a Bank does not give such Notice of Increase by such date, then such Bank shall be deemed to have refused such increase. Nothing shall oblige a Bank to agree to the Increase Request.

5.4 Notification of Response to Increase Request

The Agent shall notify the Account Party in writing of each Bank's decision in relation to the Increase Request (specifying which Banks have given a Notice of Increase, which Banks have actually refused the Increase Request and which Banks are deemed to have refused the Increase Request) no less than eight weeks prior to the Increase Date.

5.5 Increase

- 5.5.1 If one or more of the Banks does not give a Notice of Increase (hereinafter referred to as "Refusing Banks"), then the Refusing Banks shall not participate in any increase pursuant to the Increase Request but shall continue to participate in the Letters of Credit to the extent of their existing participation.
- 5.5.2 If one or more Banks agree to the Increase Request such Banks' participation in the relevant Letter(s) of Credit shall, subject to satisfaction of any conditions precedent which may be specified in connection therewith, be increased in accordance with the terms of the Increase Request.
- 5.5.3 The Account Party shall co-operate with the Agent, the Banks and Lloyd's with respect to the replacement of any Letters of Credit required as a result of an Increase Request and all parties shall agree on any necessary replacement Letters of Credit in the context of any replacement Letters of Credit required in accordance with Clause 4.7 (Replacement Letters of Credit).

- 5.5.4 The Facility, save as amended pursuant to the Increase Request, shall continue to operate in accordance with its terms.

6. NOTIFICATION

6.1 Letters of Credit

On or before each Utilisation Date the Agent shall notify each Bank of the Letter of Credit that is to be issued by the Agent on behalf of the Banks, the name of the Applicant in respect of whom the Letter of Credit is being issued, the proposed length of the relevant Term and the aggregate principal amount of the relevant Letter of Credit allocated to such Bank pursuant to this Agreement.

6.2 Demands under Letters of Credit

If a demand is made by Lloyd's under a Letter of Credit the Agent shall promptly make demand upon the Account Party in accordance with this Agreement and notify the Banks.

7. THE ACCOUNT PARTY'S LIABILITIES IN RELATION TO LETTERS OF CREDIT

7.1 The Account Party's Indemnity to Banks

The Account Party shall irrevocably and unconditionally as a primary obligation indemnify (on demand by the Agent) each Bank against:

- 7.1.1 any sum paid or due and payable by such Bank in accordance with the terms of any Letter of Credit requested by the Account Party; and
- 7.1.2 all liabilities, costs (including, without limitation, any costs incurred in funding any amount which falls due from such Bank in connection with such Letter of Credit), claims, losses and expenses which such Bank may at any time properly incur or sustain in connection with any Letter of Credit.

7.2 Preservation of Rights

Neither the obligations of the Account Party set out in this Clause 7 nor the rights, powers and remedies conferred on any Bank by this Agreement or by law shall be discharged, impaired or otherwise affected by:

- 7.2.1 the winding-up, dissolution, administration or re-organisation of any Bank or any other person or any change in its status, function, control or ownership;
- 7.2.2 any of the obligations of any Bank or any other person hereunder or under any Letter of Credit or under any other security taken in respect of the Account Party's obligations hereunder or otherwise in connection with any Letter of Credit being or becoming illegal, invalid, unenforceable or ineffective in any respect;
- 7.2.3 time or other indulgence being granted or agreed to be granted to any Bank or any other person in respect of its obligations hereunder or under or in connection with any Letter of Credit or under any such other security;
- 7.2.4 any amendment to, or any variation, waiver or release of, any obligation of any Bank or any other person under any Letter of Credit or this Agreement; or

- 7.2.5 any other act, event or omission which, but for this Clause 7, might operate to discharge, impair or otherwise affect any of the obligations of the Account Party set out in this Clause 7 or any of the rights, powers or remedies conferred upon any Bank by this Agreement or by law.

The obligations of the Account Party set out in this Clause 7 shall be in addition to and independent of every other security which any Bank may at any time hold in respect of the Account Party's obligations hereunder.

7.3 Settlement Conditional

Any settlement or discharge between the Account Party and a Bank shall be conditional upon no security or payment to such Bank by the Account Party or any other person on behalf of the Account Party, being avoided or reduced by virtue of any laws relating to bankruptcy, insolvency, liquidation or similar laws of general application and, if any such security or payment is so avoided or reduced, such Bank shall be entitled to recover the value or amount of such security or payment from the Account Party subsequently as if such settlement or discharge had not occurred.

7.4 Right to make Payments under Letters of Credit

Each Bank shall be entitled to make any payment in accordance with the terms of the relevant Letter of Credit without any reference to or further authority from the Account Party or any other investigation or enquiry. The Account Party irrevocably authorises each Bank to comply with any demand under a Letter of Credit which is valid on its face.

7.5 Revaluation of Outstandings

On each L/C Valuation Date, the Agent shall calculate the amount of the Outstandings (having regard to changes in the Sterling Amounts of the Letters of Credit which may arise as a result of currency fluctuations), and the Agent shall notify the Account Party of the amount, if any (the "Excess Amount"), by which the Outstandings exceed 105 per cent. of the aggregate Commitments of the Banks on such date, and the Account Party shall secure such Excess Amount by providing Cash Collateral in an amount not less than the Excess Amount provided that if the Account Party provides Cash Collateral as aforesaid and, on any succeeding L/C Valuation Date the Excess Amount as determined on such date (the "New Excess Amount") is:

- 7.5.1 less than the amount of the Cash Collateral provided at such time, the Agent shall deliver to the Account Party an amount equal to the difference between the amount of such Cash Collateral and the New Excess Amount; or
- 7.5.2 greater than the amount of Cash Collateral provided at such time, the Account Party shall deliver to the Agent an amount equal to the amount by which the New Excess Amount exceeds the amount of such Cash Collateral.

8. CANCELLATION and COLLATERALISATION

8.1 Cancellation/Cash Collateralisation of Letters of Credit

The Account Party may give the Agent not less than fourteen days' prior notice of its intention to procure that the liability of each Bank under a Letter of Credit requested by it is reduced to zero (whereupon it shall do so) or provide Cash Collateral for each Bank's L/C Proportion under such Letter of Credit (whereupon it shall do so).

8.2 Notice of Cancellation or Collateralisation

Any notice of cancellation or collateralisation given by the Account Party pursuant to this Clause 8 shall be irrevocable, shall specify the date upon which such cancellation or collateralisation is to be made and the amount of such cancellation or collateralisation and shall oblige the Account Party to procure such cancellation or collateralisation on such date.

8.3 Notice of Removal of a Bank

If:

- 8.3.1 any sum payable to any Bank by the Account Party is required to be increased pursuant to Clause 9.1 (Tax Gross-up); or
- 8.3.2 any Bank claims indemnification from the Account Party under Clause 9.2 (Tax Indemnity) or Clause 11.1 (Increased Costs),

the Account Party may, whilst such circumstance continues, give the Agent at least ten Business Days' notice (which notice shall be irrevocable) of its intention to cancel, and/or provide Cash Collateral in respect of the Commitment of such Bank.

8.4 Removal of a Bank

On the day the notice referred to in Clause 8.3 (Notice of Removal of a Bank) expires the Account Party shall procure either that such Bank's L/C Proportion of each relevant Letter of Credit be reduced to zero (by reduction of the amount of such Letter of Credit in an amount equal to such Bank's L/C Proportion) or that Cash Collateral be provided in an amount equal to such Bank's L/C Proportion of such Letter of Credit.

8.5 No Further Availability

A Bank for whose account a repayment is to be made under Clause 8.3 (Notice of Removal of a Bank) shall not be obliged to participate in the making of any Letter of Credit on or after the date upon which the Agent receives the Account Party's notice of its intention to procure the repayment of such Bank's share of the Outstandings, and such Bank's Available Commitment shall be reduced to zero.

8.6 No Other Repayments or Cancellation

The Account Party shall not repay or cancel all or any part of the Outstandings except at the times and in the manner expressly provided for in this Agreement.

9. TAXES

9.1 Tax Gross-up

All payments to be made by an Obligor to any Finance Party hereunder shall be made free and clear of and without deduction for or on account of tax unless such Obligor is required to make such a payment subject to the deduction or withholding of tax, in which case the sum payable by such Obligor (in respect of which such deduction or withholding is required to be made) shall be increased to the extent necessary to ensure that such Finance Party receives a sum net of any deduction or withholding equal to the sum which it would have received had no such deduction or withholding been made or required to be made.

9.2 Tax Indemnity

Without prejudice to Clause 9.1 (Tax Gross-up), if any Finance Party is required to make any payment of or on account of tax on or in relation to any sum received or receivable hereunder (including any sum deemed for purposes of tax to be received or receivable by such Finance Party whether or not actually received or receivable) or if any liability in respect of any such payment is asserted, imposed, levied or assessed against any Finance Party, the Account Party shall, upon demand of the Agent, promptly indemnify the Finance Party which suffers a loss or liability as a result against such payment or liability, together with any interest, penalties, costs and expenses payable or incurred in connection therewith, provided that this Clause 9.2 shall not apply to:

- 9.2.1 any tax imposed on and calculated by reference to the net income actually received or receivable by such Finance Party by the jurisdiction in which such Finance Party is incorporated; or
- 9.2.2 any tax imposed on and calculated by reference to the net income of the Facility Office of such Finance Party actually received or receivable by such Finance Party by the jurisdiction in which its Facility Office is located.

9.3 Claims by Banks

A Bank intending to make a claim pursuant to Clause 9.2 (Tax Indemnity) shall notify the Agent of the event giving rise to the claim, whereupon the Agent shall notify the Account Party thereof.

10. TAX RECEIPTS

10.1 Notification of Requirement to Deduct Tax

If, at any time, an Obligor is required by law to make any deduction or withholding from any sum payable by it hereunder (or if thereafter there is any change in the rates at which or the manner in which such deductions or withholdings are calculated), such Obligor shall promptly, upon becoming aware of the same, notify the Agent.

10.2 Evidence of Payment of Tax

If an Obligor makes any payment hereunder in respect of which it is required to make any deduction or withholding, it shall pay the full amount required to be deducted or withheld to the relevant taxation or other authority within the time allowed for such payment under applicable law and shall deliver to the Agent for each Bank, within thirty days after it has made such payment to the applicable authority, an original receipt (or a certified copy thereof) issued by such authority evidencing the payment to such authority of all amounts so required to be deducted or withheld in respect of that Bank's share of such payment.

10.3 Tax Credit Payment

If an additional payment is made under Clause 9 (Taxes) by an Obligor for the benefit of any Finance Party and such Finance Party, in its sole discretion, determines that it has obtained (and has derived full use and benefit from) a credit against, a relief or remission for, or repayment of, any tax, then, if and to the extent that such Finance

Party, in its sole opinion, determines that:

- 10.3.1 such credit, relief, remission or repayment is in respect of or calculated with reference to the additional payment made pursuant to Clause 9 (Taxes); and
- 10.3.2 its tax affairs for its tax year in respect of which such credit, relief, remission or repayment was obtained have been finally settled,

such Finance Party shall, to the extent that it can do so without prejudice to the retention of the amount of such credit, relief, remission or repayment, pay to such Obligor such amount as such Finance Party shall, in its sole opinion, determine to be the amount which will leave such Finance Party (after such payment) in no worse after-tax position than it would have been in had the additional payment in question not been required to be made by such Obligor.

10.4 Tax Credit Clawback

If any Finance Party makes any payment to an Obligor pursuant to Clause 10.3 (Tax Credit Payment) and such Finance Party subsequently determines, in its sole opinion, that the credit, relief, remission or repayment in respect of which such payment was made was not available or has been withdrawn or that it was unable to use such credit, relief, remission or repayment in full, the Obligor shall reimburse such Finance Party such amount as such Finance Party determines, in its sole opinion, is necessary to place it in the same after-tax position as it would have been in if such credit, relief, remission or repayment had been obtained and fully used and retained by such Finance Party.

10.5 Tax and Other Affairs

No provision of this Agreement shall interfere with the right of any Finance Party to arrange its tax or any other affairs in whatever manner it thinks fit, oblige any Finance Party to claim any credit, relief, remission or repayment in respect of any payment under Clause 8.1 (Tax Gross-up) in priority to any other credit, relief, remission or repayment available to it nor oblige any Finance Party to disclose any information relating to its tax or other affairs or any computations in respect thereof.

11. INCREASED COSTS

11.1 Increased Costs

If, by reason of (a) any change in law or in its interpretation or administration and/or (b) compliance with any request or requirement relating to the maintenance of capital or any other request from or requirement of any central bank or other fiscal, monetary or other authority (being a request or requirement with which banks are accustomed to comply) and/or (c) the introduction of, changeover to or operation of the euro in any participating member state:

- 11.1.1 a Bank or any holding company of such Bank is unable to obtain the rate of return on its capital which it would have been able to obtain but for such Bank's entering into or assuming or maintaining a commitment, issuing or performing its obligations under this Agreement or any Letter of Credit;
- 11.1.2 a Bank or any holding company of such Bank incurs a cost as a result of such Bank's entering into or assuming or maintaining a commitment, issuing or performing its obligations under this Agreement or any Letter of Credit; or

11.1.3 there is any increase in the cost to a Bank or any holding company of such Bank of funding or maintaining such Bank's share of any Unpaid Sum or any Letter of Credit,

then the Account Party shall, from time to time on demand of the Agent, promptly pay to the Agent for the account of that Bank amounts sufficient to indemnify that Bank or to enable that Bank to indemnify its holding company from and against, as the case may be, (i) such reduction in the rate of return of capital, (ii) such cost or (iii) such increased cost.

11.2 Increased Costs Claims

A Bank intending to make a claim pursuant to Clause 11.1 (Increased Costs) shall notify the Agent of the event giving rise to such claim and the amount of such claim and the basis for calculation of such amount in reasonable detail whereupon the Agent shall notify the Account Party thereof.

11.3 Exclusions

Notwithstanding the foregoing provisions of this Clause 11, no Bank shall be entitled to make any claim under this Clause 11 in respect of:

11.3.1 any cost, increased cost or liability as referred to in Clause 11.1 (Increased Costs) to the extent the same is compensated by the Mandatory Liquid Asset Costs Rate; or

11.3.2 any cost, increased cost or liability compensated by Clause 9 (Taxes).

12. ILLEGALITY

If, at any time, it is or will become unlawful or prohibited pursuant to any request from or requirement of any central bank or other fiscal, monetary or other authority (being a request or requirement with which banks are accustomed to comply) for a Bank to fund, issue, participate in or allow to remain outstanding all or part of its share of the Letters of Credit, then that Bank shall, promptly after becoming aware of the same, deliver to the Account Party through the Agent a notice to that effect and:

12.1.1 such Bank shall not thereafter be obliged to participate in any Letter of Credit or issue any Letter of Credit (whichever shall be so affected) and the amount of its Available Commitment shall be immediately reduced to zero; and

12.1.2 if the Agent on behalf of such Bank so requires, the Account Party shall on such date as the Agent shall have specified ensure that the liabilities of such Bank under or in respect of each affected Letter of Credit are reduced to zero or otherwise secured by providing Cash Collateral in an amount equal to such Bank's L/C Proportion of such Letters of Credit or such Bank's maximum actual or contingent liabilities under such Letter of Credit.

13. MITIGATION

If, in respect of any Bank, circumstances arise which would or would

upon the giving of notice result in:

- 13.1.1 an increase in any sum payable to it or for its account pursuant to Clause 9.1 (Tax Gross-up);
- 13.1.2 a claim for indemnification pursuant to Clause 9.2 (Tax Indemnity) or Clause 11.1 (Increased Costs); or
- 13.1.3 the reduction of its Available Commitment to zero or any repayment to be made pursuant to Clause 12 (Illegality),

then, without in any way limiting, reducing or otherwise qualifying the rights of such Bank or the obligations of the Obligors under any of the Clauses referred to in sub-clauses 13.1.1, 13.1.2 and 13.1.3 such Bank shall promptly upon becoming aware of such circumstances notify the Agent thereof and, in consultation with the Agent and the Account Party and to the extent that it can do so lawfully and without prejudice to its own position, take reasonable steps (including a change of location of its Facility Office or the transfer of its rights, benefits and obligations hereunder to another financial institution which is an Approved Credit Institution and which is acceptable to the Account Party and willing to participate in the Facility) to mitigate the effects of such circumstances, provided that such Bank shall be under no obligation to take any such action if, in the opinion of such Bank, to do so might have any adverse effect upon its business, operations or financial condition (other than any minor costs and expenses of an administrative nature).

14. REPRESENTATIONS

The Obligors jointly and severally represent and warrant on the Commencement Date that:

14.1 Corporate Existence and Power

The Account Party is a company limited by shares, and the Guarantor is a limited liability company, and in each case, is duly incorporated and validly existing under the laws of its jurisdiction of incorporation and the Account Party is in good standing under the laws of the Cayman Islands. Each of the Obligors has all corporate powers and all material governmental licenses, authorisations, consents and approvals required to carry on its respective business as now conducted. The Guarantor is a Wholly-Owned Consolidated Subsidiary of the Account Party.

14.2 Corporate and Governmental Authorisation; No Contravention

The execution, delivery and performance by each Obligor of this Agreement and the other Finance Documents to which it is a party are within its corporate powers, have been duly authorised by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or official and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the memorandum of association, articles of association or bye-laws (or any comparable document) of any Obligor or of any agreement, judgment, injunction, order, decree or other instrument binding upon any Obligor or any of their respective Subsidiaries or result in the creation or imposition of any Lien (excluding the provision of Security pursuant to this Agreement) on any asset of any Obligor or any of their respective Subsidiaries.

14.3 Binding Effect

Each of this Agreement and the other Finance Documents to which any Obligor is a party constitutes a valid and binding agreement of each Obligor enforceable in accordance with its terms, subject to bankruptcy, insolvency or other laws of general application affecting the enforcement of creditors rights, the application of equitable principles and the non-availability of the equitable remedies of specific performance or injunctive relief.

14.4 Financial Information

14.4.1 The consolidated balance sheet of the Account Party and its Consolidated Subsidiaries as of 31 December 2000 and the related consolidated statements of operations and of cash flows for the fiscal year then ended, reported on by PricewaterhouseCoopers LLP, copies of which have been delivered to each of the Banks, fairly present, in all material respects, in conformity with GAAP, the consolidated financial position of the Account Party and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such fiscal year.

14.4.2 The unaudited consolidated balance sheet of the Account Party and its Consolidated Subsidiaries as of 30 June 2001 and the related unaudited consolidated statements of operations and of cash flows for the six months then ended, copies of which have been delivered to each of the Banks, fairly present, in all material respects, in conformity with GAAP (except for the absence of footnotes) applied on a basis consistent with the financial statements referred to in sub-clause 14.4.1 of Clause 14.4 (Financial Information), the consolidated financial position of the Account Party and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such six month period (subject to normal year-end adjustments).

14.4.3 Since 30 June 2001 there has been no material adverse change in the business, financial position or results of operations of the Account Party and its Consolidated Subsidiaries, considered as a whole.

14.4.4 The consolidated balance sheet of the Guarantor and its Consolidated Subsidiaries as of 31 December 2000 and the related consolidated statements of operations and retained earnings and of cash flows for the fiscal year then ended, all reported on by PricewaterhouseCoopers LLP, copies of which have been delivered to each of the Banks, fairly present, in all material respects in conformity with GAAP, the consolidated financial position of the Guarantor and its Consolidated Subsidiaries as of such date and their consolidated results of operations and retained earnings and cash flows for such fiscal year.

14.4.5 Since 31 December 2000 there has been no material adverse change in the business, financial position or results of operations of the Guarantor and its Consolidated Subsidiaries, considered as a whole.

14.5 Litigation

Except as disclosed in the notes to the financial statements referred to in sub-clause 14.4.1 of Clause 14.4 (Financial Information) and except for insurance claims made in

the context of the ordinary course of business of the Group, there is no action, suit or proceeding pending against, or to the knowledge of the Account Party threatened against or affecting, the Account Party or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official in which there is a reasonable likelihood of an adverse decision which could materially adversely affect the business, consolidated financial position or consolidated results of operations of the Account Party and its Consolidated Subsidiaries, considered as a whole, or which in any manner draws into question the validity or enforceability of this Agreement or any other Finance Document.

14.6 Taxes

The Account Party and its Subsidiaries have filed all material income tax returns and all other material tax returns which are required to be filed by them and have paid all taxes due pursuant to such returns or pursuant to any assessment received by the Account Party or any Subsidiary. The charges, accruals and reserves on the books of the Account Party and its Subsidiaries in respect of taxes or other governmental charges are, in the opinion of the Account Party, adequate.

14.7 Written Information

All written information supplied by any member of the Group which is factual, is true, complete and accurate in all material respects as at the date it was given and is not misleading in any material respect and all financial projections so supplied have been prepared on the basis of recent historical information and on the basis of reasonable assumptions.

14.8 Compliance with Laws

The Account Party and each Subsidiary are in compliance, in all material respects, with all applicable laws, ordinances, rules, regulations, guidelines and other requirements of governmental authorities except where the necessity of compliance therewith is contested in good faith by appropriate proceedings and any reserves required under generally accepted accounting principles with respect thereto have been established and except where any such failure could not reasonably be expected to materially adversely affect the business, consolidated financial position or consolidated results of operations of the Account Party and its Consolidated Subsidiaries, considered as a whole.

14.9 Lien

14.9.1 Upon delivery of the Security to the Custodian as provided in the Charge Agreement, each Obligor will have good and marketable title in and to its portion of the Security free and clear of all Liens (except the Lien created under the Finance Documents and subject to the interest of the Custodian under the Finance Documents and to "Permitted Liens" as defined in the Charge Agreement).

14.9.2 Upon delivery of the Security to the Custodian as provided in the Charge Agreement, the Charge Agreement will create in favour of the Security Trustee for the benefit of the Banks a valid and enforceable first priority Lien on all of the Security, subject to the interest of the Custodian under the Finance Documents.

- 14.9.3 Upon delivery of the Security to the Custodian as provided in the Charge Agreement, neither Obligor will have outstanding, nor will either Obligor be contractually bound to create, any Lien on or with respect to any of the Security, subject to the interest of the Custodian under the Finance Documents and to "Permitted Liens" as defined in the Charge Agreement.
- 14.9.4 Neither Obligor is subject to any agreement, judgment, injunction, order, decree or other instrument or any law or regulation which would prevent or otherwise interfere with such Obligor's obligations to deliver Security in the amounts, at the times and as otherwise provided in the Charge Agreement, subject to the interest of the Custodian under the Finance Documents.

The representations contained in this Clause 14.9 shall only be made on the date hereof and shall only be repeated on each day commencing on the date on which the Pricing Level is Level V.

14.10 Validity and Admissibility in Evidence

All acts, conditions and things required to be done, fulfilled and performed in order (a) to enable each Obligor lawfully to enter into, exercise its rights under and perform and comply with the obligations expressed to be assumed by it in the Finance Documents to which it is a party, (b) to ensure that the obligations expressed to be assumed by it in the Finance Documents to which it is a party are legal, valid, binding and enforceable and (c) to make the Finance Documents to which it is a party admissible in evidence in its jurisdiction of incorporation have been done, fulfilled and performed (subject to any exception contained in the legal opinions provided as conditions precedent).

14.11 Claims Pari Passu

Under the laws of its jurisdiction of incorporation in force at the date of this Agreement, the claims of the Finance Parties against each Obligor under this Agreement will rank at least pari passu with the claims of all its other unsecured and unsubordinated creditors save those claims which are preferred solely by any bankruptcy, insolvency, liquidation or other similar laws of general application or are mandatorily preferred by law applying to insurance companies generally.

14.12 No Filing or Stamp Taxes

Under the laws of the jurisdiction of incorporation of each Obligor in force at the date of this Agreement, it is not necessary that the Finance Documents to which it is party be filed, recorded or enrolled with any court or other authority in such jurisdiction or that any stamp, registration or similar tax be paid on or in relation to the Finance Documents to which it is party.

14.13 No Winding-up

No Obligor or Material Subsidiary has taken any corporate action nor have any other steps been taken or legal proceedings been started or (to the best of its knowledge and belief) threatened against any Obligor or Material Subsidiary for its winding-up, dissolution, administration or re-organisation (whether by voluntary arrangement, scheme of arrangement or otherwise) or for the appointment of a receiver, administrator, administrative receiver, conservator, custodian, trustee or similar officer of it or of any or all of its assets or revenues.

14.14 No Default

No Default has occurred and is continuing.

15. COVENANTS

The Account Party agrees that, so long as any Original Letter of Credit or any Letter of Credit is in effect or any Outstandings remain unpaid:

15.1 Information

The Account Party will deliver to the Agent in sufficient copies for the Banks:

15.1.1 as soon as available and in any event within 90 days after the end of each fiscal year of the Account Party, a consolidated balance sheet of the Account Party and its Consolidated Subsidiaries as of the end of such fiscal year and the related consolidated statements of operations and of cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on in a manner acceptable to the Securities and Exchange Commission of the United States of America or otherwise reasonably acceptable to the Majority Banks by PricewaterhouseCoopers LLP or other independent public accountants of internationally recognised standing;

15.1.2 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 of the Account Party, a consolidated balance sheet of the Account Party and its Consolidated Subsidiaries as of the end of such quarter and the related consolidated statements of operations and of cash flows for such quarter and for the portion of the Account Party's fiscal year ended at the end of such quarter, setting forth in the case of such statements of operations and cash flows in comparative form the figures for the corresponding quarter and the corresponding portion of the Account Party's previous fiscal year, all certified (subject to normal year-end adjustments) as to fairness of presentation, generally accepted accounting principles and consistency by the chief financial officer or the chief accounting officer of the Account Party;

15.1.3 simultaneously with the delivery of each set of financial statements referred to in sub-clauses 15.1.1 and 15.1.2 of this Clause 15.1, a certificate of the chief financial officer or the chief accounting officer of the Account Party (a) setting forth in reasonable detail the calculations required to establish whether the Account Party was in compliance with the requirements of Clauses 15.7 (Adjusted Consolidated Debt to Total Capitalisation Ratio) to 15.9 (Liens), inclusive, on the date of such financial statements and (b) stating whether any Default exists on the date of such certificate and, if any Default then exists, setting forth the details thereof and the action which the Account Party is taking or proposes to take with respect thereto;

15.1.4 within five days after any executive officer of the Account Party obtains knowledge of any Default, if such Default is then continuing, a certificate of the chief financial officer or the chief accounting officer of the Account Party setting forth the details thereof and the action which the Account Party is taking or proposes to take with respect thereto;

- 15.1.5 promptly upon the mailing thereof to the shareholders of the Account Party generally, copies of all financial statements, reports and proxy statements so mailed;
- 15.1.6 promptly upon the filing thereof, copies of all registration statements (other than the exhibits thereto and any registration statements on Form S-8 or its equivalent) and reports on Forms 10-K, 10-Q and 8-K (or their equivalents) which the Account Party shall have filed with the Securities and Exchange Commission of the United States of America;
- 15.1.7 as soon as available and in any event within 20 days after submission, each statutory statement of the Guarantor in the form submitted to The Insurance Division of the Office of Registrar of Companies of Bermuda;
- 15.1.8 as soon as available and in any event within 120 days after the end of each fiscal year of the Guarantor, a consolidated balance sheet of the Guarantor and its Consolidated Subsidiaries as of the end of such fiscal year and the related statements of income and changes in financial position for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by the independent public accountants which reported on the financial statements referred to in sub-clause 15.1.1 of this Clause 15.1;
- 15.1.9 promptly after any executive officer of the Account Party obtains knowledge thereof, (a) a copy of any notice from the Supervisor of Insurance 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 the Guarantor under the Bermuda Insurance Law 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, (b) copies of any correspondence by, to or concerning the Guarantor relating to an investigation conducted by the Minister of Finance, whether pursuant to Section 132 of the Bermuda Companies Law or otherwise and (c) a copy of any notice of or requesting or otherwise relating to the winding up or any similar proceeding of or with respect to the Guarantor; and
- 15.1.10 from time to time such additional information regarding the financial position, results of operations or business of the Account Party or any of its Subsidiaries as the Agent, at the request of any Bank, may reasonably request from time to time.

15.2 Payment of Obligations

The Account Party will pay and discharge, and will cause each Subsidiary to pay and discharge, at or before maturity, all their respective material obligations and liabilities, including, without limitation, tax liabilities, except where the same may be contested in good faith by appropriate proceedings, and will maintain, and will cause each Subsidiary to maintain, in accordance with generally accepted accounting principles, appropriate reserves for the accrual of any of the same.

15.3 Maintenance of Property; Insurance.

15.3.1 The Account Party will keep, and will cause each Subsidiary to keep, all property useful and necessary in its business in good working order and condition, ordinary wear and tear excepted.

15.3.2 The Account Party will maintain, and will cause each Subsidiary 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 Account Party 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 judgement of the Account Party and its Subsidiaries). The Account Party will deliver to the Banks upon request of any Bank through the Agent from time to time, full information as to the insurance carried.

15.4 Conduct of Business and Maintenance of Existence

The Account Party will continue, and will cause each Subsidiary to continue, to engage in business of the same general type as now conducted by the Account Party and its Subsidiaries, and will preserve, renew and keep in full force and effect, and will cause each Subsidiary to preserve, renew and keep in full force and effect, their respective existence and their respective rights, privileges and franchises necessary or desirable in the normal conduct of business; provided that nothing in this Clause 15.4 shall prohibit (i) the merger of a Subsidiary (other than the Guarantor) into the Account Party or the merger or consolidation of a Subsidiary (other than the Guarantor) with or into another Person if the corporation surviving such consolidation or merger is a Subsidiary and if, in each case, after giving effect thereto, no Default shall have occurred and be continuing, (ii) any merger of any Obligor permitted by Clause 15.10 (Consolidations, Mergers and Sale of Assets) or (iii) the termination of (x) the corporate existence or (y) any rights, privileges and franchises of any Subsidiary (other than the Guarantor) if the Account Party in good faith determines that such termination is in the best interest of the Account Party and is not materially disadvantageous to the Banks.

15.5 Compliance with Laws

The Account Party will comply, and cause each Subsidiary to comply, in all material respects with all applicable laws, ordinances, rules, regulations, guidelines and other requirements of governmental authorities except where the necessity of compliance therewith is contested in good faith by appropriate proceedings and any reserves required under generally accepted accounting principles with respect thereto have been established and except where any such failure to comply could not reasonably be expected to materially adversely affect the business, consolidated financial position or consolidated results of operations of the Account Party and its Consolidated Subsidiaries, considered as a whole.

15.6 Inspection of Property, Books and Records

The Account Party will keep, and will cause each Subsidiary to keep, proper books of records and account in accordance with generally accepted accounting principles in which full, true and correct entries shall be made of all dealings and transactions in

relation to its business and activities; and will permit, and will cause each Subsidiary to permit, representatives of any Bank at such Bank's expense to visit and inspect any of their respective properties, to examine and make abstracts from any of their respective books and records and to discuss their respective affairs, finances and accounts with their respective officers, employees and independent public accountants, all at such reasonable times on reasonable notice and as often as may reasonably be desired.

15.7 Adjusted Consolidated Debt to Total Capitalisation Ratio

The Account Party shall maintain at all times a ratio of Adjusted Consolidated Debt to Total Capitalisation of not more than 0.35 to 1.

15.8 Consolidated Net Worth

The Account Party shall maintain at all times Consolidated Net Worth in an amount at least equal to the sum of (i) US\$3,600,000,000 plus (ii) 25 per cent. of Consolidated Net Income for each fiscal quarter of the Account Party ending on and after 31 March 2000 for which such Consolidated Net Income is positive.

15.9 Liens

Neither the Account Party nor any Subsidiary will 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:

15.9.1 Liens created under the US Loan Documents;

15.9.2 Permitted Liens;

15.9.3 Liens described in Schedule 10 (Existing Liens);

15.9.4 purchase money Liens upon or in real property or equipment acquired or held by the Account Party 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 or 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;

15.9.5 Liens arising in connection with Capitalised Leases; provided that no such Lien shall extend to or cover any assets other than the assets subject to such Capitalised Leases;

- 15.9.6 (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 Account Party or any of its Subsidiaries in accordance with Clause 15.10 (Consolidations, Mergers and Sales of Assets) and not created in contemplation of such event and (C) any Lien existing on any asset prior to the acquisition thereof by the Account Party or any of its Subsidiaries and not created in contemplation of such acquisition;
- 15.9.7 Liens securing obligations under credit default swap transactions determined by reference to, or Contingent Obligations in respect of, Debt issued by the Account Party or one of its Subsidiaries; such Debt not to exceed an aggregate principal amount of US\$550,000,000;
- 15.9.8 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;
- 15.9.9 Liens on cash and Approved Investments securing Hedge Agreements arising in the ordinary course of business;
- 15.9.10 other Liens securing Debt or other obligations outstanding in an aggregate principal or face amount not to exceed at any time 5 per cent. of Consolidated Net Worth;
- 15.9.11 Liens consisting of deposits made by the Account Party 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 Account Party or any insurance Subsidiary, in each case in favour of policyholders of the Account Party or such insurance Subsidiary or an insurance regulatory authority and in the ordinary course of the Account Party's or such insurance Subsidiary's business;
- 15.9.12 Liens on Investments and cash balances of the Account Party or any insurance Subsidiary (other than capital stock of any Subsidiary) securing obligations of the Account Party 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 or insurance obligations owed to them by the Account Party or any insurance Subsidiary;
- 15.9.13 the replacement, extension or renewal of any Lien permitted by sub-clause 15.9.2 or 15.9.5 of this Clause 15.9 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;
- 15.9.14 Liens securing obligations owed by the Account Party to any Subsidiary or by any Subsidiary to the Account Party or any other Subsidiary;

- 15.9.15 Liens incurred in the ordinary course of business in favour 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;
 - 15.9.16 judgement or judicial attachment Liens, provided that the enforcement of such Liens is effectively stayed;
 - 15.9.17 Liens on any assets of the Obligors created pursuant to the Finance Documents;
 - 15.9.18 Liens arising in connection with certain equity proceeds received on or about 12 September 2000 (plus interest accrued thereon) placed in a segregated account in support of (or pledged as collateral for) the Account Party's guarantee of the US\$412,372,000 principal amount of Auction Rate Reset Subordinated Notes Series A issued by ACE INA to ACE RHINOS Trust on 30 June 1999;
 - 15.9.19 Liens arising in connection with Securitisation 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 Securitisation Transactions shall not exceed US\$250,000,000;
 - 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 (but without prejudice to sub-clause 15.9.10) 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; and
 - 15.9.21 Liens securing up to an aggregate amount of US\$200,000,000 of obligations of ACE Tempest Reinsurance Ltd, the Account Party or any wholly owned subsidiary, arising out of catastrophe bond financing.
- 15.10 Consolidations, Mergers and Sales of Assets
- 15.10.1 No Obligor will consolidate with or merge into any other Person, provided that if both immediately before and after giving effect thereto no Default shall have occurred and be continuing, then:
 - (a) the Guarantor may merge or consolidate with any other Person so long as the surviving entity is the Guarantor or a Wholly-Owned Consolidated Subsidiary of the Account Party and, if the Guarantor is not the surviving entity, such surviving entity shall have assumed the obligations of the Guarantor hereunder pursuant to an instrument in form and substance reasonably satisfactory to the Majority Banks and shall have delivered such opinions of counsel with respect thereto as the Agent may reasonably request; and
 - (b) the Account Party may merge with another Person so long as the Account Party is the surviving entity.

- 15.10.2 No Obligor will sell, lease or otherwise transfer, directly or indirectly, all or any substantial part of its assets to any other Person (excluding sales of investment securities in the ordinary course of business).
- 15.11 No Amendments
- The Account Party shall not amend or waive, or utilise or rely on any waiver of, any provision of any Security Document that may be entered into without the written consent of the Agent, the Security Trustee and the Majority Banks.
- 15.12 Maintenance of Legal Validity
- Each Obligor shall obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all authorisations, approvals, licences and consents required in or by the laws of its jurisdiction of incorporation to enable it lawfully to enter into and perform its obligations under the Finance Documents to which it is a party and to ensure the legality, validity, enforceability or admissibility in evidence in its jurisdiction of incorporation of the Finance Documents to which it is a party.
- 15.13 Claims Pari Passu
- Each Obligor shall ensure that at all times the claims of the Finance Parties against it under this Agreement ranks at least pari passu with the claims of all its other unsecured and unsubordinated creditors save those claims which are preferred by any bankruptcy, insolvency, liquidation or other similar laws of general application or are mandatorily preferred by law applying to insurance companies generally.
16. EVENTS OF DEFAULT
- Each of Clause 16.1 (Failure to Pay) to Clause 16.17 (Custodian's Undertaking) describes circumstances which constitute an Event of Default for the purposes of this Agreement.
- 16.1 Failure to Pay
- The Account Party shall fail to reimburse any drawing under any Letter of Credit when required hereunder or shall fail to pay within five Business Days of the due date thereof any interest or fees or other amounts payable hereunder or under any other Finance Document or the Guarantor shall fail to pay when due any such reimbursement obligations, interest, fees or other amounts payable hereunder provided that, for the purposes of this Clause 16.1, no such payment default by the Account Party shall be continuing if the Guarantor pays the amount thereof at the time and otherwise in the manner provided in Clause 29 (Guarantee and Indemnity).
- 16.2 Specific Covenants
- The Account Party shall fail to observe or perform any covenant (a) contained in Clauses 15.7 (Adjusted Consolidated Debt to Total Capitalisation Ratio) to Clause 15.10 (Consolidations, Mergers and Sale of Assets) inclusive or (b) contained in Clause 17.1 (Letter of Credit Commission).
- 16.3 Other Obligations
- Any Obligor shall fail to observe or perform any covenant or agreement contained in this Agreement or in any other Finance Document (other than those covered by Clause 16.1 (Failure to Pay) or Clause 16.2 (Specific Covenants)) and such failure, if, in the

reasonable opinion of the Majority Banks, it is capable of remedy, is not remedied within 30 days after notice thereof has been given to the Account Party by the Agent at the request of any Bank.

16.4 Misrepresentation

Any representation, warranty, certification or statement made by any Obligor in this Agreement or in any other Finance Document or in any certificate, financial statement or other document delivered pursuant to this Agreement or any other Finance Document shall prove to have been incorrect in any material respect when made (or deemed made).

16.5 Cross-default

The Account Party or any Subsidiary shall fail to make any payment in respect of any Material Financial Obligations when due or within any applicable grace period.

16.6 Cross-Acceleration

Any event or condition shall occur which results in the acceleration of the maturity of any Material Debt or enables (or, with the giving of notice or lapse of time or both, would enable) the holder of such Material Debt or any Person acting on such holder's behalf to accelerate the maturity thereof.

16.7 Winding-up of the Account Party or the Guarantor

16.7.1 A resolution or other similar action is passed authorising the voluntary winding up of the Account Party or any other similar action with respect to the Account Party or a petition is filed for the winding up of the Account Party or the taking of any other similar action with respect to the Account Party in the Grand Court of the Cayman Islands (except in the case of any frivolous or vexatious steps or proceedings started by any Person who is not a member of the Group where such steps or proceedings are dismissed within 30 days); or

16.7.2 any corporate action is taken authorising the winding up, the liquidation, any arrangement or the taking of any other similar action of or with respect to the Guarantor or authorising any corporate action to be taken to facilitate any such winding up, liquidation, arrangement or other similar action or any petition shall be filed seeking the winding up, the liquidation, any arrangement or the taking of any other similar action of or with respect to the Guarantor by the Registrar of Companies in Bermuda, one or more holders of insurance policies or reinsurance certificates issued by the Guarantor or by any other Person or Persons or any petition shall be presented for the winding up of the Guarantor to a court of Bermuda as provided under the Bermuda Companies Law and in either such case such petition shall remain undismissed and unstayed for a period of 60 days or any creditors' or members' voluntary winding up of the Guarantor as provided under the Bermuda Companies Law shall be commenced or any receiver shall be appointed by a creditor of the Guarantor or by a court of Bermuda on the application of a creditor of the Guarantor as provided under any instrument giving rights for the appointment of a receiver.

16.8 Execution or Distress

A proceeding shall be commenced by any Person seeking execution or distress over or possession of the assets of either Obligor or any substantial part thereof or any similar

remedy and such proceedings shall remain undismissed and unstayed for a period of 60 days.

16.9 Insolvency and Rescheduling

An Obligor or Material Subsidiary shall commence a voluntary case or other proceeding seeking liquidation, reorganisation or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorise any of the foregoing; or an involuntary case or other proceeding shall be commenced against an Obligor or Material Subsidiary seeking liquidation, reorganisation or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against an Obligor or Material Subsidiary under the United States federal bankruptcy laws as now or hereafter in effect.

16.10 Analogous Proceedings

There occurs, in relation to an Obligor or Material Subsidiary in any country or territory in which any of them carries on business or in any jurisdiction where any part of their assets is subject, any event which corresponds in that country or territory with any of those mentioned in Clause 16.7 (Winding-up of the Account Party or the Guarantor) to Clause 16.9 (Insolvency and Rescheduling) above.

16.11 Failure to comply with Judgment

A final judgment or order for the payment of money in excess of US\$100,000,000 shall be rendered against an Obligor or Material Subsidiary and such judgment or order shall continue unsatisfied and unstayed for a period of 30 days.

16.12 Ownership of the Account Party and the Guarantor

16.12.1 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 of the United States of America, as amended), directly or indirectly, of Voting Interests of the Account Party (or other securities convertible into such Voting Interests) representing 30 per cent. or more of the combined voting power of all Voting Interests of the Account Party; or

16.12.2 during any period of 12 consecutive calendar months, individuals who were directors of the Account Party on the first day of such period shall cease to constitute a majority of the board of directors of the Account Party; or

16.12.3 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 Account Party; or

16.12.4 the Guarantor ceases to be a Wholly-Owned Consolidated Subsidiary of the Account Party.

16.13 Illegality

At any time it is or becomes unlawful for either Obligor to perform or comply with any or all of its obligations hereunder or under any of the Finance Documents or any court or arbitrator or any governmental body, agency or official which has jurisdiction in the matter shall decide, rule or order that any provision of any of the Finance Documents is invalid or unenforceable in any material respect, or either Obligor shall so assert in writing.

16.14 Revocation of Registration

The registration of the Guarantor as an insurer shall be revoked, suspended or otherwise have restrictions or conditions placed upon it unless, in the case of the placing of any such restrictions or conditions, such restrictions or conditions could not have a material adverse effect on the interests of the Finance Parties under the Finance Documents.

16.15 Security

If the Obligors are required to grant security pursuant to sub-clause 17.1.2 of Clause 17.1 (Letter of Credit Commission) and they fail to deliver Security at the times, in the amounts or as otherwise specified in the Finance Documents or the Lien created pursuant thereto on the Security shall at any time or for any reason cease to be a valid, enforceable and first priority Lien on any of the Security or either Obligor shall fail to observe or perform any covenant relating to the delivery of the Security and the perfection of the first priority charge and security interest created therein contained in any other Finance Document, provided that if the market value of the Charged Portfolio falls below the Required Value or the Charged Portfolio fails to satisfy the Security Trustee's Requirements (as defined in the Charge Agreement), such circumstances shall not constitute an Event of Default if the market value of the Charged Portfolio is restored to the Required Value and/or, as the case may be, the Security Trustee's Requirements are satisfied in each case within five Business Days of notification by the Security Trustee on behalf of the Banks of the breach of clause 4 of the Charge Agreement or, if earlier, within five Business Days of either Obligor becoming aware of such breach.

16.16 Finance Documents

Any provision of any Finance Document is repudiated, terminated, amended or waived by any party thereto without the written consent of the Agent, the Security Trustee and the Majority Banks.

16.17 Custodian's Undertaking

In the event that the Obligors are required to grant Security pursuant to sub-clause 17.1.2 of Clause 17.1 (Letter of Credit Commission), the Custodian fails to observe or perform any material provision of the Custodian's Undertaking and such failure, if in the reasonable opinion of the Majority Banks it is capable of remedy, is not remedied within 30 days after notice thereof has been given to the Custodian by the Account Party or by the Agent at the request of any Bank.

- 16.18 Acceleration and Cancellation
Upon the occurrence of an Event of Default at any time thereafter while that Event of Default is continuing, the Agent may (and, if so instructed by the Majority Banks shall) by notice to the Account Party:
- 16.18.1 require the Account Party to procure that the liabilities of each of the Banks under each Letter of Credit are promptly reduced to zero and/or provide Cash Collateral for each Letter of Credit in an amount specified by the Agent (whereupon the Account Party shall do so); and/or
- 16.18.2 declare that any unutilised portion of the Facility shall be cancelled, whereupon the same shall be cancelled and the Available Commitment of each Bank shall be reduced to zero; and
- 16.18.3 (in the event that the Obligors have granted Security pursuant to sub-clause 17.1.2 of Clause 17.1 (Letter of Credit Commission), direct the Security Trustee to exercise all rights and remedies of a mortgagee or a secured party at such time including, without limitation, the right to take possession of any or all of the assets subject to the Security Documents and the books and records relating thereto, with or without judicial process. For the purposes of the preceding sentence, the Security Trustee may enter upon any or all of the premises where any of the assets subject to the Security Documents, such other security or books or records may be situated and take possession and remove the same therefrom.
17. COMMISSION AND FEES
- 17.1 Letter of Credit Commission
- 17.1.1 The Account Party shall, in respect of each Letter of Credit requested by it, pay to the Agent for the account of each Bank (for distribution in proportion to each Bank's L/C Proportion of such Letter of Credit) a letter of credit commission in sterling at the L/C Commission Rate on the maximum actual and contingent liabilities of the Banks under the relevant Letter of Credit. Such Letter of Credit Commission shall be paid quarterly in arrear in respect of each successive period of three months (or such shorter period as shall end on the relevant Expiry Date) which begins during the Term of the relevant Letter of Credit, commencing from the Effective Date of such Letter of Credit, and payable on the first day of each such period thereafter.
- 17.1.2 If the Pricing Level reaches Level V (each as defined in Schedule 9 (Pricing Schedule)), the Required Value (for the avoidance of doubt, the Obligors will not each be required to grant Security to the Required Value) shall (subject to Section 25.21.3) be increased to an amount equal to the aggregate amount of the Letters of Credit issued hereunder, and each Obligor shall promptly (and in any event within five Business Days) perform its obligations under clause 4 of the Charge Agreement. Upon the Security Trustee being satisfied that each Obligor has performed its obligations under clause 4 of the Charge Agreement, and having received legal opinions in form and substance satisfactory to the Security Trustee (acting reasonably) opining that the Charge Agreement creates

in favour of the Security Trustee on behalf of the Banks a valid and enforceable first priority Lien on all of the Security (subject to such qualifications and assumptions as are customarily made by leading firms of solicitors in giving legal opinions of that nature), the L/C Commission Rate shall become 0.15 per cent. and the Security Trustee shall notify all parties hereto accordingly.

17.1.3 Any change to the L/C Commission Rate shall take effect on the day on which the event giving rise to such change occurs (whether pursuant to Schedule 9 (Pricing Schedule) or pursuant to Clause 17.1.2).

17.1.4 Any unpaid Letter of Credit Commission payable in respect of each Original Letter of Credit shall be paid in full by the Account Party by no later than the Effective Date.

17.2 Arrangement Fees

The Account Party shall pay to the Lead Arranger the fees specified in the letter dated 11 September 2001 from the Lead Arranger to the Account Party at the times, and in the amounts, specified in such letter.

17.3 Agency Fee

The Account Party shall pay to the Agent for its own account the agency fees specified in the letter dated 11 September 2001 from the Lead Arranger to the Account Party at the times, and in the amounts, specified in such letter.

17.4 Participation Fees

The Account Party shall pay to the Lead Arranger the participation fees specified in the letter dated 11 September 2001 from the Lead Arranger to the Account Party at the times, and in the amounts, specified in such letter. These fees shall be distributed by the Lead Arranger among certain of the Banks in accordance with the arrangements agreed by the Lead Arranger with such Banks prior to the date of this Agreement.

18. COSTS AND EXPENSES

18.1 Transaction Expenses

The Account Party shall, from time to time within thirty days of demand of the Agent, reimburse the Agent and the Arrangers for all reasonable costs and expenses (including legal fees) together with any VAT thereon incurred by them in connection with the negotiation, preparation and execution of the Finance Documents, any other document referred to in the Finance Documents and the completion of the transactions therein contemplated.

18.2 Preservation and Enforcement of Rights

18.2.1 The Account Party shall, from time to time on demand of the Agent, reimburse the Finance Parties for all costs and expenses (including legal fees) properly incurred on a full indemnity basis together with any VAT thereon incurred in or in connection with the preservation and/or enforcement of any of the rights of the Finance Parties under the Finance Documents and any document referred to in the Finance Documents (including, without limitation, any costs and expenses relating to any investigation as to whether or not an Event of Default

might have occurred or is likely to occur or any steps necessary or desirable in connection with any proposal for remedying or otherwise resolving a Default).

18.2.2 In the event that the Obligors have granted Security pursuant to sub-clause 17.1.2 of Clause 17.1 (Letter of Credit Commission) and if, by reason of a subsequent breach of clause 4 of the Charge Agreement by either Obligor, any Bank incurs a capital cost or is unable to continue to obtain the rate of return obtained by it hereunder at the date the Security is granted or at the date it becomes party hereto as a Bank, the Obligors shall on demand of the Agent, promptly pay to the Agent for the account of the Bank amounts sufficient to indemnify that Bank from and against such cost or loss in return.

18.3 Stamp Taxes

The Account Party shall pay all stamp, registration and other taxes to which the Finance Documents, any other document referred to in the Finance Documents or any judgment given in connection therewith is or at any time may be subject and to which it is a party and shall, from time to time on demand of the Agent, indemnify the Finance Parties against any liabilities, costs, claims and expenses resulting from any failure to pay or any delay in paying any such tax.

18.4 Amendment Costs

If an Obligor requests any amendment, waiver or consent to any Finance Document then the Account Party shall, within thirty days of demand by the Agent, reimburse the Finance Parties for all reasonable costs and expenses (including legal fees) together with any VAT thereon incurred by such persons in responding to or complying with such request.

18.5 Banks' Liabilities for Costs

If the Account Party fails to perform any of its obligations under this Clause 18 each Bank shall, in its Proportion, indemnify each of the Agent and the Arrangers against any loss incurred by any of them as a result of such failure.

19. DEFAULT INTEREST AND BREAK COSTS

19.1 Default Interest

If any sum due and payable by an Obligor hereunder is not paid on the due date therefor in accordance with Clause 22 (Payments) or if any sum due and payable by an Obligor under any judgment of any court in connection herewith is not paid on the date of such judgment, the period beginning on such due date or, as the case may be, the date of such judgment and ending on the date upon which the obligation of such Obligor to pay such sum is discharged shall be divided into successive periods, each of which (other than the first) shall start on the last day of the preceding such period and the duration of each of which shall (except as otherwise provided in this Clause 19) be selected by the Agent.

19.2 Default Interest Rate

An Unpaid Sum shall bear interest during each Term in respect thereof at the rate per annum which is the sum from time to time of two per cent. and LIBOR on the Quotation Date therefor.

- 19.3 **Payment of Default Interest**
Any interest which shall have accrued under Clause 19.1 (Default Interest) in respect of an Unpaid Sum shall be due and payable and shall be paid by the relevant Obligor, together with any Mandatory Liquid Asset Costs Rate in respect thereof on the last day of each Term in respect thereof or on such other dates as the Agent may specify by notice to the relevant Obligor.
- 19.4 **Break Costs**
If any Bank or the Agent on its behalf receives or recovers all or any part of an Unpaid Sum otherwise than on the last day of a Term relating thereto, the Account Party shall pay to the Agent on demand for the account of such Bank an amount equal to the amount (if any) by which (a) the additional interest which would have been payable on the amount so received or recovered had it been received or recovered on the last day of that Term exceeds (b) the amount of interest which in the opinion of the Agent (acting reasonably) would have been payable to the Agent on the last day of that Term in respect of a deposit in the currency of the amount so received or recovered equal to the amount so received or recovered placed by it with a prime bank in London for a period starting on the first Business Day following the date of such receipt or recovery and ending on the last day of that Term.
20. **INDEMNITIES**
- 20.1 **Company's Indemnity**
The Account Party undertakes to indemnify:
- 20.1.1 each Finance Party against any reasonable cost, claim, loss, expense (including legal fees) or liability together with any VAT thereon, whether or not reasonably foreseeable, which it may sustain or incur as a consequence of the occurrence of any Event of Default or any default by an Obligor in the performance of any of the obligations expressed to be assumed by it in the Finance Documents;
- 20.1.2 the Agent against any reasonable cost or loss it may suffer or incur as a result of its entering into, or performing, any foreign exchange contract for the purposes of Clause 22 (Payments);
- 20.1.3 each Bank against any reasonable cost or loss it may suffer under Clause 18.5 (Banks' Liabilities for Costs) or Clause 25.5 (Indemnification); and
- 20.1.4 each Bank against any reasonable cost or loss it may suffer or incur as a result of its issuing or making arrangements to issue a Letter of Credit requested by the Account Party hereunder but not issued by reason of the operation of any one or more of the provisions hereof.
- 20.2 **Currency Indemnity**
If any sum (a "Sum") due from an Obligor under the Finance Documents or any order or judgment given or made in relation thereto has to be converted from the currency (the "First Currency") in which such Sum is payable into another currency (the "Second Currency") for the

purpose of:

- 20.2.1 making or filing a claim or proof against such Obligor;
- 20.2.2 obtaining an order or judgment in any court or other tribunal; or
- 20.2.3 enforcing any order or judgment given or made in relation thereto,

the Account Party shall indemnify each person to whom such Sum is due from and against any loss suffered or incurred as a result of any discrepancy between (a) the rate of exchange used for such purpose to convert such Sum from the First Currency into the Second Currency and

(b) the rate or rates of exchange available to such person at its prevailing spot rate at the time of receipt of such Sum.

21. CURRENCY OF ACCOUNT AND PAYMENT

- 21.1 Currency of Account
Sterling is the currency of account and payment for each and every sum at any time due from an Obligor hereunder, provided that:
 - 21.1.1 each sum falling due by an Obligor hereunder in relation to any demand made under a Letter of Credit or in relation to any reimbursement of the Banks pursuant to a demand made under a Letter of Credit shall be made in the currency of the demand;
 - 21.1.2 each payment of interest shall be made in the currency in which the sum in respect of which such interest is payable is denominated;
 - 21.1.3 each payment in respect of costs and expenses shall be made in the currency in which the same were incurred;
 - 21.1.4 each payment pursuant to Clause 9.2 (Tax Indemnity) or Clause 11.1 (Increased Costs) shall be made in the currency specified by the party claiming thereunder; and
 - 21.1.5 any amount expressed to be payable in a currency other than sterling shall be paid in that other currency.

22. PAYMENTS

- 22.1 Payments to the Agent
On each date on which this Agreement requires an amount to be paid by an Obligor, such Obligor shall make the same available to the Agent for value on the due date at such time and in such funds and to such account with such bank as the Agent shall specify from time to time upon reasonable advance notice to such Obligor.
- 22.2 Payments by the Agent
Save as otherwise provided herein, each payment received by the Agent pursuant to Clause 22.1 (Payments to the Agent) shall be made available by the Agent to the person entitled to receive such payment in accordance with this Agreement (in the case of a Bank, for the account of its Facility Office) for value the same day by transfer to such account of such person with such bank in the principal financial centre of the country of the currency of such payment as such person shall have previously notified to the Agent.

- 22.3 No Set-off
All payments required to be made by an Obligor hereunder shall be calculated without reference to any set-off or counterclaim and shall be made free and clear of and without any deduction for or on account of any set-off or counterclaim.
- 22.4 Clawback
Where a sum is to be paid hereunder to the Agent for the account of another person, the Agent shall not be obliged to make the same available to that other person or to enter into or perform any exchange contract in connection therewith until it has been able to establish to its satisfaction that it has actually received such sum, but if it does so and it proves to be the case that it had not actually received such sum, then the person to whom such sum or the proceeds of such exchange contract was so made available shall on request refund the same to the Agent together with an amount sufficient to indemnify the Agent against any cost or loss it may have suffered or incurred by reason of its having paid out such sum or the proceeds of such exchange contract prior to its having received such sum.
- 22.5 Partial Payments
If and whenever a payment is made by an Obligor hereunder and the Agent receives an amount less than the due amount of such payment the Agent may apply the amount received towards the obligations of the Obligors under this Agreement in the following order:
- 22.5.1 first, in or towards payment of any unpaid costs and expenses of each of the Agent and the Arrangers;
- 22.5.2 second, in or towards payment pro rata of any accrued interest, Letter of Credit Commission or fees payable to any Bank hereunder due but unpaid;
- 22.5.3 third, in or towards payment pro rata of any Outstandings due but unpaid; and
- 22.5.4 fourth, in or towards payment pro rata of any other sum due but unpaid.
- 22.6 Variation of Partial Payments
The order of partial payments set out in Clause 22.5 (Partial Payments) shall override any appropriation made by the Obligors to which the partial payment relates but the order set out in sub-clauses 22.5.2, 22.5.3 and 22.5.4 of Clause 22.5 (Partial Payments) may be varied if agreed by all the Banks.
- 22.7 Appropriations of proceeds of enforcement of Security
If the Agent recovers any moneys from the enforcement of any Finance Document in its capacity as Agent or Security Trustee thereunder, it shall apply the money recovered in the following order:
- 22.7.1 first, in payment of all costs, charges, expenses and liabilities (and all interest thereon as provided in the Finance Documents) incurred by or on behalf of the Agent and the Security Trustee and any receiver, attorney or agent in connection with the due performance of its duties and exercise of its powers and discretions under the Finance Documents and the remuneration of the Agent, the Security Trustee and every receiver under the Finance Documents;

- 22.7.2 secondly, in or towards payment pro rata of any due but unpaid costs and expenses of the Agent, the Arrangers and the Banks under the Finance Documents;
- 22.7.3 thirdly, in or towards payment pro rata of any accrued interest, Letter of Credit Commission or fees due but unpaid under this Agreement;
- 22.7.4 fourthly, in or towards payment pro rata of any Outstandings due but unpaid under this Agreement;
- 22.7.5 fifthly, in or towards payment pro rata of any other sum due but unpaid under the Finance Documents; and
- 22.7.6 sixthly, in payment of the surplus (if any) to the Account Party or any other person entitled thereto.

The order of application of money recovered in this Clause may only be varied with the consent of all the Banks.

23. SET-OFF

- 23.1 Contractual Set-off
Each Obligor authorises each Bank at any time after an Event of Default has occurred which is continuing to apply any credit balance to which such Obligor is entitled on any account of such Obligor with such Bank in satisfaction of any sum due and payable from such Obligor to such Bank hereunder (whether by way of collateralisation or otherwise) but unpaid. For this purpose, each Bank is authorised to purchase with the moneys standing to the credit of any such account such other currencies as may be necessary to effect such application.
- 23.2 Set-off not Mandatory
No Bank shall be obliged to exercise any right given to it by Clause 23.1 (Contractual Set-off).
- 24. SHARING
- 24.1 Payments to Banks
If a Bank (a "Recovering Bank") applies any receipt or recovery from an Obligor to a payment due under this Agreement and such amount is received or recovered other than in accordance with Clause 22 (Payments), then such Recovering Bank shall:
 - 24.1.1 notify the Agent of such receipt or recovery;
 - 24.1.2 at the request of the Agent, promptly pay to the Agent an amount (the "Sharing Payment") equal to such receipt or recovery less any amount which the Agent determines may be retained by such Recovering Bank as its share of any payment to be made in accordance with Clause 22.5 (Partial Payments).

- 24.2 **Redistribution of Payments**
The Agent shall treat the Sharing Payment as if it had been paid by the relevant Obligor and distribute it between the Finance Parties (other than the Recovering Bank) in accordance with Clause 22.5 (Partial Payments).
- 24.3 **Recovering Bank's Rights**
The Recovering Bank will be subrogated to the rights of the parties which have shared in a redistribution pursuant to Clause 24.2 (Redistribution of Payments) in respect of the Sharing Payment (and the relevant Obligor shall be liable to the Recovering Bank in an amount equal to the Sharing Payment) in place of any corresponding liability to the parties which have shared in the redistribution.
- 24.4 **Repayable Recoveries**
If any part of the Sharing Payment received or recovered by a Recovering Bank becomes repayable and is repaid by such Recovering Bank, then:
- 24.4.1 each party which has received a share of such Sharing Payment pursuant to Clause 24.2 (Redistribution of Payments) shall, upon request of the Agent, pay to the Agent for account of such Recovering Bank an amount equal to its share of such Sharing Payment; and
- 24.4.2 such Recovering Bank's rights of subrogation in respect of any reimbursement shall be cancelled and the relevant Obligor will be liable to the reimbursing party for the amount so reimbursed.
- 24.5 **Exception**
This Clause 24 shall not apply if the Recovering Bank would not, after making any payment pursuant hereto, have a valid and enforceable claim against the relevant Obligor.
- 24.6 **Recoveries Through Legal Proceedings**
If any Bank intends to commence any action in any court it shall give prior notice to the Agent and the other Banks. If any Bank shall commence any action in any court to enforce its rights hereunder and, as a result thereof or in connection therewith, receives any amount, then such Bank shall not be required to share any portion of such amount with any Bank which has the legal right to, but does not, join in such action or commence and diligently prosecute a separate action to enforce its rights in another court.
25. **THE AGENT, THE ARRANGERS AND THE BANKS**
- 25.1 **Appointment of the Agent**
The Arrangers and each of the Banks hereby appoints the Agent to act as its agent in connection herewith and authorises the Agent to exercise such rights, powers, authorities and discretions as are specifically delegated to the Agent by the terms hereof together with all such rights, powers, authorities and discretions as are reasonably incidental thereto.
- 25.2 **Agent's Discretions**

The Agent may:

- 25.2.1 assume, unless it has, in its capacity as agent for the Banks, received notice to the contrary from any other party hereto, that (a) any representation made or deemed to be made by an Obligor in connection with the Finance Documents is true, (b) no Event of Default or Potential Event of Default has occurred, (c) no Obligor is in breach of or default under its obligations under the Finance Documents and (d) any right, power, authority or discretion vested therein upon the Majority Banks, the Banks or any other person or group of persons has not been exercised;
- 25.2.2 assume that the Facility Office of each Bank is that notified to it by such Bank in writing prior to the date hereof (or, in the case of a Transferee, at the end of the Transfer Certificate to which it is a party as Transferee) until it has received from such Bank a notice designating some other office of such Bank to replace its Facility Office and act upon any such notice until the same is superseded by a further such notice;
- 25.2.3 engage and pay for the advice or services of any lawyers, accountants, surveyors or other experts whose advice or services may to it seem necessary, expedient or desirable and rely upon any advice so obtained;
- 25.2.4 rely as to any matters of fact which might reasonably be expected to be within the knowledge of an Obligor upon a certificate signed by or on behalf of such Obligor;
- 25.2.5 rely upon any communication or document believed by it to be genuine;
- 25.2.6 refrain from exercising any right, power or discretion vested in it as agent hereunder unless and until instructed by the Majority Banks as to whether or not such right, power or discretion is to be exercised and, if it is to be exercised, as to the manner in which it should be exercised;
- 25.2.7 refrain from acting in accordance with any instructions of the Majority Banks to begin any legal action or proceeding arising out of or in connection with the Finance Documents until it shall have received such security as it may require (whether by way of payment in advance or otherwise) for all costs, claims, losses, expenses (including legal fees) and liabilities together with any VAT thereon which it will or may expend or incur in complying with such instructions; and
- 25.2.8 assume (unless it has specific notice to the contrary) that any notice or request made by the Account Party is made on behalf of both Obligors.
- 25.3 Agent's Obligations
The Agent shall:
- 25.3.1 promptly inform each Bank of the contents of any notice or document received by it in its capacity as Agent from an Obligor under the Finance Documents and shall promptly deliver to each Bank a copy of each Letter of Credit delivered to Lloyd's pursuant to Clause 3.3 (Completion of Letters of Credit);

- 25.3.2 promptly notify each Bank of the occurrence of any Event of Default or any default by an Obligor in the due performance of or compliance with its obligations under the Finance Documents of which the Agent has notice from any other party hereto;
- 25.3.3 save as otherwise provided herein, act as agent under the Finance Documents in accordance with any instructions given to it by an Majority Banks, which instructions shall be binding on the Arrangers and the Banks; and
- 25.3.4 if so instructed by the Majority Banks, refrain from exercising any right, power or discretion vested in it as agent under the Finance Documents.

The Agent's duties under the Finance Documents are solely mechanical and administrative in nature.

25.4 Excluded Obligations

Notwithstanding anything to the contrary expressed or implied herein, neither the Agent nor the Arrangers shall:

- 25.4.1 be bound to enquire as to (a) whether or not any representation made or deemed to be made by an Obligor in connection with the Finance Documents is true, (b) the occurrence or otherwise of any Default, (c) the performance by an Obligor of its obligations under the Finance Documents or (d) any breach of or default by an Obligor of or under its obligations under the Finance Documents;
- 25.4.2 be bound to account to any Bank for any sum or the profit element of any sum received by it for its own account;
- 25.4.3 be bound to disclose to any other person any information relating to any member of the Group if (a) such person, on providing such information, expressly stated to the Agent or, as the case may be, the Arrangers, that such information was confidential or (b) such disclosure would or might in its opinion constitute a breach of any law or be otherwise actionable at the suit of any person;
- 25.4.4 be under any obligations other than those for which express provision is made herein; or
- 25.4.5 be or be deemed to be a fiduciary for any other party hereto.

25.5 Indemnification

Each Bank shall, in its Proportion, from time to time on demand by the Agent, indemnify the Agent against any and all costs, claims, losses, expenses (including legal fees) and liabilities together with any VAT thereon which the Agent may incur, otherwise than by reason of its own gross negligence or wilful misconduct, in acting in its capacity as agent hereunder (other than any which have been reimbursed by the Account Party pursuant to Clause 20.1 Company's Indemnity).

25.6 Exclusion of Liabilities

Except in the case of gross negligence or wilful default, neither the Agent nor the Arrangers accepts any responsibility:

- 25.6.1 for the adequacy, accuracy and/or completeness of any information supplied by the Agent or the Arrangers, by an Obligor or by any other person in connection with the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, pursuant to or in connection with the Finance Documents;
- 25.6.2 for the legality, validity, effectiveness, adequacy or enforceability of the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, pursuant to or in connection with the Finance Documents; or
- 25.6.3 for the exercise of, or the failure to exercise, any judgement, discretion or power given to any of them by or in connection with the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, pursuant to or in connection with the Finance Documents.

Accordingly, neither the Agent nor the Arrangers shall be under any liability (whether in negligence or otherwise) in respect of such matters, save in the case of gross negligence or wilful misconduct.

25.7 No Actions

Each of the Banks agree that it will not assert or seek to assert against any director, officer or employee of the Agent or the Arrangers any claim it might have against any of them in respect of the matters referred to in Clause 25.6 (Exclusion of Liabilities).

25.8 Business with the Group

The Agent and the Arrangers may accept deposits from, lend money to and generally engage in any kind of banking or other business with any member of the Group.

25.9 Resignation

The Agent may resign its appointment hereunder at any time without assigning any reason therefor by giving not less than thirty days' prior notice to that effect to each of the other parties hereto, provided that no such resignation shall be effective until a successor for the Agent is appointed in accordance with the succeeding provisions of this Clause 25.

25.10 Removal of Agent

The Majority Banks may remove the Agent from its role as agent hereunder after consultation with the Account Party by giving notice to that effect to each of the other parties hereto. Such removal shall take effect only when a successor to the Agent is appointed in accordance with the terms hereof.

25.11 Successor Agent

If the Agent gives notice of its resignation pursuant to Clause 25.9 (Resignation) or it is removed pursuant to Clause 25.10 (Removal of Agent) then any reputable and experienced bank or other financial institution may be appointed as a successor to the Agent by the Majority Banks (after consultation with the Account Party if the successor is a Bank or otherwise with the Account Party's prior written consent) during the period of such notice (with the co-operation of the Agent), subject to such entity executing and delivering a confidentiality undertaking substantially in the form set out in Schedule 8

(Form of Confidentiality Undertaking) but, if no such successor is so appointed, the Agent may appoint such a successor itself.

25.12 Rights and Obligations

If a successor to the Agent is appointed under the provisions of Clause 25.11 (Successor Agent), then (a) the retiring Agent shall be discharged from any further obligation hereunder but shall remain entitled to the benefit of the provisions of this Clause 25 and (b) its successor and each of the other parties hereto shall have the same rights and obligations amongst themselves as they would have had if such successor had been a party hereto.

25.13 Own Responsibility

It is understood and agreed by each Bank that at all times it has itself been, and will continue to be, solely responsible for making its own independent appraisal of and investigation into all risks arising under or in connection with this Agreement including, but not limited to:

25.13.1 the financial condition, creditworthiness, condition, affairs, status and nature of each member of the Group;

25.13.2 the legality, validity, effectiveness, adequacy and enforceability of the Finance Documents and any other agreement, arrangement or document entered into, made or executed in anticipation of, pursuant to or in connection with the Finance Documents;

25.13.3 whether such Bank has recourse, and the nature and extent of that recourse, against an Obligor or any other person or any of its assets under or in connection with the Finance Documents, the transactions therein contemplated or any other agreement, arrangement or document entered into, made or executed in anticipation of, pursuant to or in connection with the Finance Documents; and

25.13.4 the adequacy, accuracy and/or completeness of any information provided by the Agent or the Arrangers, an Obligor or by any other person in connection with the Finance Documents, the transactions contemplated therein or any other agreement, arrangement or document entered into, made or executed in anticipation of, pursuant to or in connection with the Finance Documents.

Accordingly, each Bank acknowledges to the Agent and the Arrangers that it has not relied on and will not hereafter rely on the Agent and the Arrangers or either of them in respect of any of these matters.

25.14 Agency Division Separate

In acting as agent hereunder for the Banks, the Agent shall be regarded as acting through its agency division which shall be treated as a separate entity from any other of its divisions or departments and, notwithstanding the foregoing provisions of this Clause 25, any information received by some other division or department of the Agent may be treated as confidential and shall not be regarded as having been given to the Agent's agency division.

25.15 Declaration of Agent as Security Trustee

The Agent hereby declares that it shall hold:

- 25.15.1 all rights, titles and interests that may hereafter be mortgaged, charged, assigned or otherwise secured in favour of the Agent by or pursuant to the Finance Documents;
- 25.15.2 the benefit of all representations, covenants, guarantees, indemnities and other contractual provisions given in favour of the Agent (other than any such benefits given to the Agent solely for its own benefit) by or pursuant to the Finance Documents (other than this Agreement); and
- 25.15.3 all proceeds of the security referred to in sub-clause 25.15.1 above and of the enforcement of the benefits referred to in 25.15.2 above,

on trust for itself and the other Finance Parties from time to time.

Such declaration shall remain valid notwithstanding that the Agent may on the date hereof or at any other time be the sole Finance Party; for the avoidance of doubt, however, such declaration shall, in such case, be deemed repeated on each date on which the Agent ceases to be the sole Finance Party.

Each of the parties hereto agrees that the obligations, rights and benefits vested or to be vested in the Agent as trustee as aforesaid by the Finance Documents or any document entered into pursuant thereto shall (as well before as after enforcement) be performed and (as the case may be) exercised by the Agent in accordance with the provisions of this Clause 25.

25.16 Powers and Discretions

The Agent shall have all the powers and discretions conferred upon trustees by the Trustee Act 1925 (to the extent not inconsistent herewith) and by way of supplement it is expressly declared as follows:

- 25.16.1 the Agent shall be at liberty to place any of the Finance Documents and any other instruments, documents or deeds delivered to it pursuant thereto or in connection therewith for the time being in its possession in any safe deposit, safe or receptacle selected by the Agent or with any bank, any company whose business includes undertaking the safe custody of documents or any firm of lawyers of good repute;
- 25.16.2 the Agent may, whenever it thinks fit, delegate by power of attorney or otherwise to any person or persons or fluctuating body of persons all or any of the rights, trusts, powers, authorities and discretions vested in it by any of the Finance Documents and such delegation may be made upon such terms and subject to such conditions (including the power to sub-delegate) and subject to such regulations as the Agent may think fit and the Agent shall not be bound to supervise, or be in any way responsible for any loss incurred by reason of any misconduct or default on the part of, any such delegate (or sub-delegate);

- 25.16.3 notwithstanding anything else herein contained, the Agent may refrain from doing anything which would or might in its opinion be contrary to any law of any jurisdiction or any directive or regulation of any agency of any state or which would or might otherwise render it liable to any person and may do anything which is, in its opinion, necessary to comply with any such law, directive or regulation;
- 25.16.4 save in the case of gross negligence or wilful misconduct, the Agent and every attorney, agent, delegate, sub-delegate and any other person appointed by any of them under any of the Finance Documents may indemnify itself or himself out of the security held by the Agent against all liabilities, costs, fees, charges, losses and expenses incurred by any of them in relation to or arising out of the taking or holding of any of the security constituted by, or any of the benefits provided by, any of the Finance Documents, in the exercise or purported exercise of the rights, trusts, powers and discretions vested in any of them or in respect of any other matter or thing done or omitted to be done in any way relating to any of the Finance Documents or pursuant to any law or regulation; and
- 25.16.5 without prejudice to the provisions of any of the Finance Documents, the Agent shall not be under any obligation to insure any property or to require any other person to maintain any such insurance and shall not be responsible for any loss which may be suffered by any person as a result of the lack of or inadequacy or insufficiency of any such insurance.

25.17 Liability

The Agent shall not be liable for any failure:

- 25.17.1 to require the deposit with it of any deed or document certifying, representing or constituting the title of the Account Party to any of the property mortgaged, charged, assigned or otherwise encumbered by or pursuant to any of the Finance Documents;
- 25.17.2 to obtain any licence, consent or other authority for the execution, delivery, validity, legality, adequacy, performance, enforceability or admissibility in evidence of any of the Finance Documents;
- 25.17.3 to register or notify any deed or document mentioned at sub-clause 25.17.1 in accordance with the provisions of any of the documents of title of the Account Party;
- 25.17.4 to effect or procure registration of or otherwise protect any of the security created by any of the Finance Documents by registering the same under any applicable registration laws in any territory or otherwise by registering any notice, caution or other entry prescribed by or pursuant to the provisions of the said Act or laws;
- 25.17.5 to take or to require the Account Party to take any steps to render the security without limitation, any floating charge) created or purported to be created by or

pursuant to any of the Finance Documents effective or to secure the creation of any ancillary charge under the laws of any jurisdiction; or

25.17.6 to require any further assurances in relation to any of the Finance Documents.

25.18 Title to Security etc.

The Agent may accept without enquiry, requisition or objection such right and title as the Account Party may have to the property belonging (or purportedly belonging) to it (or any part thereof) which is the subject matter of any of the Finance Documents and shall not be bound or concerned to investigate or make any enquiry into the right or title of the Account Party to such property (or any part thereof) or, without prejudice to the foregoing, to require the Account Party to remedy any defect in the Account Party's right or title as aforesaid.

25.19 New Security Trustee

The Agent may at any time appoint any person (whether or not a trust corporation) to act either as a separate trustee or as a co-trustee jointly with the Agent:

25.19.1 if the Agent considers such appointment to be in the interests of the Banks; or

25.19.2 for the purposes of conforming to any legal requirements, restrictions or conditions which the Agent deems relevant for the purposes of the Finance Documents and the Agent shall give prior notice to the Account Party and the Banks of any such appointment.

Any person so appointed shall (subject to the provisions of the Finance Documents) have such powers, authorities and discretions and such duties and obligations as shall be conferred or imposed on such person by the instrument of appointment and shall have the same benefits under this Clause 25 as the Agent.

The Agent shall have power in like manner to remove any person so appointed.

Such reasonable remuneration as the Agent may pay to any person so appointed, and any costs, charges and expenses incurred by such person in performing its functions pursuant to such appointment, shall for the purposes hereof be treated as costs, charges and expenses incurred by the Agent under the Finance Documents.

25.20 Perpetuity Period

The perpetuity period under the rule against perpetuities if applicable to the trusts constituted in this Clause 25 and the other Finance Documents shall be the period of eighty years from the date of this Agreement and, subject thereto, if the Agent determines that all of the obligations of the Account Party under any of the Finance Documents have been fully and unconditionally discharged, such trusts shall be wound up.

25.21 Security

25.21.1 In the event that the Required Value is greater than US\$100 pursuant to sub-clause 17.1.2 of Clause 17.1 (Letter of Credit Commission), as soon as reasonably practicable after each delivery to the Security Trustee of the statement(s) of the Charged Portfolio by the Custodian pursuant to paragraph 3

of the Custodian's Undertaking and in any event within seven Business Days of such delivery, the Security Trustee and the Obligors shall adjust the Required Value to the extent necessary to ensure that the Required Value of the Charged Portfolio is an amount equal to the aggregate of:

$A + (A \times Y \text{ per cent.}) + B + (B \times Y \text{ per cent.}) + C + (C \times Y \text{ per cent.})$

where:

- A represents the amount of the Charged Portfolio denominated in sterling
- B represents the amount of the Charged Portfolio denominated in dollars (converted into sterling at the Spot Rate)
- C represents the amount of the Charged Portfolio denominated in any currency other than sterling or dollars (converted into sterling at the Spot Rate)

Y per cent. means:

- (a) 10 per cent. in respect of any portion of the Charged Portfolio denominated in sterling;
- (b) 10 per cent. in respect of any portion of the Charged Portfolio denominated in dollars; and
- (c) 15 per cent. in respect of any portion of the Charged Portfolio denominated in any currency other than dollars or sterling

and shall notify the Custodian of any such adjustments.

25.21.2 The Security Trustee shall not amend the Security Trustee's Requirements without the consent of the Banks.

25.21.3 In the event that the Pricing Level reverts from Level V to level IV or above (each as defined in Schedule 9 (Pricing Schedule)), the Required Value will revert to US\$100. For the avoidance of doubt, if, following any such reduction in the Required Value, the Pricing Level again reaches Level V, the Required Value shall be increased to the extent required pursuant to sub-clause 17.1.2 of Clause 17.1 (Letter of Credit Commission).

25.22 Bank Representations

Each Bank represents to the Agent on the date of issue of each Letter of Credit that:

25.22.1 the execution and delivery of each Letter of Credit by the Agent on the Bank's behalf has been duly authorised by all necessary action on the part of the Bank; and

25.22.2 the obligations of the Bank under each Letter of Credit constitute its legal, valid and binding obligations.

- 25.23 Letters of Credit
- Each Bank shall in its Proportion, indemnify the Agent against any and all liabilities, costs and expenses which the Agent may incur (in its capacity as Agent) as a result of the execution and delivery of any Letter of Credit and any documents executed and delivered by the Agent in connection therewith.
26. ASSIGNMENTS AND TRANSFERS
- 26.1 Binding Agreement
- The Finance Documents shall be binding upon and enure to the benefit of each party hereto and its or any subsequent successors and Transferees.
- 26.2 No Assignments and Transfers by the Obligors
- No Obligor shall be entitled to assign or transfer all or any of its rights, benefits and obligations under the Finance Documents without the prior written consent of all the Banks.
- 26.3 Assignments and Transfers by Banks
- Subject to obtaining the prior written consent of the Account Party (such consent not to be unreasonably withheld or delayed), any Bank may, at any time, assign all or any of its rights and benefits under the Finance Documents or transfer in accordance with Clause 26.5 (Transfers by Banks) all or any of its rights, benefits and obligations under the Finance Documents to a bank or financial institution, provided that:
- 26.3.1 no such assignment or transfer of the whole or any part of the Commitment may be made unless it is to an Approved Credit Institution; and
- 26.3.2 the Account Party's consent is not required if such assignment or transfer is:
- (a) to any subsidiary or holding company, or to any subsidiary of any holding company, of such Bank; or
 - (b) to any other Bank.
- 26.4 Assignments by Banks
- If any Bank assigns all or any of its rights and benefits under the Finance Documents in accordance with Clause 26.3 (Assignments and Transfers by Banks), then, unless and until the assignee has delivered a notice to the Agent confirming in favour of the Agent, the Arrangers and the Banks that it shall be under the same obligations towards each of them as it would have been under if it had been an original party hereto as a Bank (whereupon such assignee shall become a party hereto as a "Bank"), the Agent, the Arrangers, and the Banks shall not be obliged to recognise such assignee as having the rights against each of them which it would have had if it had been such a party hereto.
- 26.5 Transfers by Banks
- If any Bank wishes to transfer all or any of its rights, benefits and/or obligations under the Finance Documents as contemplated in Clause 26.3 (Assignments and Transfers by Banks), then such transfer may be effected by the delivery to the Agent of a duly completed Transfer Certificate executed by such Bank and the relevant Transferee in which event, on the later of the Transfer Date specified in such Transfer Certificate and

the fifth Business Day after (or such earlier Business Day endorsed by the Agent on such Transfer Certificate falling on or after) the date of delivery of such Transfer Certificate to the Agent:

- 26.5.1 to the extent that in such Transfer Certificate the Bank party thereto seeks to transfer by novation its rights, benefits and obligations under the Finance Documents, each of the Obligors and such Bank shall be released from further obligations towards one another under the Finance Documents and their respective rights against one another shall be cancelled (such rights and obligations being referred to in this Clause 26.5 as "discharged rights and obligations");
- 26.5.2 each of the Obligors and the Transferee party thereto shall assume obligations towards one another and/or acquire rights against one another which differ from such discharged rights and obligations only insofar as such Obligor and such Transferee have assumed and/or acquired the same in place of such Obligor and such Bank;
- 26.5.3 the Agent, the Arrangers, the Security Trustee, such Transferee and the other Banks shall acquire the same rights and benefits and assume the same obligations between themselves as they would have acquired and assumed had such Transferee been an original party hereto as a Bank with the rights, benefits and/or obligations acquired or assumed by it as a result of such transfer and to that extent the Agent, the Arrangers and the relevant Bank shall each be released from further obligations to each other under the Finance Documents; and
- 26.5.4 such Transferee shall become a party hereto as a "Bank".

26.6 Replacement of Letter of Credit

On any transfer pursuant to Clause 26.5 (Transfers by Banks) other than such a transfer upon the designation of a Substitute Bank in accordance with the provisions of sub-clause 4.6.1 of Clause 4.6 (Substitute Bank) the Bank transferring all or any of its rights, benefits and/or obligations under the Finance Documents shall ensure that the Account Party will procure the release by Lloyd's of each Letter of Credit (an "Old Letter of Credit") with respect to which the transfer is to have effect and its replacement by a new Letter of Credit to be issued by the Transferee and all the other Banks in an amount equal to that of the Old Letter of Credit and having an Expiry Date which corresponds with the Expiry Date thereof.

26.7 Transfer Fees

On the date upon which a transfer takes effect pursuant to Clause 26.5 (Transfers by Banks) the relevant Transferee shall pay to the Agent for its own account a fee of (Pounds)1,000.

26.8 Disclosure of Information

Any Bank may disclose to any person:

- 26.8.1 to (or through) whom such Bank assigns or transfers (or may potentially assign or transfer) all or any of its rights, benefits and obligations under the Finance Documents;

- 26.8.2 with (or through) whom such Bank enters into (or may potentially enter into) any sub-participation in relation to, or any other transaction under which payments are to be made by reference to, this Agreement or any Obligor; or
- 26.8.3 to whom information may be required to be disclosed by any applicable law,

such information about any Obligor or the Group and the Finance Documents as such Bank shall consider appropriate and in the case of sub-clause 26.8.1 and 26.8.2, subject to requiring and receiving a confidentiality undertaking substantially in the form set out in Schedule 8 (Form of Confidentiality Agreement).

26.9 Partial Transfers/Assignments

Any assignment or transfer by a Bank of part of its Commitment or Outstandings shall be in a minimum amount of (Pounds)10,000,000.

27. ECONOMIC AND MONETARY UNION

27.1 Alternative Currencies during Transition Period

On and from the date on which the United Kingdom becomes a Participating Member State, if and to the extent that any EMU Legislation provides that an amount denominated either in the euro or in sterling and payable within that Participating Member State by crediting an account of the creditor can be paid by the debtor either in the euro unit or in sterling, the Borrower shall be entitled to pay or repay any such amount payable hereunder either in the euro unit or in sterling.

27.2 Business Days

With effect on and from the date on which the United Kingdom becomes a Participating Member State, the definition of Business Day in Clause 1.1 (Definitions) shall be amended by the addition thereto (at the end) of the following:

"and if such reference relates to a date for the payment or purchase of a sum denominated in the euro or in sterling, a day (other than a Saturday or Sunday) on which (a) such clearing or settlement system as is determined by the Agent to be suitable for clearing or settlement of the euro is open for business and (b) banks are generally open for business in London.".

27.3 Rounding and Other Consequential Changes

With effect on and from the date on which the United Kingdom becomes a Participating Member State:

27.3.1 without prejudice and in addition to any method of conversion or rounding prescribed by any EMU Legislation, each reference in this Agreement to a fixed amount or fixed amounts in a national currency unit to be paid to or by the Agent shall be replaced by a reference to such comparable and convenient fixed amount or fixed amounts in the euro unit as the Agent may from time to time specify; and

27.3.2 save as expressly provided in this Clause 27, the Finance Documents shall be subject to such changes of construction or interpretation as the Agent and the Security Trustee may from time to time specify to be necessary to reflect the

changeover to the euro in the United Kingdom and to put the parties in the same position, so far as possible, that they would have been in if no change in currency had occurred.

28. CALCULATIONS AND EVIDENCE of DEBT

28.1 Basis of Accrual

Interest and Letter of Credit Commission shall accrue from day to day and shall be calculated on the basis of a year of 365 days (or in the case of any such amounts denominated in dollars, 360 days) and the actual number of days elapsed.

28.2 Proportionate Reductions

Any collateralisation of Outstandings denominated in dollars shall reduce the amount of such Outstandings by the amount of dollars collateralised and shall reduce the Sterling Amount of such Outstandings proportionately.

28.3 Evidence of Debt

Each Bank shall maintain in accordance with its usual practice accounts evidencing the face amount of its participations in Letters of Credit and the amounts from time to time owing to it hereunder.

28.4 Control Accounts

The Agent shall maintain on its books a control account or accounts in which shall be recorded (a) the amount of any Unpaid Sum and the face amount of any Letter of Credit issued and each Bank's share therein, (b) the amount of all fees, interest and other sums due or to become due from an Obligor and each Bank's share therein and (c) the amount of any sum received or recovered by the Agent hereunder and each Bank's share therein.

28.5 Prima Facie Evidence

In any legal action or proceeding arising out of or in connection with this Agreement, the entries made in the accounts maintained pursuant to Clause 28.3 (Evidence of Debt) and Clause 28.4 (Control Accounts) shall be prima facie evidence of the existence and amounts of the specified obligations of the Obligors.

28.6 Certificates of Banks

A certificate of a Bank as to (a) the amount by which a sum payable to it hereunder is to be increased under Clause 9.1 (Tax Gross-up), (b) the amount for the time being required to indemnify it against any such cost, payment or liability as is mentioned in Clause 9.2 (Tax Indemnity) or Clause 11.1 (Increased Costs) or (c) the amount of any credit, relief, remission or repayment as is mentioned in Clause 10.3 (Tax Credit Payment) or Clause 10.4 (Tax Credit Clawback) shall, in the absence of manifest error, be prima facie evidence of the existence and amounts of the specified obligations of the Obligors.

28.7 Agent's Certificates

A certificate of the Agent as to the amount at any time due from the Account Party hereunder or the amount which, but for any of the obligations of the Account Party hereunder being or becoming void, voidable, unenforceable or ineffective, at any time would have been due from the Account Party hereunder shall, in the absence of manifest error, be conclusive for the purposes of Clause 29 (Guarantee and Indemnity).

- 28.8 Letters of Credit
A certificate of a Bank as to the amount paid out by such Bank in respect of any Letter of Credit shall, save for manifest error, be prima facie evidence of the payment of such amounts in any legal action or proceedings arising in connection therewith.
29. GUARANTEE AND INDEMNITY
- 29.1 Guarantee and Indemnity
The Guarantor irrevocably and unconditionally:
- 29.1.1 guarantees to each Finance Party the due and punctual observance and performance of all the terms, conditions and covenants on the part of the Account Party contained in the Finance Documents and agrees to pay from time to time on demand any and every sum or sums of money which the Account Party is at any time liable to pay to any Finance Party under or pursuant to the Finance Documents and which has become due and payable but has not been paid at the time such demand is made; and
- 29.1.2 agrees as a primary obligation to indemnify each Finance Party from time to time on demand from and against any loss incurred by any Finance Party as a result of any of the obligations of the Account Party under or pursuant to the Finance Documents being or becoming void, voidable, unenforceable or ineffective as against the Account Party for any reason whatsoever, whether or not known to any Finance Party or any other person, the amount of such loss being the amount which the person or persons suffering it would otherwise have been entitled to recover from the Account Party.
- 29.2 Additional Security
The obligations of the Guarantor herein contained shall be in addition to and independent of every other security which any Finance Party may at any time hold in respect of any of the Account Party's obligations under the Finance Documents.
- 29.3 Continuing Obligations
The obligations of the Guarantor herein contained shall constitute and be continuing obligations notwithstanding any settlement of account or other matter or thing whatsoever and shall not be considered satisfied by any intermediate payment or satisfaction of all or any of the obligations of the Account Party under the Finance Documents and shall continue in full force and effect until final payment in full of all amounts owing by the Account Party under the Finance Documents and total satisfaction of all the Account Party's actual and contingent obligations under the Finance Documents.
- 29.4 Obligations not Discharged
Neither the obligations of the Guarantor herein contained nor the rights, powers and remedies conferred in respect of the Guarantor upon any Finance Party by the Finance Documents or by law shall be discharged, impaired or otherwise affected by:
- 29.4.1 the winding-up, dissolution, administration or re-organisation of the Account Party or any other person or any change in its status, function, control or ownership;

- 29.4.2 any of the obligations of the Account Party or any other person under the Finance Documents or under any other security taken in respect of any of its obligations under the Finance Documents being or becoming illegal, invalid, unenforceable or ineffective in any respect;
 - 29.4.3 time or other indulgence being granted or agreed to be granted to the Account Party in respect of its obligations under the Finance Documents or under any such other security;
 - 29.4.4 any amendment to, or any variation, waiver or release of, any obligation of the Account Party under the Finance Documents or under any such other security;
 - 29.4.5 any failure to take, or fully to take, any security contemplated hereby or otherwise agreed to be taken in respect of the Account Party's obligations under the Finance Documents;
 - 29.4.6 any failure to realise or fully to realise the value of, or any release, discharge, exchange or substitution of, any security taken in respect of the Account Party's obligations under the Finance Documents; or
 - 29.4.7 any other act, event or omission which, but for this Clause 29.4, might operate to discharge, impair or otherwise affect any of the obligations of the Guarantor herein contained or any of the rights, powers or remedies conferred upon any of the Finance Parties by the Finance Documents or by law.
- 29.5 Settlement Conditional
- Any settlement or discharge between the Account Party and any of the Finance Parties shall be conditional upon no security or payment to any Finance Party by the Account Party or any other person on behalf of the Account Party being avoided or reduced by virtue of any laws relating to bankruptcy, insolvency, liquidation or similar laws of general application and, if any such security or payment is so avoided or reduced, each Finance Party shall be entitled to recover the value or amount of such security or payment from the Account Party subsequently as if such settlement or discharge had not occurred.
- 29.6 Exercise of Rights
- No Finance Party shall be obliged before exercising any of the rights, powers or remedies conferred upon them in respect of the Guarantor by the Finance Documents or by law to:
- 29.6.1 make any demand of the Account Party;
 - 29.6.2 take any action or obtain judgment in any court against the Account Party;
 - 29.6.3 make or file any claim or proof in a winding-up or dissolution of the Account Party; or
 - 29.6.4 enforce or seek to enforce any other security taken in respect of any of the obligations of the Account Party under the Finance Documents.

- 29.7 Deferral of Guarantor's Rights
The Guarantor agrees that, so long as any amounts are or may be owed by the Account Party under the Finance Documents or the Account Party is under any actual or contingent obligations under the Finance Documents, it shall not exercise any rights which it may at any time have by reason of performance by it of its obligations under the Finance Documents:
- 29.7.1 to be indemnified by the Account Party; and/or
- 29.7.2 to claim any contribution from any other guarantor of the Account Party's obligations under the Finance Documents; and/or
- 29.7.3 to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Finance Parties under the Finance Documents or of any other security taken pursuant to, or in connection with, the Finance Documents by all or any of the Finance Parties.
- 29.8 Suspense Accounts
All moneys received, recovered or realised by a Bank by virtue of Clause 29.1 (Guarantee and Indemnity) may, in that Bank's discretion, be credited to an interest bearing suspense or impersonal account and may be held in such account for so long as such Bank thinks fit pending the application from time to time (as such Bank may think fit) of such moneys in or towards the payment and discharge of any amounts owing by the Account Party to such Bank under the Finance Documents.
30. REMEDIES AND WAIVERS, PARTIAL INVALIDITY
- 30.1 Remedies and Waivers
No failure to exercise, nor any delay in exercising, on the part of any Finance Party, any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise thereof or the exercise of any other right or remedy. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies provided by law.
- 30.2 Partial Invalidity
If, at any time, any provision of the Finance Documents is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions thereof nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.
31. NOTICES
- 31.1 Communications in writing
- 31.1.1 Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by fax, letter or telex or (to the extent that the relevant party hereto has specified such address pursuant to Clause 31.2 (Addresses)) by e-mail.

31.1.2 The Agent may additionally (if the parties hereto agree and the Account Party has specifically approved in writing), in the case of any document to be forwarded by the Agent pursuant to this Agreement where such document has been supplied to such Agent pursuant to Clause 15.1 (Information), refer the relevant party or parties hereto (by fax, letter, telex or (if so specified) e-mail) to a web site considered by the Account Party as secure and confidential and to the location of the relevant information on such web site in discharge of such notification or delivery obligation.

31.2 Addresses

The address, fax number, e-mail address, telex number and, where appropriate, web site (and the department or officer, if any, for whose attention the communication is to be made) of each party hereto for any communication or document to be made or delivered under or in connection with the Finance Documents is:

- 31.2.1 in the case of an Obligor, that identified with its name below;
- 31.2.2 in the case of each Bank, that notified in writing to the Agent on or prior to the date on which it becomes a party hereto; and
- 31.2.3 in the case of the Agent, that identified with its name below,

or any substitute address, fax number, e-mail address, telex number, web site, department or officer as the party hereto may notify to the Agent (or the Agent may notify to the other parties hereto, if a change is made by the Agent or a web site carrying relevant information has been set up by the Agent) by not less than five Business Days' notice.

31.3 Delivery

31.3.1 Any communication or document made or delivered by one person to another under or in connection with the Finance Documents will only be effective:

- (a) if by way of fax, when received in legible form; or
- (b) if by way of letter, when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address; or
- (c) if by way of telex, when dispatched, but only if, at the time of transmission, the correct answerback appears at the start and at the end of the sender's copy of the notice; or
- (d) if by way of e-mail, when sent in legible form, but only if, following transmission, the sender does not receive a non-delivery message; or
- (e) where reference in such communication is to a web site, when the delivery of the letter, fax, telex or, as the case may be, e-mail referring the addressee to such web site is effective,

and, if a particular department or officer is specified as part of its address details provided under Clause 31.2 (Addresses), if addressed to that department or officer.

- 31.3.2 Any communication or document to be made or delivered to the Agent will be effective only when actually received by the Agent and then only if it is expressly marked for the attention of the department or officer identified with the Agent's signature below (or any substitute department or officer as the agent shall specify for this purpose).
- 31.3.3 All notices from or to any Obligor shall be sent through the Agent.
- 31.4 Notification of address, fax number and telex number
Promptly upon receipt of notification of an address, fax number, telex number or e-mail address or change of such pursuant to Clause 31.2 (Addresses) or changing its own address, fax number, telex number or e-mail address, the Agent shall notify the other parties hereto.
- 31.5 English language
- 31.5.1 Any notice given under or in connection with any Finance Document must be in English.
- 31.5.2 All other documents provided under or in connection with any Finance Document must be:
- (a) in English; or
- (b) if not in English, accompanied by an English translation thereof certified (by an officer of the person making or delivering the same) as being a true and accurate translation thereof.
- 31.6 Deemed receipt by the Obligors
Any communication or document made or delivered to the Account Party in accordance with Clause 31.3 (Delivery) shall be deemed to have been made or delivered to both Obligors.
32. COUNTERPARTS
- This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument.
33. AMENDMENTS
- 33.1 Amendments
The Agent, if it has the prior consent of the Majority Banks, and the Obligors may from time to time agree in writing to amend this Agreement or to waive, prospectively or retrospectively, any of the requirements of this Agreement and any amendments or waivers so agreed shall be binding on all the Finance Parties, provided that no such waiver or amendment shall subject any Finance Party hereto to any new or additional obligations without the consent of such Finance Party.
- 33.2 Amendments Requiring the Consent of all the Banks

An amendment or waiver which relates to:

33.2.1 Clause 24 (Sharing) or this Clause 33;

- 33.2.2 a change in the currency or amount of any Letter of Credit;
- 33.2.3 a reduction in the Letter of Credit Commission, or the amount or currency of any payment of interest, fees or any other amount payable hereunder to any Finance Party or deferral of the date for payment thereof;
- 33.2.4 a release of the Guarantor from any of its obligations set out in Clause 29 (Guarantee and Indemnity);
- 33.2.5 Clause 15.7 (Adjusted Consolidated Debt to Total Capitalisation Ratio) and Clause 15.8 (Consolidated Net Worth);
- 33.2.6 the definition of Majority Banks;
- 33.2.7 any provision which contemplates the need for the consent or approval of all the Banks; or
- 33.2.8 the Security Documents (if any),
- shall not be made without the prior consent of all the Banks.
- 33.3 Exceptions
- Notwithstanding any other provisions hereof, the Agent shall not be obliged to agree to any such amendment or waiver if the same would:
- 33.3.1 amend or waive this Clause 33, Clause 18 (Costs and Expenses) or Clause 25 (The Agent, the Arrangers and the Banks); or
- 33.3.2 otherwise amend or waive any of the Agent's rights hereunder or subject the Agent or the Arrangers to any additional obligations hereunder.
34. GOVERNING LAW
- This Agreement is governed by English law.
35. JURISDICTION
- 35.1 English Courts
- Each of the parties hereto irrevocably agrees for the benefit of each of the Agent, the Arrangers and the Banks that the courts of England shall have jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with this Agreement and the other Finance Documents and, for such purposes, irrevocably submits to the jurisdiction of such courts.
- 35.2 Convenient Forum
- The Obligors irrevocably waive any objection which either of them might now or hereafter have to the courts referred to in Clause 35.1 being nominated as the forum to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with this Agreement and agree not to claim that any such court is not a convenient or appropriate forum.

- 35.3 Service of Process
Each Obligor agrees that the process by which any suit, action or proceeding is begun may be served on it by being delivered in connection with any suit, action or proceeding in England, to ACE UK Limited at Crosby Court, 38 Bishopsgate, London EC2N 4AJ or its other principal place of business for the time being.
- 35.4 Non-Exclusive Jurisdiction
The submission to the jurisdiction of the courts referred to in Clause 35.1 shall not (and shall not be construed so as to) limit the right of the Agent, the Arrangers and the Banks or any of them to take proceedings against the Account Party in any other court of competent jurisdiction nor shall the taking of proceedings in any one or more jurisdictions preclude the taking of proceedings in any other jurisdiction, whether concurrently or not.

AS WITNESS the hands of the duly authorised representatives of the parties hereto the day and year first before written.

SCHEDULE 1

The Banks

Bank	Commitment ((Pounds))
Citibank, N.A.	96,660,000.00
Barclays Bank PLC	91,670,000.00
ING Bank N.V., London Branch	86,670,000.00
Credit Lyonnais New York Branch	50,000,000.00
National Westminster Bank PLC	50,000,000.00
Lloyds TSB Bank plc	35,000,000.00
ABN AMRO Bank N.V., London Branch	30,000,000.00

Total	440,000,000.00

SCHEDULE 2
Form of Transfer Certificate

To: Citibank International plc

TRANSFER CERTIFICATE

relating to the agreement (as from time to time amended, varied, novated or supplemented, the "Credit Agreement") originally dated 19 November 1999 whereby following the First Restatement Agreement, the Amendment Agreement and the Second Restatement Agreement a (Pounds)440,000,000 letter of credit facility was made available to ACE Limited by a group of banks on whose behalf Citibank International plc acted as agent in connection therewith.

1. Terms defined in the Credit Agreement shall, subject to any contrary indication, have the same meanings herein. The terms Bank, Transferee and Portion Transferred are defined in the schedule hereto.
2. The Bank (a) confirms that the details in the schedule hereto under the heading "Letters of Credit" accurately summarises its participation in the Credit Agreement and the Term of any existing Letters of Credit and (b) requests the Transferee to accept and procure the transfer by novation to the Transferee of the Portion Transferred (specified in the schedule hereto) of its Commitment and/or its participation in such Letters of Credit by counter-signing and delivering this Transfer Certificate to the Agent at its address for the service of notices specified in the Credit Agreement.
3. The Transferee hereby requests the Agent to accept this Transfer Certificate as being delivered to the Agent pursuant to and for the purposes of Clause 26.5 (Transfers by Banks) of the Credit Agreement so as to take effect in accordance with the terms thereof on the Transfer Date or on such later date as may be determined in accordance with the terms thereof.
4. The Transferee confirms that it has received a copy of the Credit Agreement together with such other information as it has required in connection with this transaction and that it has not relied and will not hereafter rely on the Bank to check or enquire on its behalf into the legality, validity, effectiveness, adequacy, accuracy or completeness of any such information and further agrees that it has not relied and will not rely on the Bank to assess or keep under review on its behalf the financial condition, creditworthiness, condition, affairs, status or nature of the Obligors.
5. The Transferee hereby undertakes with the Bank and each of the other parties to the Credit Agreement that it will perform in accordance with their terms all those obligations which by the terms of the Finance Documents will be assumed by it after delivery of this Transfer Certificate to the Agent and satisfaction of the conditions (if any) subject to which this Transfer Certificate is expressed to take effect.
6. The Bank makes no representation or warranty and assumes no responsibility with respect to the legality, validity, effectiveness, adequacy or enforceability of the Finance Documents or any document relating thereto and assumes no responsibility for the financial condition of the Obligors or for the performance and observance by the

Obligors of any of their respective obligations under the Finance Documents or any document relating thereto and any and all such conditions and warranties, whether express or implied by law or otherwise, are hereby excluded.

7. The Bank hereby gives notice that nothing herein or in the Finance Documents (or any document relating thereto) shall oblige the Bank to (a) accept a re-transfer from the Transferee of the whole or any part of its rights, benefits and/or obligations under the Finance Documents transferred pursuant hereto or (b) support any losses directly or indirectly sustained or incurred by the Transferee for any reason whatsoever including the non-performance by an Obligor or any other party to the Finance Documents (or any document relating thereto) of its obligations under any such document. The Transferee hereby acknowledges the absence of any such obligation as is referred to in (a) or (b) above.

8. This Transfer Certificate and the rights, benefits and obligations of the parties hereunder shall be governed by and construed in accordance with English law.

THE SCHEDULE

9. Bank:

10.	Transferee:		
11.	Transfer Date:		
12.	Bank's Commitment		Portion Transferred
13.	Letter(s) of Credit	Term and	Portion Transferred
	Bank's L/C Participation	Expiry Date	
	[Transferor Bank]		[Transferee Bank]
	By:		By:
	Date:		Date:

ADMINISTRATIVE DETAILS OF TRANSFEREE

Address
Contact Name:

Account for Payments
in sterling:

Fax:
Telephone:

SCHEDULE 3

Conditions Precedent

1. In relation to each Obligor:

(i) confirmation by an Authorised Signatory of such Obligor that there have been no changes to the constitutional documents of such Obligor since 19 November 1999;

(ii) a copy, certified as at the date of the Second Restatement Agreement a true and up-to-date copy by an Authorised Signatory of such Obligor, of a board resolution of such Obligor approving the execution, and performance of the Second Restatement Agreement, the Charge Agreement and the Notice of Charge and the terms and conditions thereof and authorising a named person or persons to sign the Second Restatement Agreement, the Charge Agreement and Notice of Charge and any documents to be delivered by such Obligor pursuant thereto;

(iii) a certificate of an Authorised Signatory of such Obligor setting out the names and signatures of the persons authorised to sign, on behalf of such Obligor, Second Restatement Agreement, the Charge Agreement and the Notice of Charge and any documents to be delivered by such Obligor pursuant thereto.

2. Opinion of Clifford Chance, solicitors to the Agent.

3. An opinion of Maples and Calder, Cayman Islands counsel to the Account Party addressed to the Finance Parties.

4. An opinion of Conyers, Dill and Pearman, Bermudian counsel to the Account Party addressed to the Finance Parties.

5. A copy, certified a true copy by an Authorised Signatory of the Account Party, of the financial statements of the Account Party referred to in sub-clauses 14.4.1 and 14.4.2 of Clause 14.4 (Financial Information).

6. Evidence satisfactory to the Agent that Lloyd's agrees to accept deeds of substitution in respect of transfers by Banks.

7. Evidence satisfactory to the Agent that all Original Letters of Credit will be cancelled by Lloyd's upon the issue of the Letters of Credit issued hereunder on and after the Commencement Date.

8. A duly signed original copy of the Charge Agreement, executed by the Obligors in favour of the Security Trustee, in substantially the form set out in Schedule 11 (Form of Charge Agreement) to this Agreement.

9. A copy, certified a true copy by an Authorised Signatory of each Obligor, of the Notice of Charge (in the form set out in the First Schedule to the Charge Agreement) dated on or about the date hereof, executed by the Obligors and delivered to State Street Bank and Trust Company as the Custodian.

10. A duly signed original copy of the Custodian's Undertaking (in the form set out in the Second Schedule to the Charge Agreement), executed by State Street Bank and Trust Company as the Custodian.

11. Evidence of the payment by the Obligors to Conyers, Dill and Pearman of the sum of US\$446 for the purposes of effecting the registration of the Charge Agreement with the Registrar of Companies in Bermuda.

12. Evidence that the Charge Agreement has been recorded in the Account Party's internal register of mortgages and charges.

13. Evidence satisfactory to the Agent of payment by the Obligors of the sum of CI\$500 to Maples and Calder in respect of the Ad Valorem stamp duty payable in the Cayman Islands in relation to the Charge Agreement.

14. Evidence that ACE UK Limited of Crosby Court, 38 Bishopsgate, London EC2N 4AJ has agreed to act as the agent of each Obligor for the service of process in England in respect of the Amended Agreement.

SCHEDULE 4

Utilisation Request

From: ACE Limited

To: Citibank International plc

Dated:

Dear Sirs,

1. We refer to the (pounds)440,000,000 letter of credit agreement originally dated 19 November 1999 (as (i) amended and restated pursuant to the First Restatement Agreement, (ii) amended pursuant to the Amendment Agreement and (iii) amended and restated pursuant to the Second Restatement Agreement (the "Credit Agreement")) and made between inter alia, ACE Limited as account party, Citibank International plc as agent and the financial institutions named therein as Banks. Terms defined in the Credit Agreement shall have the same meaning in this notice. This notice is irrevocable.

2. We hereby give you notice that, pursuant to the Credit Agreement we wish the Banks to issue the following Letters of Credit:

Amount	Effective Date	Expiry Date	Beneficiary	Applicant
(pound)/US\$/1/	29 November 2001	31 December 2006	Society of Lloyd's	
(pound)/US\$/1/	29 November 2001	31 December 2006	Society of Lloyd's	
(pound)/US\$/1/	29 November 2001	31 December 2006	Society of Lloyd's	
(pound)/US\$/1/	29 November 2001	31 December 2006	Society of Lloyd's	
(pound)/US\$/1/	29 November 2001	31 December 2006	Society of Lloyd's	
(pound)/US\$/1/	29 November 2001	31 December 2006	Society of Lloyd's	
(pound)/US\$/1/	29 November 2001	31 December 2006	Society of Lloyd's	

3. Utilisation Date: [].

4. We confirm that, at the date hereof, the Representations are true in all material respects and no Default is continuing, or would result from the issue of such Letters of Credit.

The Letters of Credit should be issued in the form attached and delivered to the recipient at [address of recipient]. The purpose of their issue is to support Funds at Lloyd's in respect of the Applicants.

Yours faithfully

1 Delete where appropriate.

Authorised Signatory

for and on behalf of

ACE LIMITED

SCHEDULE 5

FORM OF EXTENSION REQUEST

From: ACE Limited

To: Citibank International plc

Dated:

Re: [Applicant 1]
[Applicant 2]

Dear Sirs

We refer to the (pounds)440,000,000 letter of credit agreement originally dated 19 November 1999, (as (i) amended and restated pursuant to the First Restatement Agreement, (ii) amended pursuant to the Amendment Agreement and (iii) amended and restated pursuant to the Second Restated Agreement (the "Agreement") between, inter alia, ACE Limited (the "Company"), the financial institutions named therein as Banks and Citibank International plc as Agent.

Terms defined in the Agreement shall have the same meanings herein.

1. Pursuant to Clause 4 (Extension of Letters of Credit) of the Agreement, the Account Party, on behalf of [] (the "Applicant[s]") hereby requests that the Banks extend the Letter[s] of Credit in accordance with the information annexed hereto as Annex A.

2. The Account Party hereby certifies that on the date hereof and on the date of extension set forth in Annex A, in each case both before and after giving effect to the extension requested hereby:

(i) no Event of Default or Potential Event of Default has occurred and is continuing;

(ii) each of the representations and warranties of the Account Party contained in the Agreement and each other Finance Document is correct in all material respects on the date hereof, except representations and warranties which expressly refer to an earlier date in which case the same shall be true on and as of such earlier date;

(iii) after giving effect to the extension requested hereby, the aggregate Sterling Amount of the Outstandings will not exceed the Total Commitments; and

(iv) the Letter[s] of Credit requested hereby [is/are] being extended solely as security to support the underwriting business of the Applicant[s] at Lloyd's which has been provided in accordance with the requirements of Lloyd's applicable to [it/them].

IN WITNESS WHEREOF, the Account Party has caused this Certificate to be executed by its duly authorised officer as of the date and year first written above.

ACE LIMITED

By: _____

Name: _____

Title: _____

Annex A

Letter of Credit Information/2/

1. Name of Beneficiary:

2. Letter of Credit Number:

3. Maximum amount available under Letter of Credit: (pound)/US\$_____

4. Effective Expiry Date: 31 December ____/3/

/2/ A separate "Letter of Credit Information" should be completed for each Letter of Credit covered by the Extension Request.

/3/ Insert immediately succeeding year in which the then current Expiry Date falls.

SCHEDULE 6

Form of Letter of Credit

Letter of Credit to be issued by the Agent on behalf of the Banks

To: The Society and Council of Lloyd's
Gun Wharf
Dock Road
Chatham
Kent ME4 4TU

Dear Sirs

Irrevocable Standby Letter of Credit No. [] Re: [name of corporate member of Lloyd's] (the "Applicant")

This Clean Irrevocable Standby Letter of Credit (the "Credit") is issued by the banks whose names are set out in Appendix 1 hereto (the "Issuing Banks", and each an "Issuing Bank") in favour of the Society of Lloyd's ("Lloyd's") on the following terms:

1. Subject to the terms hereof, the Issuing Banks shall make payments within two business days of demand on Citibank International plc (the "Agent") in accordance with paragraph 4 below.
2. Upon a demand being made by Lloyd's pursuant to paragraph 4 below each Issuing Bank shall pay that proportion of the amount demanded which is equal to the proportion which its Commitment set out in Appendix 1 hereto bears to the aggregate Commitments of all the Issuing Banks set out in Appendix 1 hereto, provided that the obligations of the Issuing Banks under this Credit shall be several and no Issuing Bank shall be required to pay an amount exceeding its Commitment set out in Appendix 1 hereto and the Issuing Banks shall not be obliged to make payments hereunder in aggregate exceeding a maximum amount of [amount in approved currency]. Any payment by an Issuing Bank hereunder shall be made in [approved currency] to Lloyd's account specified in the demand made by Lloyd's pursuant to paragraph 4 below.
3. The initial expiry date of this Credit shall be 31 December 2006. This Credit will be extended automatically for a further year, without written amendment, on the first day of January of every future year after 1 January 2002, so that it is always valid for a minimum period of four years unless at least thirty days prior to 31 December of the first year of the then current validity period, notice is given in writing, sent by registered mail for the attention of the Manager, Members' Funds Department, at the above address, that this Credit will not be extended beyond the then current expiry date.
4. Subject to paragraph 3 above, the Issuing Banks shall pay to Lloyd's under this Credit upon presentation of a demand by Lloyd's on Citibank International plc at P.O. Box 449, Riverdale House, 68 Molesworth Street, Lewisham, London SE13 7EU marked for the attention of Cliff Posner, Loans Agency (and, in copy, at P.O. Box 200, Cottons Centre, Hays Lane, London SE1 2QT marked for the attention of Jon Pasquill, Global Cash and

Trade) in the form set out in Appendix 2 or Appendix 3 (as appropriate) hereto the amount specified therein (which amount shall not, when aggregated with all other amounts paid by the Issuing Banks to Lloyd's under this Credit, exceed the maximum amount referred to in paragraph 2 above).

5. The Agent has signed this Credit as agent for disclosed principals and accordingly shall be under no obligation to Lloyd's hereunder other than in its capacity as an Issuing Bank.

6. All charges are for the Applicant's account.

7. Subject to any contrary indication herein, [this Credit is subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision) International Chamber of Commerce Publication No. 500]*.

8. This Credit shall be governed by and interpreted in accordance with English law and the Issuing Banks hereby irrevocably submit to the jurisdiction of the High Court of Justice in England.

9. Each of the Issuing Banks engages with Lloyd's that demands made under and in compliance with the terms and conditions of this Credit shall be duly honoured on presentation.

Yours faithfully

CITIBANK INTERNATIONAL plc

for and on behalf of

[Names of all Issuing Banks]

* This language may be substituted by the following if so requested by Lloyd's: "this Credit is subject to The International Standby Practices - ISP98 (1998 Revision) International Chamber of Commerce Publication No. 590"

APPENDIX 1

Issuing Banks' Commitments

Name and Address of Issuing Bank Commitment

APPENDIX 2

Form of Demand (Sterling)

[on Lloyd's letterhead]

Dear Sir/Madam

**THE SOCIETY OF LLOYD'S
TRUSTEE OF
LETTER OF CREDIT NO.**

With reference to the above, we enclose for your attention a Bill of Exchange, together with the respective Credit. Payment should be made by way of CHAPS. The

account details are as follows:-

National Westminster Bank Plc
City of London Office
P.O. Box 12258
1 Princes Street
London EC2R 8AP

Sort Code 60-00-01
Account 140-00-04026268

Please quote Member Code:

Yours faithfully

for Manager
Members' Funds Department
Members' Services Unit

Your ref:
Our ref: MEM/ / / /C911f
Extn:

BILL OF EXCHANGE
The Society of Lloyd's

Trustee of
Letter of Credit No.

Please pay in accordance with the terms of the Credit to our order the amount of (pounds).

For and on behalf of

Authorised Signatory
Membership Department

To: Citibank International plc

as Agent

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APPENDIX 3

Form of Demand (Approved Currency)

[on Lloyd's letterhead]

Dear Sir/Madam

**THE SOCIETY OF LLOYD'S
TRUSTEE OF
LETTER OF CREDIT NO.**

With reference to the above, we enclose for your attention a Bill of Exchange, together with the respective Credit. Payment should be made by way of SWIFT. The

account details are as follows:-

National Westminster Bank Plc

Sort Code 60-00-01

City of London Office

Account 140-00-40120066

P.O. Box 12258

1 Princes Street

SWIFT Code NWBK GB21

London EC2R 8AP

SWIFT Code Intermediary CHA SUS33

Please quote Member Code:

Yours faithfully

for Manager

Members' Funds Department

Members' Services Unit

Your ref:
Our ref: MEM/ / / /C911f
Extn:

BILL OF EXCHANGE
The Society of Lloyd's

Trustee of
Letter of Credit No.

Please pay in accordance with the terms of the Credit to our order the amount of \$.

For and on behalf of

Authorised Signatory Membership Department

To: Citibank International plc

as Agent

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SCHEDULE 7

Mandatory Liquid Asset Costs Rate

1. For the purposes of this Agreement, the cost of compliance with existing requirements of the Bank of England and/or the Financial Services Authority will be calculated by the Agent in relation to each Unpaid Sum on the basis of rates supplied by the Agent (or such Bank(s) as it may from time to time determine) by reference to the circumstances existing on the first day of each Term in respect of such Unpaid Sum and, if any such Term of such Unpaid Sum exceeds three months, at three calendar monthly intervals from the first day of such Term during its duration in accordance with the following formula:

$$\begin{array}{ll} \text{(a)} & \text{in relation to Unpaid Sums denominated in Sterling:} \\ & \frac{AB + C(B - D) + E \times 0.01}{100 - (A + \frac{1}{C})} \quad \text{per cent. per annum} \\ \text{(b)} & \text{in relation to Unpaid Sums denominated in dollars:} \\ & \frac{E \times 0.01}{300} \quad \text{per cent. per annum} \end{array}$$

Where:

A is the percentage of eligible liabilities (assuming these to be in excess of any stated minimum) which the Agent (or such Bank as it may determine) is from time to time required to maintain as an interest free cash ratio deposit with the Bank of England to comply with cash ratio requirements.

B is the percentage rate per annum at which sterling deposits are offered by the Agent (or such Bank as it may determine) in accordance with its normal practice, for a period equal to (a) the relevant Term (or, as the case may be, remainder of such Term) in respect of the relevant Unpaid Sum or (b) three months, whichever is the shorter, to a leading bank in the London Interbank Market as of 11.00 a.m. in a sum approximately equal to the amount of such Unpaid Sum.

C is the percentage of eligible liabilities which the Agent (or such Bank as it may determine) is required from time to time to maintain as interest bearing special deposits with the Bank of England.

D is the percentage rate per annum payable by the Bank of England to the Agent (or such Bank as it may determine) on interest bearing special deposits.

E is the rate payable by the Agent (or such Bank as it may determine) to the Financial Services Authority pursuant to the Fees Regulations (but, for this purpose, ignoring any minimum fee required pursuant to the

Fees Regulations) and expressed in pounds per (pounds) 1,000,000 of the Fee Base of the Agent (or such Bank as it may determine).

2. For the purposes of this Schedule:

(i) "eligible liabilities" and "special deposits" shall bear the meanings ascribed to them from time to time under or pursuant to the Bank of England Act 1998 or (as may be appropriate) by the Bank of England;

(ii) "Fee Regulations" means the Banking Supervision (Fees) Regulations 2000 or such other regulation as may be in force from time to time in respect of the payment of fees for banking supervision; and

(iii) "Fee Base" shall bear the meaning ascribed to it, and shall be calculated in accordance with, the Fees Regulations.

3. The percentages used in A and C above shall be those required to be maintained on the first day of the relevant period as determined in accordance with B above.

4. In application of the above formula, A, B, C and D will be included in the formula as figures and not as percentages e.g. if A is 0.5 per cent. and B is 12 per cent., AB will be calculated as 0.5×12 and not as $0.5 \text{ per cent.} \times 12 \text{ per cent.}$

5. Calculations will be made on the basis of a 365 day year (or, if market practice differs, in accordance with market practice).

6. A negative result obtained by subtracting D from B shall be taken as zero.

7. The resulting figures shall be rounded to four decimal places.

8. Additional amounts calculated in accordance with this Schedule are payable on the last day of the Term to which they relate.

9. The determination of the Mandatory Liquid Asset Costs Rate by the Agent in relation to any period shall, in the absence of manifest error, be conclusive and binding on all of the parties hereto.

10. The Agent may from time to time, after consultation with the Account Party and the Banks, determine and notify to all parties any amendments or variations which are required to be made to the formula set out above in order to comply with any requirements from time to time imposed by the Bank of England or the Financial Services Authority in relation to any Unpaid Sum and any such determination shall, in the absence of manifest error, be conclusive and binding on all the parties hereto.

SCHEDULE 8

Form of Confidentiality Undertaking

[Letterhead of Transferor]

[Date]

To: [Transferee]

Dear Sirs,

ACE Limited - (pounds)440,000,000 Letter of Credit Facility Agreement originally dated 19 November 1999 (as (i) amended and restated pursuant to a First Amendment Agreement dated 17 November 2000, (ii) an Amendment Agreement dated 23 October 2001 and (iii) a Second Restatement Agreement dated 21 November 2001) Confidentiality Agreement

In connection with your possible interest in becoming a bank in the above-captioned facility (the "Transaction") for ACE Limited (the "Company"), we will be providing you with information that is not in the public domain but that is confidential or proprietary in nature. Such information and any other information concerning the Company or the Transaction furnished to you by [Transferor], or by or on behalf of the Company (whether before, on or after the date of this Agreement), together with analyses, compilations or other materials prepared by you or your directors, officers, employees or advisors (collectively, "Representatives") which contain or otherwise reflect such information, are hereinafter collectively referred to as the "Information". In consideration of your receipt of the Information, you agree that:

1. Except as otherwise expressly provided herein, you will not (i) use the Information except in connection with the Transaction or (ii) disclose to any person any terms or conditions of the Transaction or any portion of the Information.
2. Notwithstanding the foregoing, you may disclose the Information: (i) to your Representatives who need to know the Information for purposes of evaluating the Transaction and who are informed by you of the confidential nature of the Information and who agree to be bound by the terms of this Agreement; (ii) as may be required by applicable law or at the request of any regulatory or supervisory authority having jurisdiction over you or at the request of any rating agency for purposes of establishing or maintaining your debt ratings, provided that you request confidential treatment thereof to the extent permitted by law; or (iii) with the prior written consent of the Company and [Transferor].
3. The reference to the term "Information" contained in paragraphs 1 and 2 shall not include such portions thereof which (i) are or become available to the public through no fault or action by you or your Representatives or (ii) are or hereafter become available to you on a non-confidential basis from a source other than the Company, [Transferor] or their respective Representatives, which source, to the best of your knowledge, is not prohibited from disclosing such Information to you by a contractual, legal or fiduciary obligation to the Company or [Transferor].

4. In the event that you or any of your Representatives becomes legally compelled to disclose any of the Information or the existence of the Transaction, you will, to the extent permitted by law provide the Company and [Transferor] with prompt notice so that they may seek a protective order or other appropriate remedy. In the event that such protective order or remedy is not obtained, you shall furnish only that portion of the Information that is legally required and shall disclose such Information in a manner reasonably designed to preserve its confidential nature.
5. In the event that discussions with you concerning the Transaction are discontinued or your participation in the Transaction is otherwise terminated, you shall redeliver to [Transferor] any Information that was furnished to you by or on behalf of the Company or the Transferor or shall certify to the Company and [Transferor] that you have destroyed all such Information.
6. You agree to be responsible for any breach of this Agreement by you or your Representatives.
7. You acknowledge that money damages and other remedies at law may be inadequate to protect against breach of this Agreement and you hereby agree to the granting of injunctive or other equitable relief without proof of actual damages.
8. It is further understood and agreed that no failure or delay by the Company or [Transferor] in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof.
9. This Agreement shall be governed by and construed in accordance with the laws of England and Wales.

If you are prepared to accept the Information on the foregoing terms, please countersign this Agreement in the space provided below and deliver it via telecopier (with the executed original to follow by next-day courier) to:

[Transferor]

[address]

Attention:

Telecopier:

Your acceptance of this Agreement shall be effective upon our receipt of such fax from you.

Yours faithfully,

[TRANSFEROR]

By: [] [ACCEPTED AND AGREED]

Title: []

As at the date hereof

[Name of Transferee]

By: []

Title: []

SCHEDULE 9

PRICING SCHEDULE

"L/C Commission Rate" means, for any date, the rates set forth below in the row opposite such term and in the column corresponding to the Pricing Level that applies at such date:

	Level I	Level II	Level III	Level IV	Level V
L/C Commission Rate	0.55 per cent.	0.60 per cent.	0.65 per cent.	0.675 per cent.	0.70 per cent.

For purposes of this Schedule 9, the following Pricing Levels have the following meanings:

"Level I" applies at any date if, at such date, the Guarantor's Financial Strength Rating is rated AA- or higher by S&P.

"Level II" applies at any date if, at such date, the Guarantor's Financial Strength Rating is rated A+ by S&P.

"Level III" applies at any date if, at such date, the Guarantor's Financial Strength Rating is rated A by S&P.

"Level IV" applies at any date if, at such date, the Guarantor's Financial Strength Rating is rated A- by S&P.

"Level V" applies at any date if, at such date, the Guarantor's Financial Strength Rating is rated BBB+ or less by S&P.

"Financial Strength Rating" means the financial strength rating of a company determined by the method used by S&P.

"Pricing Level" refers to the determination of which of Level I, Level II, Level III, Level IV or Level V applies at any date.

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

The credit ratings to be utilised for the purposes of this Schedule 9 are those ratings assigned to the Financial Strength Rating of the Guarantor. The rating in effect at any date is that in effect at the close of business on such date.

SCHEDULE 10

Existing Liens

1. Liens securing letters of credit issued by Citibank, N.A. for the account of Cigna Europe in an aggregate stated amount not exceeding US\$16,000,000 (subject to currency fluctuations).
2. Liens securing letters of credit issued by Citibank, N.A. for the account of INA (UK) in an aggregate stated amount not exceeding US\$8,000,000.
3. US\$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 27 October 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 27 October 1998 among ACE US Holdings, Inc., ACE Bermuda Insurance Ltd. and United States Trust Company of New York, as trustee under the Indenture dated 17 October 1998 of ACE US Holdings, Inc.

SCHEDULE 11

Form of Charge Agreement

Name of each Chargor and the address of its registered or principal office:

(1) ACE Limited ACE Global Headquarters 17 Woodbourne Avenue Hamilton HM08 Bermuda

Facsimile no: +441 296 0087

(2) ACE Bermuda Insurance Ltd.

ACE Global Headquarters

17 Woodbourne Avenue
Hamilton HM08
Bermuda

Facsimile no: +441 296 0087

((1) and (2) together the "Chargors" and each a "Chargor")

Name of Custodian and address of its registered or principal office:

[]

Facsimile no: [] (the "Custodian")

Date: [Date]

To: CITIBANK INTERNATIONAL plc (the "Security Trustee")
336 Strand
London WC2R 1HB

The terms used in this Charge Agreement are defined in Clause 23.

It is a condition precedent to the obligations of the Banks under the Agreement that the Chargors shall have granted the security interests and undertaken the obligations contemplated by this Charge Agreement.

NOW, THEREFORE, in consideration of the premises and in order to induce the Banks to issue Letters of Credit under the Agreement and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, each Chargor hereby agrees with the Security Trustee as follows:

1. PAYMENT AND DISCHARGE

We shall pay and discharge in full all of the Obligations at the times and in the manner provided for in the Agreements.

2. CHARGE

2.1 Each Chargor hereby pledges and assigns to the Security Trustee, and hereby grants to the Security Trustee a security interest in, its portion of the Charged Portfolio as collateral security for the prompt payment or performance in full when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including the payment of amounts that would become due but for the operation of the automatic stay under Section 362(a) of the United States Bankruptcy Code, 11 U.S.C. 362(a)), of all Obligations.

2.2 Notwithstanding any provision of the Agreement to the contrary, the Security Trustee's entitlement and recourse against the Charged Portfolio under this Charge Agreement shall not in any circumstances exceed an amount equal to the Required Value.

2.3 Each Chargor shall deposit all of its portion of the Charged Portfolio in the accounts comprising the Charged Portfolio and held with the Custodian.

3. CUSTODIAN'S UNDERTAKING

We undertake to deliver (or procure the delivery of) the Custodian's Undertaking to you forthwith upon the execution of this Charge Agreement.

4. REQUIRED VALUE

We undertake to ensure that with effect from the date of this Charge Agreement and at all times thereafter until the Obligations are discharged in full:

4.1 the market value of the Charged Portfolio (including the accounts and securities of both Chargors) shall not be less than the Required Value and without limitation from time to time to pay or transfer to the Custodian (by way of increment to the Charged Portfolio) money and/or securities so that the market value of each Chargor's portion of the Charged Portfolio (including the accounts and securities of both Chargors) shall not be less than the Required Value; and

4.2 each component part of the Charged Portfolio shall satisfy the Security Trustee's Requirements applicable thereto.

5. FURTHER ASSURANCE

Each Chargor agrees that from time to time, at the expense of such Chargor, such Chargor shall promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Security Trustee may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable the Security Trustee or the Custodian to exercise and enforce its rights and remedies hereunder or under the Custodian's Undertaking with respect to any part of such Chargor's portion of the Charged Portfolio. Without limiting the generality of the foregoing, each Chargor shall: (a) execute and file such assignments, financing or continuation statements, or amendments thereto, and such other instruments or notices, as may reasonably be necessary or desirable, or as the Security Trustee may request, in order to perfect and preserve the security interests granted or purported to be granted hereby, and (b) at the Security Trustee's request, appear in and defend any action or proceeding that may affect such Chargor's title to or the Security Trustee's security interest in all or any part of such Chargor's portion of the Charged Portfolio.

6. REPRESENTATIONS AND WARRANTIES

Each Chargor hereby represents and warrants to you and undertakes that:

6.1 it is (or at the time of transfer thereof to the Custodian will be) the beneficial owner of its portion of the Charged Portfolio from time to time transferred by it to the Custodian, as agent for the Security Trustee, free and clear of any lien other than Permitted Liens in accordance with the undertaking contained in Clause 7 (Negative Pledge) hereof, except for the security interest created by this Charge Agreement. The pledge and assignment of the Charged Portfolio pursuant to this Charge Agreement and the Custodian's Undertaking creates a valid security interest in its portion of the Charged Portfolio securing the payment of the Obligations. Assuming execution and due performance of the Custodian's Undertaking by the Custodian, the security interest in the Charged Portfolio is or will be perfected and senior in priority to any other lien therein;

6.2 subject to paragraph 11 of the Custodian's Undertaking, it has not sold or agreed to sell or otherwise disposed of or agreed to dispose of the benefit of its portion of the Charged Portfolio or any part thereof;

6.3 it has and will at all times have the necessary power to enable it to enter into and perform the obligations expressed to be assumed by it under this Charge Agreement;

6.4 this Charge Agreement constitutes its legal, valid, binding and enforceable obligation (subject to bankruptcy, insolvency or other laws of general application affecting the enforcement of creditors' rights, the application of equitable principles and the non-availability of the equitable remedies of specific performance or injunctive relief) and is a security over its portion of the Charged Portfolio and every part thereof effective in accordance with its terms; and

6.5 all necessary authorisations to enable or entitle it to enter into this Charge Agreement have been obtained and are in full force and effect and will remain in full force and effect

at all times during the subsistence of the security hereby constituted and no authorisation, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for either (a) the grant by it of the security interest granted hereby, (b) the execution, delivery or performance of this Charge Agreement or the Custodian's Undertaking by it, or (c) the perfection of or the exercise by Security Trustee or the Custodian of its rights and remedies hereunder or under the Custodian's Undertaking.

6.6 All information heretofore, herein or hereafter supplied to the Security Trustee or the Custodian by or on behalf of it with respect to its portion of the Charged Portfolio is accurate and complete in all material respects.

7. NEGATIVE PLEDGE

Each Chargor undertakes with you that at no time during the subsistence of the security interest granted hereby will it, otherwise than:

7.1 in your favour, or

7.2 with your prior written consent and in accordance with and subject to any conditions which you may attach to such consent, create, grant, extend or permit to subsist any lien, security interest or other encumbrance on or over its portion of the Charged Portfolio or any part thereof, other than Permitted Liens. The foregoing prohibition shall apply not only to any lien, security interest or other encumbrance which rank or purport to rank in point of security in priority to the security hereby constituted but also to any lien, security interest or other encumbrance which rank or purport to rank *pari passu* therewith or thereafter.

8. POWER OF SALE

8.1 Upon the occurrence of an Event of Default which is continuing and has not been remedied or waived under the Agreement, the Security Trustee may instruct the Custodian to (a) sell or redeem any of the Charged Portfolio, (b) transfer any or all of the Charged Portfolio constituting cash to any account designated by the Security Trustee, including an account or accounts established in the Security Trustee's name (whether with the Security Trustee or the Custodian or otherwise), (c) register title to all or any portion of the Charged Portfolio in any name specified by the Security Trustee, including the name of the Security Trustee or any of its nominees or agents, without reference to any interest of the Chargors, or (d) otherwise deal with the Charged Portfolio as directed by the Security Trustee.

8.2 Upon the occurrence of an Event of Default which is continuing and has not been remedied or waived under the Agreement, the Security Trustee may exercise in respect of the Charged Portfolio, in addition to all other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the Uniform Commercial Code as in effect in any relevant jurisdiction (the "UCC") (whether or not the UCC applies to the affected Charged Portfolio), and the Security Trustee may also in its sole discretion sell the Charged Portfolio or any part thereof in one or more parcels at public or private sale, at any exchange or broker's board

or at any of the Security Trustee's offices or elsewhere, for cash, on credit or for future delivery, at such time or times and at such price or prices and upon such other terms as the Security Trustee may deem commercially reasonable, irrespective of the impact of any such sales on the market price of the Charged Portfolio. Each purchaser at any such sale shall hold the property sold absolutely free from any claim or right on the part of the Chargors, and each Chargor hereby waives (to the extent permitted by applicable law) all rights of redemption, stay or appraisal which it now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. The Security Trustee shall not be obligated to make any sale of Charged Portfolio regardless of notice of sale having been given. The Security Trustee may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

8.3 Each Chargor hereby agrees that the property included in the Charged Portfolio is of a type customarily sold on recognized markets and, accordingly, that no notice to any person is required before any sale of any of the Charged Portfolio pursuant to the terms of this Charge Agreement; provided that, without prejudice to the foregoing, each Chargor agrees that, to the extent notice of any such sale shall be required by law, at least ten days' notice to it of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification.

8.4 If the proceeds of any sale or other disposition of the Charged Portfolio are insufficient to pay all the Obligations, the Chargors shall be liable for the deficiency and the fees of any attorneys employed by the Security Trustee to collect such deficiency.

8.5 Anything contained herein to the contrary notwithstanding, any of the Charged Portfolio consisting of a deposit or an other obligation of the Security Trustee, whether credited to the Charged Portfolio or otherwise, shall be subject to the Security Trustee's rights of set-off.

9. POWER OF ATTORNEY

9.1 Each Chargor hereby irrevocably appoints the Security Trustee as its attorney-in-fact, with full authority in the place and stead of such Chargor and in the name of such Chargor, the Security Trustee or otherwise, from time to time in the Security Trustee's discretion upon the occurrence of an Event of Default which is continuing and has not been remedied or waived under the Agreement, to take any action and execute and deliver, any instrument that the Security Trustee may reasonably deem necessary or advisable to accomplish the purposes of this Charge Agreement or the Custodian's Undertaking, including, without limitation, executing instruments of transfer (or completing partially completed instruments executed by us), assignments or notices, or exercising any of the rights and powers from time to time attaching to any part of such Chargor's portion of the Charged Portfolio. Each Chargor hereby undertakes to ratify and confirm all things done and documents executed by the Security Trustee in the exercise of the power of attorney conferred by this Clause.

9.2 If the Chargor fails to perform any agreement contained herein, the Security Trustee may itself perform, or cause performance of, such agreement, and the expenses of the Security

Trustee incurred in connection therewith shall be payable by the Chargor under Clause 15 (Costs, Charges and Expenses).

10. EFFECTIVENESS OF SECURITY

10.1 This Charge Agreement shall be in addition to and shall be independent of every other security which you may at any time hold for any of the Obligations. No prior security held by you over the whole or any part of the Charged Portfolio shall merge in the security hereby constituted.

10.2 Nothing contained in this Charge Agreement is intended to, or shall operate so as to, prejudice or affect any bill, note, guarantee, mortgage, pledge, charge or other security of any kind whatsoever which you may have for the Obligations or any of them or any right, remedy or privilege of yours thereunder.

11. REMEDIES, TIME OR INDULGENCE

11.1 The rights, powers and remedies provided by this Charge Agreement are cumulative and are not, nor are they to be construed as, exclusive of any right of set-off or other rights, powers and remedies provided by law.

11.2 No failure on your part to exercise, or delay on your part in exercising, any of the rights, powers and remedies provided by this Charge Agreement or by law (each a "Security Trustee Right") shall operate as a waiver thereof, nor shall any single or partial waiver of a Security Trustee Right preclude any further or other exercise of that Security Trustee Right or the exercise of any other Security Trustee Right.

11.3 You may in your discretion grant time or other indulgence or make any other arrangement, variation or release with any person(s) not party hereto (irrespective of whether such person(s) is/are jointly liable with us) in respect of the Obligations or in any way affecting or concerning them or any of them or in respect of any security for the Obligations or any of them, without in any such case prejudicing, affecting or impairing the security hereby constituted, or any Security Trustee Right or the exercise of the same, or any indebtedness or other liability owed by either of us to you.

12. ACCOUNTS

All monies received, recovered or realised by you under this Charge Agreement (including the proceeds of any conversion of currency) may in your discretion be credited to any suspense or impersonal account and may be held in such account for so long as you shall think fit (with interest accruing thereon at such rate, if any, as you may deem fit) pending their application from time to time (as you shall be entitled to do in your discretion) in or towards the discharge of any of the Obligations.

13. CURRENCY

13.1 For the purpose of or pending the discharge of any of the Obligations you may convert any monies received, recovered or realised or subject to application by you under this Charge Agreement (including the proceeds of any previous conversion under this Clause) from their existing currency of denomination into the currency of denomination

of such Obligations as you may think fit, and any such conversion shall be effected at your then prevailing spot rate of exchange for obtaining such other currency with the existing currency.

13.2 References herein to any currency extend to any funds of that currency and for the avoidance of doubt funds of one currency may be converted into different funds of the same currency.

14. EXCULPATION, COSTS, CHARGES AND EXPENSES

14.1 The powers conferred on the Security Trustee hereunder are solely to protect its interest in the Charged Portfolio and shall not impose any duty upon it to exercise any such powers. Except for the exercise of reasonable care in the custody of any portion of the Charged Portfolio in its possession and the accounting for moneys actually received by it hereunder, the Security Trustee shall have no duty as to any Charged Portfolio, it being understood that the Security Trustee shall have no responsibility for (a) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relating to any Charged Portfolio, whether or not the Security Trustee has or is deemed to have knowledge of such matters, (b) taking any necessary steps (other than steps taken in accordance with the standard of care set forth above to maintain possession of the Charged Portfolio) to preserve rights against any parties with respect to any Charged Portfolio, (c) taking any necessary steps to collect or realize upon the Obligations or any guarantee therefor, or any part thereof, or any of the Charged Portfolio, (d) initiating any action to protect the Charged Portfolio against the possibility of a decline in market value, (e) any loss resulting from investments made, held or sold, or (f) determining (i) the correctness of any statement or calculation made by a Chargor in any written instructions or (ii) whether any transfer to or from the Charged Portfolio is proper. The Security Trustee shall be deemed to have exercised reasonable care in the custody and preservation of Charged Portfolio in its possession if such Charged Portfolio is accorded treatment substantially equal to that which the Security Trustee accords its own property of like kind. In addition to the foregoing and without limiting the generality thereof, the Security Trustee shall not be responsible for any actions or omissions of Custodian.

14.2 Each Chargor agrees to indemnify the Security Trustee from and against any and all claims, losses and liabilities in any way relating to, growing out of or resulting from this Charge Agreement and the transactions contemplated hereby (including enforcement of this Charge Agreement), except to the extent such claims, losses or liabilities result from the Security Trustee's gross negligence or willful misconduct as finally determined by a court of competent jurisdiction.

14.3 Each Chargor shall pay to the Security Trustee upon demand the amount of any and all costs and expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, that the Securities Trustee may incur in connection with (a) the administration of this Charge Agreement, (b) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any of the Charged Portfolio, (c) the exercise or enforcement of any of the rights of the Security Trustee hereunder, or (d) the failure by a Chargor to perform or observe any of the provisions hereof on a full

indemnity basis together with interest from the date of the same having been incurred (or from the date of demand if such demand is made after unreasonable delay) to the date of payment at such rate or rates as you may determine in relation to the currency involved.

15. CONTINUING SECURITY INTEREST

This Charge Agreement shall create a continuing security interest in the Charged Portfolio and shall (a) remain in full force and effect until the indefeasible payment in full of the Obligations and the cancellation or expiration of all outstanding Letters of Credit, (b) be binding upon each Chargor, its successors and assigns, and (c) inure, together with the rights and remedies of the Security Trustee hereunder, to the benefit of Security Trustee and the Banks and their respective successors, transferees and assigns. Upon the indefeasible payment in full of all Obligations and the cancellation or expiration of all outstanding Letters of Credit, the security interest granted hereby shall terminate and all rights to the Charged Portfolio shall revert to the respective Chargor so long as the Custodian's fees, expenses, and advancements have first been paid or reimbursed in full. Upon any such termination the Security Trustee shall, at the Chargors' expense, execute and deliver to the Chargors such documents as the Chargors shall reasonably request to evidence such termination and each Chargor shall be entitled to the return, upon its request and at its expense, against receipt and without recourse to the Security Trustee, of such of its Charged Portfolio as shall not have been sold or otherwise applied pursuant to the terms hereof.

16. AMENDMENTS

No amendment or waiver of any provision of this Charge Agreement, or consent to any departure by a Chargor herefrom, shall in any event be effective unless the same shall be in writing and signed by the Security Trustee, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

17. LAW AND JURISDICTION

17.1 THIS AGREEMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES, EXCEPT TO THE EXTENT THAT THE UCC PROVIDES THAT THE VALIDITY OR PERFECTION OF THE SECURITY INTEREST HEREUNDER, OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR COLLATERAL ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK.

17.2 ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST THE CHARGORS ARISING OUT OF OR RELATING TO THIS CHARGE AGREEMENT MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE, COUNTY AND CITY OF NEW YORK, AND BY EXECUTION AND DELIVERY OF THIS CHARGE AGREEMENT EACH CHARGOR ACCEPTS FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, GENERALLY AND UNCONDITIONALLY, THE NONEXCLUSIVE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE

OF FORUM NON CONVENIENS AND IRREVOCABLY AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH THIS CHARGE AGREEMENT. Each Chargor hereby agrees that service of all process in any such proceeding in any such court may be made by registered or certified mail, return receipt requested, to such Chargor at its address as provided pursuant to Clause 19 (Notices), such service being hereby acknowledged by each Chargor to be sufficient for personal jurisdiction in any action against such Chargor in any such court and to be otherwise effective and binding service in every respect. Nothing herein shall affect the right to serve process in any other manner permitted by law or shall limit the right of the Security Trustee to bring proceedings against a Chargor in the courts of any other jurisdiction.

17.3 EACH CHARGOR AND THE SECURITY TRUSTEE HEREBY AGREE TO WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS CHARGE AGREEMENT OR THE CUSTODIAN'S UNDERTAKING. The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including contract claims, tort claims, breach of duty claims, and all other common law and statutory claims. Each Chargor and the Security Trustee acknowledge that this waiver is a material inducement for such Chargor and the Security Trustee to enter into a business relationship, that each Chargor and the Security Trustee have already relied on this waiver in entering into this Charge Agreement and that each will continue to rely on this waiver in their related future dealings. Each Chargor and the Security Trustee further warrant and represents that it has reviewed this waiver with its legal counsel, and that it knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS CHARGE AGREEMENT OR THE CUSTODIAN'S UNDERTAKING. In the event of litigation, this Charge Agreement may be filed as a written consent to a trial by the court.

18. PROVISIONS SEVERABLE

Each of the provisions contained in this Charge Agreement shall be severable and distinct from one another and if at any time any one or more of such provisions is or becomes invalid, illegal or unenforceable, the validity, legality and enforceability of each of the remaining provisions of this Charge Agreement shall not in any way be affected, prejudiced or impaired thereby.

19. NOTICES

All notices, requests and demands to or upon the Security Trustee or either Chargor hereunder shall be effected in the manner provided for in Clause 31 of the Agreement.

20. THE SECURITY TRUSTEE'S DISCRETIONS

Any liberty or power which may be exercised or any determination which may be made hereunder by you may be exercised or made in your absolute and unfettered discretion and you shall not be under any obligation to give reasons therefor, provided that the Security Trustee will so act in good faith and in accordance with Clause 25 (The Agent, The Arrangers and The Banks) of the Agreement).

21. ASSIGNMENT

You shall have a full and unfettered right to assign the whole or any part of the benefit of this Charge Agreement to any Person who is appointed as your successor pursuant to Clause 25 (The Agent, The Arrangers and The Banks) of the Agreement and the words "you" and "your" and the expression "the Security Trustee" wherever used herein shall be deemed to include your assignees and other successors, whether immediate or derivative, who shall be entitled to enforce and proceed upon this Charge Agreement in the same manner as if named herein. You shall be entitled to impart any information concerning us to any such assignee or other successor or any participant or proposed assignee, successor or participant subject to such person executing and delivering a confidentiality undertaking substantially in the form set out in Schedule 8 (Form of Confidentiality Undertaking) of the Agreement.

22. COUNTERPARTS

This Charge Agreement may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

23. INTERPRETATION

23.1 Terms not otherwise defined herein shall bear the meaning ascribed to them in the Agreement.

In this Charge Agreement:

"Agreement" means the (pounds)440,000,000 letter of credit facility agreement originally dated 19 November 1999 (as (i) amended and restated pursuant to the First Restatement Agreement, (ii) amended pursuant to the Amendment Agreement and (iii) amended and restated pursuant to the Second Restatement Agreement) and made between ACE Limited as account party, ACE Bermuda Insurance Ltd. as guarantor, Citibank, N.A. as lead arranger, Barclays Bank PLC as arranger, ING Barings as co-arranger, Citibank International plc as agent and security trustee and the financial institutions defined therein as banks;

"Charged Portfolio" means at any time all of each Chargor's right, title and interest in any and all assets (to include without limitation any and all securities) now or hereafter carried in or credited to or held for the benefit of:

(a) the account (designated, at the date hereof, with account number [] maintained by the Custodian in the name of ACE Limited; and

(b) the account (designated, at the date hereof, with account number [] maintained by the Custodian in the name of ACE Bermuda Insurance Ltd.

"Custodian" means the above-mentioned Custodian or such other person as the Chargors and the Security Trustee may agree to in writing from time to time;

"Custodian's Undertaking" means an undertaking in the form set out in the Second Schedule duly executed by the Custodian as the same may be amended or substituted with the prior written consent of the Security Trustee from time to time;

"Obligations" means any and all of the present or future, actual or contingent, obligations of the Chargors to the Finance Parties hereunder or under the Agreement;

"Permitted Lien" means any Lien described in clause (a) of the definition of "Permitted Lien" in the Agreement or in subsection 15.9.16 of the Agreement;

"Required Value" means US\$100 or, if Pricing Level V applies, such other amount as is determined in accordance with the Agreement and notified from time to time by the Security Trustee to the Custodian; and

"Security Trustee's Requirements" means the Security Trustee's requirements in respect of the component parts of the Charged Portfolio all as set forth in Part B of the Schedule to the Custodian's Undertaking or as may be agreed from time to time by the Security Trustee and ACE Limited on behalf of the Chargors and notified to the Custodian (provided that the Security Trustee's Requirements may be adjusted by the Security Trustee without the agreement of the Chargors (but after consultation in good faith with ACE Limited on behalf of the Chargors) where an adjustment is necessary to ensure that the Banks continue to receive the same regulatory treatment in respect of their Outstandings as they receive at the date hereof and Provided further that, in the event that the "financial strength rating" of either or both of the Chargors as determined by Standard and Poor's Rating Services reaches BBB+ or less, the Security Trustee's Requirements shall be amended without the prior agreement of the Chargors by the additional requirement that any fixed income securities comprising the Charged Portfolio issued by or fully and explicitly guaranteed by the central government of an OECD (Organisation for Economic Co-operation and Development) country shall only satisfy the Security Trustee's Requirements if such country is rated AA or better by Standard and Poor's Rating Services or AA equivalent or better by any other recognised rating service).

23.2 Any reference in this Charge Agreement to:-

a "business day" shall be construed as a reference to a day (other than a Saturday or Sunday) on which banks are generally open for business in London, Bermuda, and the jurisdiction in which the Custodian's principal or head office is located;

a "clearance system" means Clearstream, the Euro-Clear System, the First Chicago Clearing Centre, The Depository Trust Company and such other clearance system as may

from time to time be used in connection with transactions relating to any securities, and any depository for any of the foregoing;

a "Clause" is, unless otherwise stated, a reference to a Clause hereof;

a "person" shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) of two or more of the foregoing;

a "Schedule" is, unless otherwise stated, a reference to a schedule hereto; and

"securities" shall be construed as a reference to bonds, debentures, notes, stocks, shares or other securities and all moneys, rights or property which may at any time accrue or be offered (whether by way of bonus, redemption, preference, option or otherwise) in respect of any of the foregoing (and without limitation, shall include any of the foregoing not constituted, evidenced or represented by a certificate or other document but by an entry in the books or other permanent records of the issuer, a trustee or other fiduciary thereof, or a clearance system).

23.3 The obligations of the Chargors hereunder shall be joint and several.

23.4 Any reference in this Charge Agreement to another agreement, arrangement or undertaking shall be construed as a reference to such other agreement, arrangement or undertaking as the same may have been, or may from time to time be, amended, varied, novated or supplemented.

23.5 Clause and Schedule headings are for ease of reference only.

The COMMON or CORPORATE SEAL of

ACE LIMITED was hereto affixed

to this DEED in the presence of:

Director

Secretary/Director

THE COMMON or CORPORATE SEAL of

ACE BERMUDA INSURANCE LTD was hereto affixed

to this DEED in the presence of:

Director

Secretary/Director

ACKNOWLEDGED AND AGREED:

CITIBANK INTERNATIONAL PLC
As Security Trustee

By:

Title:

THE FIRST SCHEDULE

NOTICE OF CHARGE OF CHARGED PORTFOLIO

To: []

* _____

(*Contact name at the Custodian)

We refer to (i) the Charge Agreement (the "Charge Agreement") dated [] entered into by us in favour of Citibank International plc of 336 Strand, London WC2R 1HB (the "Security Trustee"), a copy of which is annexed hereto and (ii) the Custodian's Undertaking in the form of the Second Schedule to the Charge Agreement. Terms defined in the Charge Agreement shall have the same meanings herein.

Notice is hereby given by us to you that, by and pursuant to the Charge Agreement, we have charged in favour of the Security Trustee all of the Charged Portfolio.

We hereby:

- (a) confirm that references to the "Charged Portfolio" are to all the securities and proceeds received from time to time in respect of such securities, which are credited to (i) the account (designated with account number []) in the name of ACE Limited and (ii) the account (designated with account number []) in the name of ACE Bermuda Insurance Ltd., maintained by you in accordance with the terms of our custodian arrangement with you;
- (b) request that you execute the attached Custodian's Undertaking in favour of the Security Trustee and comply with any entitlement orders and instructions, received by you from the Security Trustee, to deliver, transfer or assign the securities and monies (together with all certificates and other instruments evidencing title thereto) in the Charged Portfolio [and any entitlement orders or other instructions that you receive from the Security Trustee with respect to the Charged Portfolio shall constitute "Proper Instructions" for the purposes of the Custodian Agreement between us]*;

* To be inserted if State Bank and Trust Company are appointed Custodian.

- (c) confirm that you shall not be liable to us for any action taken or omitted to be taken by you in connection with the Custodian's Undertaking save in the case of wilful misconduct or gross negligence (and, to the maximum extent permitted by law, shall under no circumstances be liable for indirect, special, punitive or consequential damages);
- (d) indemnify you against any liabilities, costs, claims and expenses (including reasonable legal fees (whether incurred with external or internal legal advisors)) arising from or in connection with the Custodian's Undertaking or the Charged Portfolio, provided that nothing contained herein shall require that you be indemnified for your wilful misconduct or gross negligence;
- [(e)/(f)] [notwithstanding the terms of Section IX of the Custodian Agreement dated June 7, 2001, you shall be entitled to debit any of our accounts maintained by you, other than the account (designated with account number []) in the name of ACE Limited and the account (designated with account number []) in the name of ACE Bermuda Insurance Ltd. (hereinafter the "Charged Accounts") if we require you, your affiliates, subsidiaries or agents to advance cash or investments to, for or on behalf of the Charged Portfolio, for any purpose (including but not limited to securities settlements, foreign exchange contracts and assumed settlement) or in the event that you, your subcustodians or their respective nominees shall incur or be assessed any taxes (except your income taxes or those of any of your subcustodians), charges, expenses, assessment, claims or liabilities in connection with the performance of the Custodian's Undertaking except as may arise from your or your subcustodians' or their respective nominees' own gross negligent action, gross negligent failure to act or wilful misconduct. Any of our property at any time held by you (other than the Charged Portfolio) shall be security therefore and should we fail to repay you promptly, upon ten (10) days' written notice to us, you (save as otherwise provided above) shall be entitled to utilise available cash in any of our accounts (other than the Charged Accounts) maintained by you and to dispose of assets of any of our accounts (other than the Charged Accounts) maintained by you to the extent necessary to obtain reimbursement.]*
- [(f)/(g)] confirm that (except as may arise from your own gross negligence, bad faith, or wilful misconduct or the gross negligence, bad faith, or wilful misconduct of a subcustodian or agent) you shall be without liability to us for any loss, liability, claim or expense resulting from or caused by events or circumstances beyond your reasonable control, including, without limitation, the interruption, suspension or restriction of trading on or the closure of any securities markets, power or other mechanical or technological failures or interruptions not within your reasonable control, or computer viruses or communications disruptions, work stoppages, natural disasters, or other similar events or acts.

This notice shall be governed by and construed in accordance with the laws of the State of New York.

Yours faithfully,

.....

* To be inserted if State Bank and Trust Company are appointed Custodian.

For and on behalf of
ACE Limited

Dated _____

For and on behalf of
ACE Bermuda Insurance Ltd.

Dated _____

THE SECOND SCHEDULE

Custodian's Undertaking

Name of Custodian and address of its registered or principal office:

[]

Attn: []

Facsimile no: [] (the "Custodian")

Name of each Chargor and the address of its registered or principal office:

ACE Limited
ACE Global Headquarters
17 Woodbourne Avenue
Hamilton HM08
Bermuda

Facsimile no: +441 296 0087

ACE Bermuda Insurance Ltd.
ACE Global Headquarters
17 Woodbourne Avenue
Hamilton HM08
Bermuda

Facsimile no: +441 296 0087

((1) and (2) together the "Chargors" and each a "Chargor")

Name of Security Trustee and address of its registered or principal office:

Citibank International plc
336 Strand
London WC2R 1HB

Attn: Loans Agency

Facsimile no: +4420 7500 4482 (the "Security Trustee")

Date of Charge Agreement: [Date]

To: the Security Trustee

We, the Custodian, refer to the afore-mentioned Charge Agreement (the "Charge Agreement") between the Chargors and the Security Trustee. Save where the context otherwise requires, terms defined in the Charge Agreement shall have the same meanings herein.

In consideration of the Security Trustee and the other Finance Parties entering into the Agreement and issuing Letters of Credit thereunder and pursuant to instructions received by the Custodian from the Chargors, the Custodian hereby represents and irrevocably undertakes and agrees to and with the Security Trustee as follows:

1. The Custodian acknowledges the security interest granted by each Chargor in favor of Security Trustee in the Charged Portfolio.
2. Anything contained herein to the contrary notwithstanding, the Custodian will, without further consent by any Chargor (a) comply with Entitlement Orders originated by the Security Trustee with respect to the Charged Portfolio and any Security Entitlements carried therein, (b) transfer, sell or redeem any of the Charged Portfolio as directed by the Security Trustee, (c) transfer any or all of the Charged Portfolio to any account or accounts designated by the Security Trustee, including an account established in the Security Trustee's name (whether at the Security Trustee or the Custodian or otherwise), (d) register title to any of the Charged Portfolio in any name specified by the Security Trustee, including the name of the Security Trustee or any of its nominees or agents, without reference to any interest of either Chargor, or (e) otherwise deal with the Charged Portfolio as directed by the Security Trustee.
3. The Custodian hereby further acknowledges that it holds the Charged Portfolio, all Security Entitlements carried therein, and all other collateral held by the Custodian under this Custodian's Undertaking or the Charge Agreement, as custodian for the benefit of, and subject to the control of, the Security Trustee. The Custodian shall, by book entry or otherwise, indicate that the Charged Portfolio, and all Security Entitlements carried therein, are subject to the control of the Security Trustee as provided in Section 2.
4. The Custodian hereby represents and warrants (a) that the records of Custodian show that each Chargor is the sole owner of such Chargor's portion of the Charged Portfolio, (b) that the Custodian has not been served with any notice of levy or received any notice of any security interest in or other claim to the Charged Portfolio, or any portion of the Charged Portfolio, other than Security Trustee's claim pursuant to the Charge Agreement, (c) that the Custodian is not presently obliged to accept any entitlement order from any person with respect to the Charged Portfolio, except for entitlement orders that the Custodian is obligated to accept from the Security Trustee under this undertaking and entitlement orders that the Custodian, subject to the provisions of Section 10 below, is obligated to accept from the Chargors, (d) that the Custodian has all necessary corporate power and authority to enter into and perform this undertaking, (e) that the execution, delivery and performance of this undertaking by the Custodian have been duly authorized by all necessary corporate action on the part of the Custodian, (f) that the Custodian is a "securities intermediary" (as that term is defined in Section 8-102(a)(14) of the Uniform Commercial Code as in effect in the state of New York (the "Code")) and is acting in such capacity with respect to the Charged Portfolio and (g) that the Custodian

is not a "clearing corporation" (as that term is defined in Section 8-102(a)(5) of the Code).

5. Without the prior written consent of the Security Trustee, the Custodian will not enter into any agreement by which the Custodian agrees to comply with any entitlement order of any person other than the Security Trustee or, subject to the provisions of Section 10 below, the Chargors, with respect to any portion or all of the Charged Portfolio. The Custodian (a) shall promptly notify the Security Trustee if any person requests the Custodian to enter into any such agreement or otherwise assert or seeks to assert a lien, encumbrance or adverse claim against any portion or all of the Charged Portfolio and (b) will not acknowledge any limitation on the right of Security Trustee to originate "entitlement orders" (as such term is defined in Section 8-102(8) of the Code, "Entitlement Orders") with respect to or direct the transfer of the Charged Portfolio or any portion thereof.

6. The Custodian hereby agrees that: (i) each account comprising the Charged Portfolio established by the Custodian (each, a "Charged Account") is and will be maintained as a "securities account" (within the meaning of Section 8-501 of the Code); (ii) any credit balances or other property, other than cash, credited to, or held for the credit of, any such Charged Account shall be treated as "financial assets" (within the meaning of Section 8-102(a)(9) of the Code, "Financial Assets") and (iii) each Chargor is an "entitlement holder" (within the meaning of Section 8-102(a)(7) of the Code) in respect of the Financial Assets credited to such Charged Account and with respect to such Charged Account and Custodian shall so note in its records pertaining to such Financial Assets and each Charged Account; and (iv) all Financial Assets in registered form or payable to or to the order of and credited to any such Charged Account shall be registered in the name of, payable to or to the order of, or specially endorsed to, the Custodian or in blank, or credited to another securities account maintained in the name of the Custodian, and in no case will any Financial Asset credited to any such Charged Account be registered in the name of, payable to or to the order of, or endorsed to, either Chargor except to the extent the foregoing have been subsequently endorsed by such Chargor to the Custodian or in blank.

7. The Custodian will deliver to the Security Trustee within three business days of the Security Trustee's request therefor an up-to-date statement or statements of the Charged Portfolio, each component thereof and the aggregate value thereof.

8. The Custodian will in any event deliver to the Security Trustee not later than the tenth business day of each calendar month a statement or statements, made up as at the close of business on the last business day of the preceding calendar month, of the Charged Portfolio, each component thereof and the aggregate value thereof.

9. If trades of, or any transactions relating to, a component part of the Charged Portfolio are processed by the Custodian on any Business Day, the Custodian shall notify the Security Trustee as soon as possible (and in any event within three Business Days of such day) of the trades and transactions processed.

10. The Custodian acknowledges that the Security Trustee has the right, by delivery of written notice (a "Prohibition Notice") to the Custodian, to prohibit each Chargor from

effecting any withdrawals, sales, trades, transfers or exchanges of any of the Charged Portfolio and the Custodian agrees that upon delivery of a Prohibition Notice, the Custodian will cease to honor instructions from either of the Chargors with respect to the Charged Portfolio and will comply with any and all written instructions delivered by the Security Trustee to the Custodian and has no obligation to and will not, investigate the reason for any action taken by the Security Trustee, the amount of any obligations of any Chargor to the Security Trustee, the validity of any of the Security Trustee's claims against or agreements with either Chargor, the existence of any defaults under such agreements, or any other matter.

11. The Custodian acknowledges that, unless it receives written instructions from the Security Trustee to the contrary, it shall be entitled to process trades as it may be directed to do so under the terms of its custodial agreement with the [Chargors/each Chargor respectively] only to the extent such trades comprise a disposal to a third party in the market of a component part of the Charged Portfolio and the substitution therefor with the proceeds of such disposition or other securities, save that transfers can be made (i) to the Security Trustee in accordance with the terms of this undertaking or (ii) to any person with the Security Trustee's prior written consent or (iii) in respect of any part of the Charged Portfolio representing an excess over the Required Value, to the relevant Chargor or as it may direct, which excess will be determined by the Security Trustee and specified in written notice from the Security Trustee to the Custodian on the date of the request from the Chargors.

12. After delivery of a Prohibition Notice, the Custodian shall deliver, transfer or assign to the Security Trustee on the Security Trustee's first written demand securities and monies in the Charged Portfolio as directed by the Security Trustee and all certificates and other instruments evidencing title thereto or necessary or desirable in order for the Security Trustee to acquire good and marketable title thereto. The Security Trustee shall indicate the identity of the securities and monies it wishes to receive and the Custodian shall have no discretion in this matter and shall be fully protected in relying upon any direction received from the Security Trustee.

13. The Custodian agrees that it will not attempt to assert control, and does not claim and will not accept any security or other interest in any part of the Charged Portfolio, and will not exercise, enforce or attempt to enforce any claim, right of set-off, banker's lien, clearing lien, counterclaim or similar right against the Charged Portfolio or any portion thereof, or otherwise charge or deduct from the Charged Portfolio any amount whatsoever, except as provided below. All rights and interests of the Custodian in or towards the Charged Portfolio or any part thereof are and shall be subordinated and postponed to the Security Trustee's rights and interests therein under and pursuant to the Charge Agreement, save that the Custodian shall be entitled to debit any account of the relevant Chargor maintained with the Custodian with any reasonable fees or commissions due and owing by such Chargor to the Custodian in respect of the Charged Portfolio or part thereof or to settle any reasonable bank charges due and owing by such Chargor to the Custodian and incurred in the ordinary course of business for the purchase of securities and/or foreign exchange or contracts for foreign exchange.

14. Any notice, demand or other communication required to be:

(a) served on us by you hereunder, may be served by letter properly addressed and deposited with a recognised air express courier or transmitted by facsimile if (a) a telephone call is placed to the officer noted for address purposes on page 1 of this Custodian's Undertaking notifying such officer of the facsimile transmission and (b) the original is properly addressed and mailed. Any notice, demand or other communication shall be deemed to have been served on us on the third business day following if sent by recognised air express courier and when dispatched if sent in accordance with the facsimile procedures;

(b) made by us to you hereunder, may be transmitted by facsimile to the facsimile number and for the attention of the officer noted on page 1 of this Custodian's Undertaking, or to any substitute facsimile number or officer as you may notify to us.

15. The Custodian shall not amend, supplement or otherwise modify its agreements with the Chargors or the Security Trustee governing the establishment and maintenance of the Charged Accounts (including, without limitation the choice of law provision and provisions providing for treatment of property held in any Charged Account as a financial asset) in any respect without the Security Trustee's prior written consent.

16. This agreement shall remain in full force and effect until the Custodian receives written notice of its termination given by the Security Trustee and the Custodian shall not terminate the Charged Accounts, and shall not permit either Chargor to terminate the Charged Accounts, without the Security Trustee's prior written consent.

17. The Custodian hereby acknowledges that in the event any dispute arises between one or both Chargors, on the one hand, and the Security Trustee, on the other hand, with respect to the payment, ownership or right to possession of the Charged Portfolio or any portion thereof, the Custodian shall take such actions and shall refrain from taking such actions with respect thereto as may be directed by the Security Trustee.

18. THE CUSTODIAN AGREES that THIS UNDERTAKING shall be governed under and in accordance with the laws of the State of NEW YORK, without regard to conflict of laws principles AND FURTHER AGREES THAT ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST THE CUSTODIAN ARISING OUT OF OR RELATING TO THIS AGREEMENT MAY BE BROUGHT IN THE ENGLISH COURTS OR ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE, COUNTY AND CITY OF NEW YORK. For purposes of this undertaking, the State of New York shall be deemed to be the Custodian's jurisdiction.

19. Save as expressly provided herein, the Custodian shall have no further obligations or liabilities to the Security Trustee in relation to the Charged Portfolio and specifically shall have no liability or responsibility for monitoring or determining the compliance by any party with any other agreement including, without limitation, the Charge Agreement.

(Authorised Signatory)
for and on behalf of the Custodian

[Date]

THE SCHEDULE

PART A

The Required Value is at the date hereof:-

US\$100 (One hundred United States dollars)

or such other amount as may be agreed between the Security Trustee and the Chargors and notified to the Custodian by the Security Trustee from time to time.

PART B

The initial Security Trustee's Requirements are:-

To the extent of an aggregate amount not less than the Required Value, the Charged Portfolio shall at all times be comprised of the following:

- (a) cash,
- (b) fixed income securities issued by or fully and explicitly guaranteed by the central government of an OECD (Organisation for Economic Co-Operation and Development) country, and (c) fixed income securities issued by US government agencies (whose debt obligations are fully and explicitly guaranteed as to the timely payment of principal and interest by the full faith and credit of the US Government) as used in Appendix A, Section III (C), Category I to Regulation H as promulgated by the Board of Governors of the Federal Reserve System and the same are either (i) uncertificated and governed by the provisions of 31 C.F.R. Part 357 or such similar provisions of the Code of Federal Regulations, applicable to United States agency securities as are acceptable to the Security Trustee; or (ii) certificated.

REIMBURSEMENT AGREEMENT

among

**ACE LIMITED
ACE BERMUDA INSURANCE LTD.
ACE TEMPEST LIFE REINSURANCE 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

\$500,000,000 Secured Letter of Credit Facility

WACHOVIA SECURITIES*
Sole Book Runner and Lead Arranger

Dated as of December 20, 2001

*Wachovia Securities is the trade name under which First Union Securities, Inc. conducts its investment banking business.

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REIMBURSEMENT AGREEMENT

REIMBURSEMENT AGREEMENT dated as of December 20, 2001, among ACE Limited, a Cayman Islands company (the "Parent"), ACE Bermuda Insurance Ltd., a Bermuda company ("ACE Bermuda"), ACE Tempest Life Reinsurance Ltd., a Bermuda company ("Tempest Life"), and ACE Tempest Reinsurance Ltd., a Bermuda company ("Tempest") (ACE Bermuda, Tempest Life 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 secured credit facility in an amount up to \$500,000,000 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.

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

"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).

"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 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, New York, New York, London, England or Bermuda.

"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.

"Collateral" means all the assets, property and interests in property that shall from time to time be pledged or be purported to be pledged as direct or indirect security for the Obligations pursuant to any one or more of the Security Documents.

"Collateral Value" means, for any Business Day as of which it is being calculated, (a) for each category of Collateral set forth on Schedule III, an amount equal to the "Eligible Percentage" of the market value (or, as to cash, the dollar amount) thereof set forth opposite such category of Collateral on Schedule III, and (b) for the Collateral, in the aggregate, the sum of such amounts, in each case as of the close of business on the immediately preceding Business Day or, if such amount is not determinable as of the close of business on such immediately preceding Business Day, as of the close of business on the most recent Business Day on which such amount is determinable, which Business Day shall be not more than two (2) Business Days prior to the Business Day as of which the Collateral Value is being calculated; provided that the calculation of the Collateral Value shall be further subject to the terms and conditions set forth on Schedule III; and provided further that (i) no Collateral (including, without limitation, cash)

shall be included in the calculation of the Collateral Value unless the Administrative Agent has a first priority perfected Lien on and security interest in such Collateral pursuant to the Security Documents and (ii) until the Tempest Life Effective Date, any Collateral pledged by Tempest Life shall, for purposes of all calculations of the Collateral Value hereunder, be taken into account solely against Letter of Credit Obligations arising with respect to Letters of Credit issued for the account of Tempest Life.

"Collateral Value Report" has the meaning specified in Section 2.19(b).

"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.

"Custodial Account" means each custodial, brokerage or similar account of any Account Party maintained by a custodian, broker or other securities intermediary as a "securities account" within the meaning of Section 8-501(a) of the Uniform Commercial Code for such Account Party as the "entitlement holder" within the meaning of Section 8-102(7) of the Uniform Commercial Code pursuant to a Custodial Agreement, on which (and on the contents of which) a Lien has been granted as security for the Obligations.

"Custodial Agreement" means each custodial or similar agreement between the Account Parties (or any of them) and a Custodian, pursuant to which one or more Custodial Accounts are maintained, in each case as amended.

"Custodian" means (i) State Street (in its capacity as custodian of the State Street Custodial Accounts) and (ii) each other bank or financial institution that maintains a Custodial Account (in its capacity as custodian thereof), in each case including any sub-custodian.

"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, collectively, one or more letters of credit issued by First Union prior to the date hereof and outstanding on the Effective Date, which letters of credit are listed on Schedule II hereto.

"Expiration Date" shall mean December 19, 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 November 26, 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.

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

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

"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 First Union and 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, 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 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) \$500,000,000 (or such lesser amount as may be agreed in writing among the Account Parties, the Administrative Agent and the Issuing Bank) and (b) the aggregate amount of the LC Commitment Amounts then in effect.

"Letter of Credit Outstandings" at any time means the sum at such time of (a) the aggregate outstanding amount of Letter of Credit Advances and (b) the aggregate Available Amounts of all outstanding Letters of Credit, in each case after giving effect to any issuance or renewal of a Letter of Credit occurring on the date of determination and any other changes in the aggregate amounts under clauses (a) and (b) above as of such date, including as a result of any reimbursements of outstanding unpaid drawings under any Letter of Credit or any reductions in the maximum amount available for drawings under any Letter of Credit taking effect on such date.

"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.

"Letter of Instruction" means a letter in substantially the form of **Exhibit E**.

"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, (iii) each Letter of Credit Agreement, (iv) each Security Document and (v) each Letter of Instruction, 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.

"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.

"Obligations" means all obligations of every nature of the Account Parties from time to time owing, due or payable to either Agent or to any Bank under this Agreement or any of the other Loan Documents, whether for principal, reimbursement for payments made under Letters of Credit (including, without limitation, Existing Letters of Credit), interest (including, to the greatest extent permitted by law, post-petition interest), fees, expenses, indemnities or any other obligations, and whether now existing or hereafter incurred, created or arising and whether direct or indirect, absolute or contingent, or due or to become due (including obligations of performance).

"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 Collateral Liens" has the meaning specified in Section 5.02(a).

"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.

"Pledge and Security Agreement" means the Pledge and Security Agreement made by the Account Parties party thereto in favor of the Administrative Agent, in substantially the form of Exhibit D, as amended.

"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.

"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.

"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.

"Security Documents" means, collectively, (i) the Pledge and Security Agreement and all other security agreements, pledge agreements, charges and mortgages at any time delivered to the Administrative Agent to create or evidence the Liens securing the Obligations, and (ii) the State Street Control Agreements and all other control agreements and similar agreements pursuant to which a Lien on a Custodial Account (and on the contents thereof) securing the Obligations is perfected in favor of the Administrative Agent, in each case under (i) and (ii), as amended.

"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.

"State Street" means State Street Bank and Trust Company.

"State Street Control Agreements" means, collectively, the control agreements among State Street, the Administrative Agent and (respectively) each of the Account Parties, each in form and substance reasonably satisfactory to the Administrative Agent, pursuant to which a Lien on the State Street Custodial Accounts and the contents thereof and all security entitlements related thereto securing the Obligations is perfected in favor of the Administrative Agent, as amended.

"State Street Custodial Accounts" means, collectively, the Custodial Accounts of each of the Account Parties pledged pursuant to the Pledge and Security Agreement and in which the Administrative Agent's Lien is perfected pursuant to the State Street Control Agreements.

"State Street Custodial Agreements" means, collectively, the Custodial Agreements, each dated as of December 14, 2001, between State Street and (respectively) each of the Account Parties, in each case as amended.

"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**.

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

"Tempest Life Effective Date" has the meaning specified in Section 7.01(c).

"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).

"Uniform Commercial Code" has the meaning specified in the Pledge and

Security Agreement.

"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.

"U.S. Government Securities" means securities issued or unconditionally guaranteed by the United States of America or any agency or instrumentality thereof and backed by the full faith and credit of the United States of America.

"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. From and after the Effective Date, the Existing Letters of Credit shall be Letters of Credit hereunder. 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 lesser of (x) the Letter of Credit Issuance Commitment Amount and (y) the aggregate Collateral Value, 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.

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, 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).

In addition, the applicable Account Party shall deliver to the Administrative Agent a Collateral Value Report not later than 11:00 A.M. Charlotte, North Carolina time on the Letter of Credit Business Day immediately preceding the date on which such Letter of Credit is to be issued.

The Administrative Agent shall, promptly upon receiving a copy of the notice referred to in clause (i) above, notify the Banks of such proposed Letter of Credit (which notice shall specify the 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 (including for purposes of Section 2.02(a)) 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.

(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, 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. 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 or renewal 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, renewal and expiration dates of Letters of Credit issued or renewed 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.

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 as provided in the first sentence of this clause (i), (x) 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, and (y) each Account Party shall be deemed to have delivered an irrevocable and continuing Letter of Instruction to the Administrative Agent (which each Account Party hereby irrevocably authorizes the Administrative Agent to date the date that such payment to the Administrative Agent is due and payable and to deliver to the Persons identified therein) instructing the Administrative Agent to obtain, receive and apply at or after such time such part of the Collateral or the proceeds thereof as is equivalent to such reimbursement obligation and any interest thereon that may accrue prior to such application.

(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 or Reduction of the LC Commitment Amounts. 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.

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 commencing December 31, 2001 and on the Expiration Date, at a rate equal to 0.08% per annum 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.

(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 March, June, September and December commencing December 31, 2001 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 outstanding from time to time at a rate equal to 0.30% per annum.

(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. With respect to the Existing Letters of Credit, First Union 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 First Union) as if the Existing Letters of Credit were issued hereunder on the Effective Date.

(iii) Notwithstanding the foregoing provisions of this Section 2.05(c), until the Tempest Life Effective Date, Tempest Life shall be obligated under this Section 2.05(c) only for the portion of such fees, commissions and charges allocable or attributable to Letters of Credit issued for its own account.

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 or the making of Letter of Credit Advances (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 and 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 and Letter of Credit Advances 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 to the extent resulting from the gross negligence or willful misconduct of the Issuing Bank, as finally determined by a court of competent jurisdiction. 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 (or any drawing under such a letter of credit) 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 (or any drawing under such a letter of credit) to fund such participation. The deposit of funds in a Downgrade Account by any Downgraded Bank (or any drawing under such a letter of credit) 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 (or any drawing under such a letter of credit) 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 (or, if applicable, not draw under any such letter of credit in excess of the L/C 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 (or, if applicable, return such letter of credit to such Bank for cancellation).

(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 with a Letter of Credit issued by the New 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 Business Day of each March, June, September and December and (4) each day on which the LC Commitment Amounts are to be reduced pursuant to Section 2.04 (it being understood that no requested reduction shall be permitted to the extent that, after making a calculation pursuant to this clause (e), such reduction would be greater than the unused portion of the LC Commitment Amounts).

(f) If, on the last Business Day of each March, June, September and December, 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, and any failure of a Bank so to respond shall be deemed to be such Bank's determination not to extend. 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 of 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 Bank 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 Collateral.

(a) Pursuant to the Security Documents and as collateral security for the payment and performance of the Obligations, the Account Parties shall grant and convey, or cause to be granted and conveyed, to the Administrative Agent for its benefit and the benefit of the Banks, a Lien and security interest in, to and upon the Collateral, prior and superior to all other Liens. Each Account Party shall cause the Collateral to be charged or pledged and be made subject to the Security Documents (in form and substance acceptable to the Administrative Agent) necessary for the perfection of the Lien and security interest in, to and upon the Collateral and for the exercise by the Administrative Agent and the Banks of their rights and remedies hereunder and thereunder. Notwithstanding the foregoing, and for the sake of clarity, until the Tempest Life Effective Date, the Obligations secured by any Collateral pledged by Tempest Life shall not include any Obligations of Tempest Life under Article VII of this Agreement.

(b) (i) On the Letter of Credit Business Day immediately preceding the proposed date of issuance or renewal of a Letter of Credit under Section 2.02(a), (ii) within ten (10) Business Days after the end of each calendar month, and (iii) at and as of such other times as the Administrative Agent or the Required Banks may reasonably request in its (or their) sole discretion, the Account Parties shall deliver or cause to be delivered to the Administrative Agent a certificate executed by the Parent, in the form of Exhibit B or otherwise in a form reasonably satisfactory to the Administrative Agent (which form may vary depending on the frequency of the delivery of such certificate), setting forth the Letter of Credit Outstandings, the Collateral Value of the Collateral by category and in the aggregate, and such other information as the Administrative Agent may reasonably request (such certificate, a "Collateral Value Report"). Such certificate shall be subject to review and verification by the Administrative Agent, it being understood and agreed that the Administrative Agent shall have the right to redetermine the Collateral Value of the Collateral in accordance with the terms and provisions of this Agreement and the Security Documents.

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 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) Copies of the Pledge and Security Agreement, duly completed and executed by each Account Party that is a party thereto, the State Street Control Agreements, each duly completed and executed by State Street and by the Account Party that is a party thereto, and the State Street Custodial Agreements.

(B) 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.

(C) 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.

(D) 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)(B) 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.

(E) 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.

(F) 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, Tempest Life 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.

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 September 30, 2001, and the related Consolidated statements of income and cash flows of the Parent and its Subsidiaries for the nine 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 September 30, 2001, and said statements of income and cash flows for the nine 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 September 30, 2001 balance sheet and statements, to the absence of footnotes). Since December 31, 2000, there has been no Material Adverse Change.

(h) The Parent has delivered to the Administrative Agent a true and correct copy of each State Street Custodial Agreement as in effect as of the date of this Agreement. Each State Street Custodial Agreement is in full force and effect and no default or event of default by any Account Party exists thereunder.

(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. None of the Collateral constitutes or will constitute Margin Stock.

(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 (S) 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).

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. Ensure that at all times the claims of the Banks, the Issuing Bank and the Agents against it under the Loan Documents will rank at least pari passu with the claims of all its other unsecured and unsubordinated creditors, except for claims which are preferred by any bankruptcy, insolvency, liquidation or other similar laws of general application or are mandatorily preferred by law applying to insurance companies generally.

(j) Additional Collateral. Comply with the provisions of this Section regarding any new or additional Collateral. The Account Parties may from time to time add Collateral to the State Street Custodial Accounts without the necessity of executing or delivering any documents pursuant to this Agreement (but subject to the provisions of Section 5.02(g)). The Account Parties may from time to time pledge new or additional Collateral contained in Custodial Accounts other than the State Street Custodial Accounts by executing and delivering to the Administrative Agent either a supplement to the Pledge and Security Agreement in the form attached thereto (in the case of any new Custodial Account maintained with State Street), or a new pledge and security agreement (in substantially the form of the Pledge and Security Agreement) or other pledge agreement, security agreement or charge (in the case of any new Custodial Account maintained with another Custodian), in form and substance reasonably satisfactory to the Administrative Agent, and by causing to be executed and delivered to the Administrative Agent a control agreement or such other Security Documents as the

Administrative Agent shall reasonably require together with such other documents, certificates and opinions (including opinions as to the validity and perfection of the Administrative Agent's Lien on such Collateral), in form and substance reasonably satisfactory to the Administrative Agent, as the Administrative Agent may reasonably request in connection therewith; and the applicable Account Parties will take such other action as the Administrative Agent may reasonably request to create in favor of the Administrative Agent a perfected security interest in and Lien on the Collateral being pledged pursuant to the documents described above.

(k) Custodial Account Statements. Cause to be delivered to the Administrative Agent, promptly upon receipt after the end of each calendar month, a monthly statement of each Custodial Account prepared by the Custodian thereof, showing the assets credited to such account as of the date of such statement.

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 (including, without limitation, Liens created by the Security Documents) 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;

(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;

(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 JPMorgan Chase Bank, as administrative agent, as amended, modified, supplemented or restated from time to time; and

(xix) Liens securing up to an aggregate amount of \$200,000,000 of obligations of Tempest, the Parent or any wholly owned Subsidiary, arising out of catastrophe bond financing.

Notwithstanding the foregoing provisions of this subsection (a) or any other provision of this Agreement or any other Loan Document, in no event shall any Account Party create, incur, assume or suffer to exist any Lien on or with respect to the Collateral or any portion thereof other than (w) the Liens created in favor of the Administrative Agent under the Security Documents, (x) Liens described in clause (a) of the definition of Permitted Liens, (y) Liens described in clause (xv) above, and (z) Liens in favor of any Custodian pursuant to such Custodian's standard Custodial Agreements securing payment of such Custodian's customary fees, commissions and charges (the Liens described in clauses (w), (x), (y) and (z), collectively, "Permitted Collateral Liens").

(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); provided, however, that the provisions of Section 5.02(g) shall apply independent of this Section 5.02(d).

(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.

(g) Collateral. Permit (i) the Letter of Credit Outstandings to exceed the aggregate Collateral Value at any time or (ii) the average rating (calculated on a weighted average basis) of the securities included within the calculation of the aggregate Collateral Value to be less than "A-" (with rating methodologies to be taken into account in the manner set forth in Schedule III). The Account Parties may from time to time add Collateral to or sell, deliver, transfer or otherwise withdraw Collateral from any Custodial Account (including, without limitation, by trading of securities), but only so long as (i) immediately after giving effect thereto no Default or Event of Default would exist and (ii) with respect to the addition or termination (or removal as Collateral) of Custodial Accounts, the Account Parties comply with any applicable restrictions and conditions set forth in the Security Documents.

(h) Custodial Agreements. Make or permit any amendment or modification to any Custodial Agreement that is adverse in any material respect to the interests of the Account Parties or the Banks.

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 PricewaterhouseCoopers 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 (which schedule shall include a statement as to the ratio of the aggregate Collateral Value to the Letter of Credit Outstandings as of the end of each calendar month during the period covered by such financial statements, to the extent not previously furnished to the Agents and the Banks).

(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 (which schedule shall include a statement as to the ratio of the aggregate Collateral Value to the Letter of Credit Outstandings as of the end of each calendar month during the period covered by such financial statements).

(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) 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.

(h) 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.

(i) 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 (other than 5.02(g)) 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 (1) in the case of any covenant contained in Section 5.02(g), three Business 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, and (2) in all other cases, 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 any Security Document shall for any reason (other than pursuant to the terms thereof) cease to create in favor of the Administrative Agent a valid and perfected first priority Lien on and security interest in the Collateral purported to be covered thereby; or the Administrative Agent shall cease for any reason to hold a perfected first priority Lien on and security interest in the Collateral; 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; or

(n) any Custodial Agreement is amended or modified in any manner that is inconsistent with the terms of the Loan Documents or that otherwise could reasonably be expected to have a Material Adverse Effect, or is terminated, or ceases to be in full force and effect or is declared by a court of competent jurisdiction to be null and void, invalid or unenforceable in any material respect, or any party thereto denies that it has any further liability or obligation thereunder; or

(o) any Account Party shall (i) change its name, identity or corporate structure, (ii) change its chief executive office from the location thereof listed on Annex A to the Pledge and Security Agreement, or (iii) change the jurisdiction of its incorporation or organization from the jurisdiction listed on Annex A to the Pledge and Security Agreement (whether by merger or otherwise), unless in each case such Account Party has (1) given twenty (20) days' prior written notice to the Administrative Agent of its intention to do so, together with information regarding any such new location and such other information in connection with such proposed action as the Administrative Agent may reasonably request, and (2) delivered to the Administrative Agent ten (10) days prior to any such change or removal such documents, instruments and financing statements as may be required by the Administrative Agent, all in form and substance satisfactory to the Administrative Agent, paid all necessary filing and recording fees and taxes, and taken all other actions reasonably requested by the Administrative Agent (including, at the request of the Administrative Agent, delivery of opinions of counsel reasonably satisfactory to the Administrative Agent to the effect that all such actions have been taken), in order to perfect and maintain the Lien upon and security interest in the Collateral provided for in the Pledge and Security Agreement in accordance with the provisions of Section 3(c) thereof; provided that an Event of Default under this subsection shall not occur unless any failure of any Account Party to perform or observe any provision of this subsection shall remain unremedied for 30 days after the earlier of the date on which (y) a Responsible Officer becomes aware of such failure or (z) written notice thereof shall have been given to such Loan Party by any Agent or any Bank;

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, and/or (iii) shall at the request, or may with the consent, of the Required Banks, proceed to exercise the rights and remedies of the Administrative Agent and the Banks under the Loan Documents and applicable law, including, without limitation, by dating, delivering and acting upon Letters of Instruction; 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) Subject to subsection (c) below, 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 Obligations of 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. For the avoidance of doubt, notwithstanding the limitations of subsection (c) below as to the guarantee obligations of Tempest Life, all other Account Parties at all times, including prior to the Tempest Life Effective Date, jointly and severally, unconditionally, absolutely and irrevocably guarantee the full and punctual payment (whether at stated maturity, upon acceleration or otherwise) of all Obligations of Tempest Life.

(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.

(c) Notwithstanding anything to the contrary in this Agreement, the guarantee made by Tempest Life under this Article VII shall not be effective until the date (the "Tempest Life Effective Date") on which Tempest Life receives the necessary direction or exemption from the Bermuda Supervisor of Insurance to the effect that any liability with respect to its guaranty provided under this Article VII, until a claim or demand is made or funds are drawn against, directly or indirectly, under this Article VII, need not be recorded as a liability and thereby decrease its statutory capital and surplus as determinable under the Insurance Act 1978 of Bermuda and the related regulations. Upon the Tempest Life Effective Date, automatically and without necessity of any acknowledgment or affirmation by Tempest Life or any further action by any party, the guarantee made by Tempest Life under this Article VII shall become effective and the obligations of Tempest Life under this Article VII shall become Obligations for all purposes of this Agreement and the other Loan Documents. The Administrative Agent shall promptly notify the Banks of the date and occurrence of the Tempest Life Effective Date.

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 (including with respect to any Collateral) 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 of 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.

SECTION 8.07 Collateral Matters.

(a) The Administrative Agent is authorized on behalf of the Banks, without the necessity of any further notice to or consent from any of the Banks, from time to time to take any action with respect to any Collateral or Security Document that may be necessary or as it may deem to be appropriate to perfect, maintain and protect the security interests in and Liens on the Collateral granted pursuant to the Security Documents.

(b) The Banks irrevocably authorize the Administrative Agent to release any security interest in or Lien on the Collateral held by it pursuant to the Security Documents (i) upon the termination of the Issuing Bank's obligation to issue Letters of Credit hereunder, the payment in full of the Obligations and the satisfaction and termination in full of all other Letter of Credit Outstandings, (ii) that is sold or disposed of as permitted hereunder or any other Loan Document or to which the requisite number or percentage of Banks have consented or (iii) otherwise pursuant to and in accordance with the provisions of any applicable Loan Document. Upon request by the Administrative Agent at any time, the Banks will confirm in writing the Administrative Agent's authority to release Collateral pursuant to this subsection (b).

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, (viii) limit the liability of any Loan Party under any of the Loan Documents, or (ix) release any of the Collateral if such release would cause the aggregate Collateral Value to be less than the Letter of Credit Outstandings; 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; 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 (including, without limitation, in connection with the sale of, collection from, or other realization upon, the Collateral), 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 unmatured. 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 unless it is an assignment of the entire amount of such assignor's LC Commitment Amount, (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 any other rights that are expressly provided hereunder to survive) 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 and to the parties to such Assignment and Acceptance.

(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 LIFE REINSURANCE LTD.

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

Director

Secretary

(signatures continued)

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
17 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: _____

JPMORGAN CHASE BANK, as an Initial Bank

By: _____

Title: _____

THE BANK OF NEW YORK, as an Initial Bank

By: _____

Title: _____

BARCLAYS BANK PLC, as an Initial Bank

By: _____

Title: _____

(signatures continued)

COMERICA BANK, as an Initial Bank

By: _____

Title: _____

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

By: _____

Title: _____

By: _____

Title: _____

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

By: _____

Title: _____

ROYAL BANK OF CANADA, as an Initial Bank

By: _____

Title: _____

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

By: _____

Title: _____

SCHEDULE I

LC COMMITMENT AMOUNTS

First Union National Bank	\$	75,000,000
Fleet National Bank	\$	65,000,000
JPMorgan Chase Bank	\$	65,000,000
The Bank of New York	\$	42,500,000
Barclays Bank PLC	\$	42,500,000
Comerica Bank	\$	42,500,000
Deutsche Bank AG, New York Branch	\$	42,500,000
Mellon Bank, N.A.	\$	42,500,000
Royal Bank of Canada	\$	42,500,000
Bank One, N.A.	\$	40,000,000
Total		\$500,000,000.00
		=====

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 -----
JPMorgan Chase Bank	Financial Institutions Group 270 Park Avenue, 15/th/ Floor New York, New York 10017 Attn: Helen Newcomb Telephone: (212) 270-6260 Telecopy: (212) 270-1511 -----
The Bank of New York	Insurance Division One Wall Street, 17/th/ Floor New York, New York 10286 Attn: David Trick, VP Telephone: (212) 635-7273 Telecopy: (212) 809-9520 -----
Barclays Bank PLC	P.O. Box 544 1/st/ Floor 54 Lombard Street London EC3V 9EX England Attn: Neil Holmes Telephone: 44 (0) 20 7699 3125 Telecopy: 44 (0) 20 7699 2407 Copies to: Barclays Capital GSU, 5 North Colonnade Canary Wharf London E14 4BB England Attn: Graham Smart Telephone: 44 (0) 20 7773 6450 Telecopy: 44 (0) 20 7773 6807 -----

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 Branch	31 West 52nd/ Street Mail Stop NYC01-2402 New York, New York 10019 Attn: Clinton M. Johnson Telephone: (212) 469-8101 Telecopy: (212) 469-8366
Mellon Bank, N.A.	One Mellon Center, Room 4401 Pittsburgh, Pennsylvania 15258 Attn: Karla Maloof Telephone: (412) 236-4147 Telecopy: (412) 234-8087
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
Royal Bank of Canada	Royal Bank of Canada, New York Branch One Liberty Plaza, 3rd/ Floor New York, New York 10006-1404 Attn: Manager, Loans Administration Telephone: (416) 955-6679 Telecopy: (416) 955-6722 with a copy of notices to: Royal Bank of Canada One Liberty Plaza, 3rd/ Floor New York, New York 10006-1404 Attn: Alexander Birr Telephone: (212) 428-6404 Telecopy: (914) 696-6717

SCHEDULE II

Existing Letters of Credit

1. Letter of Credit No. SM419401P Beneficiary: UNUM Life Insurance Company of America Amount: \$129,507,168 Effective Date: Dec 14, 2001

SCHEDULE III

Methodology for Calculation of Collateral Values

In order to be included in the calculation of aggregate Collateral Value (in addition to other requirements set forth in the Reimbursement Agreement and this Schedule), investments shall satisfy each of the criteria (including as to rating) under one of the categories listed below. In addition, the following conditions shall apply:

1. No portion of the Collateral (other than U.S. Government Securities) consisting of securities of a single issuer shall exceed 10% of the Collateral Value at any time.
2. No security shall be included in the calculation of aggregate Collateral Value unless it is listed on a national securities exchange or freely tradeable at readily established prices in over-the-counter transactions.
3. For purposes of this Schedule and each Collateral Value Report, all maturities are calculated from the relevant date of determination of the Collateral Value.
4. For purposes of calculating the average rating of the Collateral included in the calculation of the aggregate Collateral Value, (a) Moody's ratings shall be converted to their respective S&P equivalents in accordance with established practice, and (b) commercial paper rated "A2" shall be deemed

to be rated "A."

Category of Investment/Security	Eligible Percentage
Cash (denominated in U.S. Dollars)	100%
Prime bank certificates of deposit issued by U.S. banks rated Aa3/AA- or better	95%
U.S. Government Securities	
Maturity 2 years or less	95% of Market
Maturity over 2 years	90% of Market
Investment-grade municipal bonds (Rating Aaa/AAA - Baa3/BBB-)	
Maturity 5 years or less	85% of Market
Maturity over 5 years	80% of Market
Investment-grade corporate bonds (Rating Aa3/AA- or better, non-convertible, NYSE-traded)	
Maturity 2 years or less	90% of Market
Maturity over 2 years	85% of Market
Investment-grade corporate bonds (Rating A1/A+ to Baa3/BBB-, non-convertible, NYSE-traded)	
Maturity 2 years or less	85% of Market
Maturity over 2 years	80% of Market
Commercial paper (Rating A1-A2, P1-P2)	85% of Market

SCHEDULE 4.01(B)

Subsidiaries

[attached hereto]

EXHIBIT A

Form of 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 _____, 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 the Second Amendment and Restatement of Letter of Credit Facility Agreement dated November 21, 2001 among ACE Limited, ACE Bermuda Insurance Ltd., certain other financial institutions and Citibank International plc, as Agent and Security Trustee.

EXHIBIT B

Form of Collateral Value Report

_____, 200__

First Union National Bank,
as Administrative Agent
Charlotte Plaza Building CP-23
201 South College Street
Charlotte, North Carolina 28288-0680
Attn: Syndication Agency Services

Ladies and Gentlemen:

Reference is made to the Reimbursement Agreement dated as of _____, 2001 among ACE Limited, ACE Bermuda Insurance Ltd., ACE Tempest Life Reinsurance Ltd. and ACE Tempest Reinsurance Ltd., as Account Parties, the Banks party thereto, and First Union National Bank, as Administrative Agent (as amended or otherwise modified from time to time, the "Reimbursement Agreement"). Terms defined in the Reimbursement Agreement are, unless otherwise defined herein or the context otherwise requires, used herein as defined therein.

This Collateral Value Report is delivered pursuant to Section 2.19(b) of the Reimbursement Agreement. The date of this Collateral Value Report is _____, 200__ (the "Report Date"). Set forth below is the Collateral Value of the Collateral and certain other information required by Section 2.19(b) of the Reimbursement Agreement as of _____, 200__ (the "Valuation Date"), calculated in accordance with the definition of Collateral Value contained in the Reimbursement Agreement and the other provisions of the Agreement (including Schedule III to the Reimbursement Agreement):

Type of Security	Amount/ Market Value	Eligible Percentage	Collateral Value
Cash Denominated in U.S. Dollars		100%	
Prime bank certificates of deposit issued by U.S. banks rated Aa3/AA- or better		95%	
U.S. Government and U.S. Government Agency Obligations			
Maturity 2 years or less		95% of Market	
Maturity over 2 years		90% of Market	
Investment Grade Municipal Bonds (Rating Aaa-Baa3)			
Maturity 5 years or less			
Maturity over 5 years		85% of Market	

Type of Security	Amount/ Market Value	Eligible Percentage	Collateral Value
Maturity over 5 years		80% of Market	
Investment Grade Corporate Bonds (Rating Aa3 or better, Non-convertible, NYSE)			
Maturity 2 years or less		90% of Market	
Maturity over 2 years		85% of Market	
Investment Grade Corporate Bonds (Rating Baa3 to A1, Non-convertible, NYSE)			
Maturity 2 years or less		85% of Market	
Maturity over 2 years		80% of Market	
Commercial Paper (Rating A1-A2, P1-P2)		85% of Market	
Total			\$

Outstanding Letters of Credit

Beneficiary	Date	Undrawn Amount	Unreimbursed Drawings
		\$	\$

Total \$ \$

Ratio of Aggregate Collateral Value to Letter of Credit Outstandings: _____

The Parent certifies that the foregoing information correctly sets forth the Collateral Value (in the aggregate and for each category of Collateral) and the Letter of Credit Outstandings as of the Valuation Date, that the Letter of Credit Outstandings do not exceed the aggregate Collateral Value as of the Valuation Date, and that nothing has come to the attention of the undersigned to cause the undersigned to believe that the Letter of Credit Outstandings exceed the aggregate Collateral Value as of the Report Date.

ACE LIMITED

By: _____

Name: _____

Title: _____

EXHIBIT E

Form of Letter of Instruction

_____, 200_

First Union National Bank,
as Administrative Agent
Charlotte Plaza Building CP-23
201 South College Street
Charlotte, North Carolina 28288-0680
Attn: Syndication Agency Services

Ladies and Gentlemen:

Reference is made to the Reimbursement Agreement, dated as of _____, 2001, among ACE Limited, ACE Bermuda Insurance Ltd., ACE Tempest Life Reinsurance Ltd. and ACE Tempest Reinsurance Ltd., as Account Parties, the Banks party thereto, and First Union National Bank, as Administrative Agent (as amended or otherwise modified from time to time, the "Reimbursement Agreement"). Terms defined in the Reimbursement Agreement are, unless otherwise defined herein or the context otherwise requires, used herein as defined therein.

We refer to the notification received from the Administrative Agent pursuant to Section 2.03(a) of the Reimbursement Agreement that requires us to make on the date of this letter a reimbursement payment (the "Required Payment") with respect to a drawing under a Letter of Credit issued under the Reimbursement Agreement. Pursuant to this notification and inasmuch as the Required Payment has not been made, we hereby irrevocably authorize and direct you to liquidate and receive the proceeds of Collateral in an amount equal to the Required Payment plus interest thereon as provided in the Reimbursement Agreement.

We further irrevocably authorize and direct you to deliver this letter to the Custodian or any other Person (and we agree that they may rely hereon and are hereby irrevocably authorized and instructed to act in reliance hereon without further consent or authorization from us or any other Account Party) as you may deem to be appropriate to give effect to the authorization and direction contained herein.

Very truly yours,

for and on behalf of

ACE Limited Selected Financial Data

(in thousands of U.S. dollars, except share, per share data, and selected data)	For the years ended December 31,			For the three months ended December 31,	For the years ended September 30,	
	2001	2000	1999	1998	1998	1997
Operations data:						
Net premiums earned						
Property and casualty premiums	\$5,510,897	\$4,534,763	\$2,485,737	\$218,007	\$894,303	\$805,372
Life and annuity premiums	406,280	--	--	--	--	--
	5,917,177	4,534,763	2,485,737	218,007	894,303	805,372
Net investment income	785,869	770,855	493,337	85,095	324,254	253,440
Net realized gains (losses) on investments	(58,359)	(38,961)	37,916	130,154	188,385	127,702
Losses and loss expenses	4,552,456	2,936,065	1,639,543	111,169	516,892	486,140
Life and annuity benefits	401,229	--	--	--	--	--
Policy acquisition costs and administrative expenses	1,614,667	1,393,432	833,312	69,030	271,566	153,486
Amortization of goodwill	79,571	78,820	45,350	4,435	12,834	7,325
Interest expense	199,182	221,450	105,138	4,741	25,459	11,657
Income tax expense (benefit)	(78,674)	93,908	28,684	5,342	20,040	25,181
Income (loss) before cumulative effect of adopting a new accounting standard	(123,744)	542,982	364,963	238,539	560,151	502,725
Cumulative effect of adopting a new accounting standard (net of income tax)	(22,670)	--	--	--	--	--
Net income (loss)	(146,414)	542,982	364,963	238,539	560,151	502,725
Dividends on FELINE PRIDES	25,594	18,391	--	--	--	--
Net income (loss) available to holders of Ordinary Shares	\$ (172,008)	\$ 524,591	\$ 364,963	\$238,539	\$560,151	\$502,725
Diluted earnings (loss) per share before cumulative effect of adopting a new accounting standard	\$ (0.64)	\$ 2.31	\$ 1.85	\$ 1.21	\$ 2.96	\$ 2.69
Diluted earnings (loss) per share/(1)/	\$ (0.74)	\$ 2.31	\$ 1.85	\$ 1.21	\$ 2.96	\$ 2.69

/(1)/ Diluted earnings (loss) per share is calculated by dividing net income (loss) available to holders of Ordinary Shares by weighted average shares outstanding - diluted.

(in thousands of U.S. dollars, except share, per share, and selected data)	For the years ended December 31,			For the three months ended December 31,	For the years ended September 30,	
	2001	2000	1999	1998	1998	1997
Balance sheet data (at end of period)						
Total investments and cash	\$ 15,935,913	\$ 13,762,324	\$ 12,875,535	\$ 6,214,900	\$ 6,201,074	\$ 4,787,916
Total assets	37,186,764	31,689,526	30,122,888	8,834,305	8,788,753	5,647,596
Net unpaid losses and loss expenses	10,339,014	9,330,950	8,908,817	2,577,805	2,678,341	2,006,873
Net future policy benefits for life and annuity contracts	377,395	-	-	-	-	-
Mezzanine equity	311,050	311,050	-	-	-	-
Shareholders' equity	6,106,707	5,420,211	4,450,560	3,909,577	3,714,270	2,785,155
Diluted book value per share	\$ 23.59	\$ 23.25	\$ 20.28	\$ 20.19	\$ 19.14	\$ 15.40
Selected data						
Loss and loss expense ratio/(2)/	82.6%	64.7%	66.0%	51.0%	57.8%	60.4%
Underwriting and administrative expense ratio/(3)/	29.1%	30.8%	33.5%	31.7%	30.4%	19.0%
Combined ratio/(4)/	111.7%	95.5%	99.5%	82.7%	88.2%	79.4%
Net loss reserves to capital and surplus ratio/(5)/	175.5%	172.2%	200.2%	65.9%	72.1%	72.1%
Weighted average shares outstanding-diluted	233,799,588	227,418,430	197,626,354	197,349,356	189,281,175	186,809,023
Cash dividends per share	\$ 0.58	\$ 0.50	\$ 0.42	\$ 0.09	\$ 0.34	\$ 0.27

/(2)/ The loss and loss expense ratio is calculated by dividing the losses and loss expenses by property and casualty net premiums earned.

/(3)/ The underwriting and administrative expense ratio is calculated by dividing the policy acquisition costs and administrative expenses by property and casualty net premiums earned.

/(4)/ The combined ratio is the sum of the loss and loss expense ratio and the underwriting and administrative expense ratio.

/(5)/ The net loss reserves to capital and surplus ratio is calculated by dividing the net unpaid losses and loss expenses by shareholders' equity.

The above table sets forth selected consolidated financial data of the Company as of and for the years ended December 31, 2001, 2000 and 1999, the three months ended December 31, 1998, and for each of the years in the two-year period ended September 30, 1998. These selected financial and other data should be read in conjunction with the consolidated financial statements and related notes and with "Management's Discussion and Analysis of Results of Operations and Financial Condition," presented on pages 54 to 102 and 32 to 53 respectively, of this annual report. On July 2, 1999, the Company changed its fiscal year end from September 30 to December 31. This change was implemented retroactively to December 31, 1998, so that the 1999 fiscal year is for the twelve-month period ended December 31, 1999.

Management's Discussion and Analysis of Results of Operations and Financial Condition is a discussion of ACE's results of operations, financial condition, liquidity and capital resources. This discussion should be read in conjunction with our consolidated financial statements and related notes, presented on pages 52 to 100 of this annual report.

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 ACE may include forward-looking statements which reflect our 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 we file 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 our 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 ACE to insurance regulation or taxation in additional jurisdictions or amending, revoking or enacting any laws, regulations or treaties affecting our current operations and other legal, regulatory and legislative developments; (vi) the actual amount of new and renewal business and market acceptance of our products; (vii) risks associated with the introduction of new products and services; (viii) the competitive environment in which we operate, related trends and associated pricing pressures, market perception, and developments; (ix) actions that rating agencies may take from time to time; (x) developments in global financial markets, which could affect our 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 our executive officers without suitable replacements being recruited in a reasonable timeframe; (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", "should", "plan", "expect", "intend", "hope", "will likely result", or "will continue," 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. We undertake no obligation to publicly update or review any forward-looking statements, whether as a result of new information, future events or otherwise.

General

ACE, through its various subsidiaries, provides a broad range of insurance and reinsurance products to insureds worldwide. We currently operate through six business segments: ACE Bermuda, ACE Global Markets, ACE Global Reinsurance (includes both property and casualty reinsurance business and life reinsurance business), ACE USA, ACE International and ACE Financial Services. Our segments are structured on a geographic basis. Following recent management changes we are reassessing the manner in which we present our segments.

During 1999, we made two substantial acquisitions that were accounted for under the purchase method of accounting, which requires that income from the acquired company only be included in our results from the date of acquisition. These acquisitions are described below.

On July 2, 1999, we acquired CIGNA Corporation's ("CIGNA") 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 businesses written through those companies for \$3.45 billion in cash (the "ACE INA Acquisition"). We made this acquisition through our U.S. holding company, ACE INA Holdings, Inc. ("ACE INA"). ACE INA's results are included in our results from July 2, 1999.

On December 30, 1999, we acquired Capital Re Corporation, which is engaged in the financial guaranty reinsurance business. Following the acquisition, Capital Re Corporation was renamed ACE Financial Services. Under the terms of the acquisition agreement, we paid \$110.3 million in cash and issued approximately 20.8 million ACE Ordinary Shares. ACE Financial Services' results are included in our results from January 1, 2000.

We expect to continue evaluating potential new product lines and other opportunities in the insurance and reinsurance markets. In addition, we evaluate potential acquisitions of other companies and businesses and hold discussions with potential acquisition candidates. As a general rule, we publicly announce such acquisitions only after a definitive agreement has been reached.

Through ACE Global Markets, we provide funds at Lloyd's, primarily in the form of letters of credit, to support underwriting capacity for Lloyd's syndicate 2488 managed by the Lloyd's managing agencies that we own. Syndicate 2488 is the largest syndicate in Lloyd's and its 2002 capacity of (Pound)900 million represents 7 percent of the total Lloyd's capacity for 2002. We increased our percentage participation in syndicate 2488 from 90 percent for the 2001 year of account to 99.6 percent for the 2002 year of account and expect to own 100 percent for the 2003 year of account. We have increased our participation in the Lloyd's syndicates we manage each year since we started participating in the Lloyd's market in 1996.

In January 2002, the Council of Lloyd's, the market's ruling body, put forward a proposal for radical reforms designed to modernize the Lloyd's insurance market. The proposal is subject to discussion with businesses and representative bodies in Lloyd's. Following consultation in the Lloyd's market, the proposal should be voted on later in 2002. Key reforms proposed include, replacing the existing regulatory and market boards and committees with a single franchise board, replacing the current three-year accounting system with more conventional GAAP accounting, changing the way Names participate in the market, and ending unlimited liability. While we endorse the proposed changes at Lloyd's, any changes made to the three-year accounting model would not impact our reported results as we currently report our Lloyd's operations using U.S. GAAP.

We write loss portfolio transfer contracts ("LPTs"), which indemnify ceding companies for events that have occurred in prior years. These contracts, which meet the established criteria for reinsurance accounting, are recorded in the statement of operations when written and generally result in large one-time written and earned premiums with comparable incurred losses. These contracts, when written, can cause significant variances in gross premiums written, net premiums written, net premiums earned, net incurred losses, as well as the loss and loss expense ratio and underwriting and administrative expense ratio. At the time an LPT is written, we make certain assumptions with respect to the ultimate amount and timing of payments in order to establish loss and loss expense reserves. As with most loss reserves, the actual amount and timing of payments may result in losses and loss expenses which are significantly greater or less than the reserves initially provided.

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 our results. We believe that our current estimate for September 11, 2001 claims is reasonable and accurate based on information currently available. We continue to evaluate our total potential liability based upon individual insurance and reinsurance policy language, legal and factual developments in underlying matters involving its insureds, as well as legislative developments in the U.S. involving the terrorist attack. If our current assessments of future developments are proved wrong, the financial impact of any of them, singularly or in the aggregate, could be material. For

example, business interruption insurance claims could materialize in the future with greater frequency than we have anticipated or provided for in our estimates, or, insureds that we expect will not be held responsible for injuries resulting from the attack, are ultimately found to be responsible at a financial level that impacts our insurance or reinsurance policies.

Detailed below is an analysis, by operating segment, of the impact of the September 11th tragedy on our statement of operations recorded in the quarter ended September 30, 2001. This analysis includes the effects of intercompany reinsurance transactions. As noted, our net income was reduced by \$559 million on an after tax basis. In estimating the impact of the tragedy on us, premium payments required for us to reinstate reinsurance policies with third parties have been accrued. Premiums from insureds required to reinstate their insurance or reinsurance coverage with us 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. These amounts have not changed substantively since they were reported in the third quarter.

Impact of September 11, 2001 Tragedy Year ended December 31, 2001						
(in millions of U.S. dollars)	ACE Bermuda	ACE Global Markets	ACE Global Reinsurance	ACE USA	ACE International	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)

Prior to the September 11th tragedy, we were operating in an environment where insurance and reinsurance rates were increasing. As a result of the tragedy, 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, we are experiencing price increases in most lines of business. In certain areas, at times, we are reducing the gross capacity we offer to insureds as reinsurance prices increase and available capacity reduces. We are also assessing the amount of gross and net capacity offered in lines of business where price increases have not been commensurate with our assessment of risk. However, we expect to continue to increase our net retention in other areas. In addition, we are assessing our exposure to terrorism related risks and, where considered necessary, have and will continue to take steps to reduce or eliminate these risks from our insurance portfolios.

Results of Operations Years ended December 31,			
(in millions of U.S. dollars)	2001	2000	1999
Income (loss) excluding net realized gains (losses) on investments, non-recurring expenses and cumulative effect of adopting new accounting standard	\$ (69)	\$582	\$330
Net realized gains (loss) on investments (net of income tax)	(50)	(39)	42
Non-recurring expenses (net of income tax)	(4)	-	(7)
Income (loss) excluding cumulative effect of adopting a new accounting standard	(123)	543	365
Cumulative effect of adopting a new accounting standard (net of income tax)	(23)	-	-
Net income (loss)	\$(146)	\$543	\$365

In 2001, we reported a net loss excluding net realized gains (losses) on investment, non-recurring expenses and the cumulative effect of adopting a new accounting standard of \$69 million compared with income of \$582 million in 2000. Of the \$651 million decrease, \$559 million is a result of the September 11th tragedy and \$130 million relates to additional loss charges in the fourth quarter, primarily in our international operations discussed later. We also incurred non-recurring expenses of \$4 million (net of income tax) during the second quarter relating to a contractual obligation due to a departing employee.

We had net realized losses on investments (net of income tax) of \$50 million in 2001 primarily due to losses on financial futures and option contracts, the write-down of certain other investments and the ongoing fair value adjustments on derivatives. As discussed later in this report, we implemented FAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133") on January 1, 2001, which required that all derivatives be measured at fair value and recognized as either assets or liabilities in our consolidated balance sheet. We recorded an expense in the first quarter of 2001 relating to the cumulative effect of adopting this standard of \$23 million, net of income tax of \$12 million. The cumulative effect of adopting this standard primarily related to market value adjustments on the credit default swap portfolio held by ACE Financial Services.

In 2000, income excluding net realized gains (losses) on investments and non-recurring expenses increased by 76 percent to \$582 million compared with \$330 million in 1999. Approximately \$100 million of the increase was caused by the inclusion of the results of ACE INA for a full year in 2000 compared with six months of results in 1999. ACE INA also reported better results in 2000 compared with 1999. The 2000 year also includes \$82 million of income excluding net realized gains (losses) on investments from ACE Financial Services which was acquired on December 30, 1999. Our 2000 results also reflect the fact that catastrophe losses in ACE Global Reinsurance were \$78 million lower in 2000 compared with 1999.

Premiums					
Years ended December 31,					
(in millions of U.S. dollars)	2001	Percentage Change	2000	Percentage Change	1999

Gross premiums written:					
ACE Bermuda	\$ 1,145	92%	\$ 598	8%	\$ 553
ACE Global Markets	1,300	22	1,064	68	635
ACE Global Reinsurance	740	288	191	5	182
ACE USA	4,428	31	3,380	116	1,567
ACE International	2,260	11	2,027	117	932
ACE Financial Services	292	(11)	327	-	-

Consolidated	\$10,165	34%	\$7,587	96%	\$3,869
=====					
Net premiums written:					
ACE Bermuda	\$ 1,061	107%	\$ 512	19%	\$ 429
ACE Global Markets	766	(1)	772	76	439
ACE Global Reinsurance	694	341	157	8	145
ACE USA	2,047	20	1,708	114	797
ACE International	1,512	7	1,419	107	685
ACE Financial Services	284	(9)	311	-	-

Consolidated	\$ 6,364	30%	\$4,879	96%	\$2,495
=====					
Net premiums earned:					
ACE Bermuda	\$ 945	94%	\$ 487	(5)%	\$ 510
ACE Global Markets	624	1	619	70	364
ACE Global Reinsurance	662	368	141	1	140
ACE USA	1,892	17	1,619	116	749
ACE International	1,442	4	1,386	92	723
ACE Financial Services	352	25	283	-	-

Consolidated	\$ 5,917	30%	\$4,535	82%	\$2,486
=====					

Premiums: Gross premiums written increased by 34 percent to \$10.2 billion in 2001. We experienced steady growth in gross premiums written during 2001 due to new business opportunities as well as price increases on renewing business. In addition, in 2001 financial solutions generated \$582 million more gross premiums written than in 2000 and ACE Global Re's life reinsurance business generated \$414 million in gross premiums written in its first full year of operation.

Net premiums written, which reflect the premiums we retain after purchasing reinsurance protection, increased by 30 percent to \$6.4 billion in 2001 due to the increase in gross premiums written. Net premiums written did not increase at the same rate as gross premiums written as some of our growth in premiums came from more heavily ceded business at ACE USA and ACE Global Markets where additional reinsurance was purchased following the September 11th tragedy. Net premiums earned, which reflect the portion of net premiums written recorded as revenues for the year, also increased by 30 percent in 2001 compared with 2000.

Gross premiums written in 2000 increased by 96 percent to \$7.6 billion compared with \$3.9 billion in 1999. This increase resulted from several factors including the upturn in the business cycle for the insurance and reinsurance markets. However, the primary reasons for the increase were the inclusion of ACE INA premiums for the full year in 2000 compared with six months in 1999, the increase in our participation in Lloyd's and the inclusion of ACE Financial Services in 2000.

ACE Bermuda: Gross premiums written in 2001 increased by 92 percent to \$1.1 billion compared with 2000. The increase is due primarily to the financial solutions line of business that has shown significant growth augmented by additional premiums on policies in force arising from the September 11th tragedy. In 2001, financial solutions wrote \$868 million of premiums compared with \$286 million in 2000. Included in the financial solutions premium in 2001 is a \$125 million inter-company reinsurance contract written with a wholly owned subsidiary, ACE Capital Re. ACE Capital Re is included in the ACE Financial Services segment.

The increase in the financial solutions business was somewhat offset by a decrease in professional lines, aviation and satellite lines. In 2000, the professional lines division wrote a retrospective program with premiums of \$50 million that was not available for renewal this year. As disclosed in previous filings, during fiscal 2000, ACE Bermuda moved its aviation business to ACE Global Markets and a large part of the satellite business to ACE USA. In 2000, these lines accounted for \$60 million of gross premiums written in ACE Bermuda.

Prior to the September 11th tragedy, excess liability, excess property and professional lines were experiencing premium growth as a result of rising insurance prices in the industry. Since that time rates have continued to increase in the region of 20-30 percent, 50-100 percent and 20-25 percent, respectively. In addition, the political risk premium written through Sovereign Risk, a 50 percent owned joint venture, increased in 2001 compared with 2000.

Net premiums written in 2001 increased by 107 percent to \$1.1 billion compared with 2000 for the same reasons outlined above for gross premiums written. Net premiums written increased by a higher percentage than gross due to a change in the mix of business written as financial solutions tends to reinsure less business than the other lines in ACE Bermuda. Net premiums earned in 2001 increased by 94 percent to \$945 million compared with 2000. As with gross and net premiums written, the increase is due primarily to the increase in the financial solutions line of business that experienced significant premium growth during the year. This line also benefited by additional premiums earned due under terms of certain financial solutions programs directly impacted by the September 11th tragedy.

Gross premiums written in 2000 increased by 8 percent to \$598 million compared with \$553 million in 1999, primarily due to growth in the professional lines division. During the third quarter of 2000, the professional lines division bound a retrospective professional lines program that resulted in \$50 million of gross, net and earned premiums in the quarter. Premium production in the other divisions was mixed in 2000. Net premiums written increased by 19 percent to \$512 million in 2000 compared with \$429 million in 1999. The increase was primarily due to the \$50 million professional lines program previously discussed. Net premiums earned in 2000, decreased by \$23 million to \$487 million compared with \$510 million in 1999. The decrease is primarily due to a significant LPT transaction in 1999 that was earned when written. The decrease in net premiums earned was partially offset by the aforementioned \$50 million professional lines retrospective premium.

ACE Global Markets: Gross premiums written in 2001 increased by 22 percent to \$1.3 billion compared with 2000. 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 premiums written increased by 37 percent. The increase is primarily due to an increase in our participation in syndicate 2488 and higher premium levels in most areas of our business in 2001 due to price increases.

Net premiums written in 2001 decreased by 1 percent to \$766 million compared with 2000. On a comparable basis, net premiums written increased by 17 percent. Net premiums written increased at a slower rate than gross premiums due primarily to higher reinsurance costs compounded by reinstatement premiums arising from the September 11th tragedy and additional premiums being paid to extend the reinsurance program.

Net premiums earned in 2001 increased by 1 percent to \$624 million compared with 2000. On a comparable basis, net premiums earned increased by 22 percent due to our increased participation in syndicate 2488 and the increase in premiums in 2001.

Following the September 11th tragedy, dramatic premium increases have been seen in the fourth quarter of 2001 particularly in the aviation and property sectors. The reduction in available market capacity, the uncertainty surrounding reinsurance availability going forward and the public's heightened awareness of the need for adequate insurance cover have resulted in substantial price increases.

Gross premiums written in 2000 increased by 68 percent to \$1.1 billion compared with \$635 million in 1999. This increase was primarily due to our increased participation in the Lloyd's syndicates in 2000 compared with 1999. In addition, ACE Global Markets started to experience rate increases in 2000, which contributed to the increase in premiums in 2000. Net premiums written in 2000 increased by 76 percent to \$772 million compared with 1999 and net premiums earned in 2000 increased by 70 percent to \$619 million compared with 1999. These increases were consistent with the increase in gross premiums written discussed above.

ACE Global Reinsurance: Gross premiums written of \$740 million in 2001 include \$326 million of property and casualty premiums and \$414 million of life reinsurance premiums. Gross premiums written for property and casualty business in 2001 increased by \$135 million or 71 percent to \$326 million compared with 2000. The increase is attributable to new business from the U.S. property and casualty operations and higher property catastrophe production arising from improved reinsurance market conditions during 2001. Included in the \$414 million was one large single premium of \$310 million related to a group long-term disability program written late in the fourth quarter. Due to the nature of the life reinsurance business we are writing and the fact that this is a start-up operation, premium volumes will be inconsistent. However, ACE Global Reinsurance expects life reinsurance to be a significant contributor to its growth going forward.

Net premiums written of \$694 million in 2001 include \$287 million of property and casualty premiums and \$407 million of life reinsurance premiums. Net premiums written for property and casualty in 2001 increased by \$129 million to \$287 million compared with 2000. The reason for the increase is consistent with gross premiums written. Again, the life reinsurance division accounted for most of the increase in net premiums written as we retain most of this premium. Net premiums earned increased by \$520 million to \$662 million compared with 2000.

During the fourth quarter of 2001, ACE Global Reinsurance expanded its product offering by introducing workers' compensation and personal accident catastrophe reinsurance in response to a market need for protection against major events. Late in the fourth quarter, ACE Global Reinsurance also began writing reinsurance in London. Both the U.S. and London operations of ACE Global Reinsurance are experiencing opportunities to write business in many classes of reinsurance, particularly in specialty areas, at terms acceptable to them.

Property catastrophe premium rates continued to increase during 2001 and into early 2002. Rates increased an average of 23 percent for January 2002 renewals.

Gross premiums written in 2000, increased by \$9 million to \$191 million compared with 1999. The increase was primarily due to increasing rates in the property catastrophe market place and new business opportunities. As with gross premiums written, net premiums written in 2000, increased by 8 percent to \$157 million compared with 1999. Net premiums earned were constant between 2000 and 1999, because of ACE Tempest Re's additional purchase of retrocessional coverage in the first half of 2000. ACE Tempest Re is included in the ACE Global Reinsurance segment.

ACE USA: Gross premiums written in 2001 increased by 31 percent to \$4.4 billion compared with 2000. ACE USA achieved growth in most divisions in 2001 with the risk management group, Westchester specialty, specialty property and casualty group and financial solutions generating much of the growth. During 2001, ACE USA experienced strong new business, related growth and higher pricing due to favorable

market conditions during the year prior to the September 11th tragedy. In the aftermath of the tragedy, with account retention remaining strong, premiums charged to insureds have risen in virtually every business group, generally with attachment points increasing and policy limits on the decline. The pricing increases are most significant in the large property accounts, catastrophe exposed property business and the excess casualty lines. During the fourth quarter of 2001, ACE USA also experienced sizeable price increases expanding to the professional risk (errors and omissions and directors and officers) and commercial marine lines. The financial solutions group also experienced strong growth during 2001 and contributed \$148 million to the increase in gross premiums written.

Net premiums written in 2001 increased by 20 percent compared with 2000. The increase follows the growth in gross premiums written in 2001. Although there was an increase in net premiums written during 2001 compared with 2000, most of the gross premium growth during 2001 occurred in business segments that traditionally purchase more reinsurance protection.

Net premiums earned in 2001 increased by 17 percent to \$1.9 billion compared with 2000. This increase is consistent with the growth in net premiums written. Net premiums written and earned in 2001 were reduced by \$18 million due to reinstatement reinsurance premiums associated with the September 11th tragedy.

Gross premiums written in 2000 increased by 116 percent compared with 1999. Gross premiums in 2000 include premiums from both ACE US Holdings and the U.S. operations of ACE INA, which in 1999 are included from July 2, 1999, the date of acquisition. On a comparable basis, including 12 months of 1999 premiums for the U.S. operations of ACE INA, gross premiums increased by more than 30 percent in 2000, despite a \$158 million reduction in gross premiums due to curtailment of certain unprofitable business. In the 2000 calendar year, market conditions were favorable over 1999 with firming prices, increases in submission levels and strong account retention providing a backdrop for the growth.

Net premiums written in 2000 were 114 percent higher than 1999. The increase was primarily due to the inclusion of a full year of results for the ACE INA business in 2000, which for 1999 was only included from July 2, 1999. On a comparable basis, net premiums written increased by \$346 million, due to the more favorable market conditions driving the increase in gross premiums written, as well as the formation of the financial solutions business group in 2000.

Net premiums earned in 2000 increased by 116 percent from 1999. The increase was partly due to the higher level of net premiums written achieved in 2000 due to the improvement in market conditions and growth in new business. More significantly, the increase was attributable to the inclusion of the ACE INA business for a full year in 2000 compared with 1999 where ACE INA business was included from July 2, 1999.

ACE International: Gross premiums written in 2001 increased by 11 percent to \$2.3 billion compared with 2000. On a constant dollar basis, gross premiums written increased by 21 percent. The increase in 2001 reflects growth in underlying property and casualty lines in both indigenous and multinational programs, and in the accident and health and consumer products business segments. ACE Europe experienced growth primarily due to large price increases on property renewals and Latin America experienced growth in its Mexican captive program business. Premiums written in Japan were relatively flat on a constant-dollar basis. Overall, growth in local currency premiums was partially offset by the weakening of European and Japanese currencies against the U.S. dollar during 2001. Net premiums written and net premiums earned increased by 7 percent and 4 percent respectively, primarily due to the growth in ACE Europe.

Gross premiums written in 2000 increased by 117 percent to \$2 billion compared with 1999. The increase was primarily due to the inclusion of a full year of results for the ACE INA business in 2000, which in 1999 are only included from July 2, 1999. Net premiums written and net premiums earned increased for the same reasons.

ACE Financial Services: Gross premiums written in 2001 decreased by 11 percent to \$292 million compared with 2000. During the fourth quarter of 2001, ACE Capital Re (which is included in the ACE Financial Services segment) purchased long-term reinsurance protection from its parent, ACE Bermuda, for \$125 million. ACE Capital Re purchased the cover to enhance rating agency capital and claims-paying resources as a result of increased demand for ACE Capital Re's products after consultation with the major rating agencies. Adjusting for this inter-company contract, gross premiums written in this segment would have increased by 28 percent due primarily to growth from new business in the structured finance, credit default swaps

and residual value lines of business. Net premiums written in 2001 decreased by \$27 million to \$284 million, compared with 2000. The decrease is primarily due to the retrocession contract with ACE Bermuda.

Net premiums earned in 2001 increased by 25 percent to \$352 million, compared with 2000. The growth in net premiums earned is primarily due to the increase in premiums earned in the residual value line of business.

Gross premiums written in 2000 were \$327 million. As ACE Financial Services was acquired on December 30, 1999, the year ended December 31, 2000 is the first year in which results from ACE Financial Services are reflected in the financial results of ACE. During 2000, the rising interest rate environment reduced financial guaranty reinsurance premiums. However, rising interest rates also led to greater persistency in the mortgage guaranty business, thereby partially offsetting the downturn in financial guaranty. In addition, ACE Financial Services experienced strong premium volume in other business lines, particularly in residual value and credit default swaps. Net premiums written and net premiums earned increased for the same reasons.

Life Reinsurance Underwriting Results

In 2001, we concluded our first full year of operations for our life reinsurance division. Our principal business in this division is to provide reinsurance coverage to life insurance companies. We price this reinsurance using sophisticated actuarial and investment models that incorporate a number of factors, including assumptions for mortality, morbidity, expenses, demographics, persistency, investment returns and inflation. We assess the performance of our life reinsurance business based on net operating income, which is net income excluding net realized gains and losses from the sale of investments. In 2001, this division generated operating income of \$4 million.

Property and Casualty Underwriting Results

The underwriting results of property and casualty business are discussed by reference to the combined ratio, loss and loss expense ratio and underwriting and administrative expense ratio. We calculate these ratios 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.

Years ended December 31,	2001	2000	1999

Loss and loss expense ratio			
ACE Bermuda	111.7%	74.3%	76.5%
ACE Global Markets	88.2	57.2	56.6
ACE Global Reinsurance	78.1	12.7	69.2
ACE USA	75.0	73.7	71.2
ACE International	75.4	59.6	57.1
ACE Financial Services	68.3	64.8	-

Consolidated	82.6%	64.7%	66.0%
=====			
Underwriting and administrative expense ratio			
ACE Bermuda	6.5%	10.4%	10.4%
ACE Global Markets	47.2	37.8	40.9
ACE Global Reinsurance	28.0	25.1	23.4
ACE USA	24.6	25.6	33.6
ACE International	36.9	37.6	40.9
ACE Financial Services	23.9	27.0	-

Consolidated	29.1%	30.8%	33.5%
=====			
Combined ratio			
ACE Bermuda	118.2%	84.7%	86.9%
ACE Global Markets	135.4	95.0	97.5
ACE Global Reinsurance	106.1	37.8	92.6
ACE USA	99.6	99.3	104.8
ACE International	112.3	97.2	98.0
ACE Financial Services	92.2	91.8	-

Consolidated	111.7%	95.5%	99.5%
=====			

Loss and Loss Expense Ratios

We establish 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. Our 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 change. Any such revisions could result in future changes in estimates of

losses or reinsurance recoverables, and would be reflected in our 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 our 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 our accumulations of potential losses across the group. We use retrocessional programs to limit our net losses from catastrophes. However, property catastrophe loss experience is generally characterized as low frequency but high severity short-tail claims, which may add volatility to our financial results.

The loss and loss expense ratio increased to 82.6 percent in 2001 compared with 64.7 percent in 2000. The increase resulted from three significant events. During the quarter ended June 30, 2001, we incurred losses of \$55 million from a series of Mid-Western United States storms that added 1 percentage point to our loss ratio. As already noted, we incurred large losses as a result of the September 11th tragedy that added 11.6 percentage points to our loss ratio. In addition, in the fourth quarter, we strengthened our loss reserves in our international casualty operations, which added 1.2 percentage points to our loss ratio. Removing the effects of these three items would put our 2001 loss and loss expense ratio at 68.8 percent. The loss and loss expense ratio declined to 64.7 percent in 2000 compared with 66.0 percent in 1999, as there were relatively few major catastrophe losses during 2000.

ACE Bermuda: The loss and loss expense ratio increased to 111.7 percent in 2001 from 74.3 percent in 2000 primarily due to losses incurred in the financial solutions and property lines of business as a result of the Mid-Western United States storms and the September 11th tragedy. Loss and loss expenses incurred as a result of these events amounted to \$360 million. Even though the loss and loss expense ratio was slightly offset by additional premiums due under the terms of certain financial solutions reinsurance programs directly impacted by the tragedy, the event had a significantly negative impact on the loss and loss expense ratio for 2001. Adjusting for the impact of these losses, the loss ratio would have been 82.4 percent. The remaining increase in the loss ratio from 74.3 percent to 82.4 percent results from a change in the mix of business, primarily due to the increase in financial solutions business. The loss and loss expense ratio decreased from 76.5 percent in 1999 to 74.3 percent in 2000. This change was primarily the result of a change in the mix of business written.

ACE Global Markets: The loss and loss expense ratio increased to 88.2 percent in 2001 from 57.2 percent in 2000. The most significant contributing factors to the increase were the losses arising from the September 11th tragedy as well as reserve strengthening in one of our syndicates that is in run-off. Adjusting for these two items, the loss ratio would have been 56.9 percent, a slight improvement on the prior year.

The loss and loss expense ratio did not substantially change in 2000 compared with 1999.

ACE Global Reinsurance: The loss and loss expense ratio increased to 78.1 percent in 2001 from 12.7 percent in 2000. The change in the loss ratio is primarily the result of the \$122 million loss incurred from the September 11th tragedy in the third quarter of 2001 and catastrophe losses incurred in the second quarter resulting from a series of Mid-Western United States storms. There was no significant loss activity in fiscal 2000. Excluding the impact of these two items, the loss and loss expense ratio would have been 16.1 percent.

The loss and loss expense ratio decreased from 69.2 percent in 1999 to 12.7 percent in 2000. This significant decrease was the result of the relatively small number of catastrophes in 2000 as compared with 1999.

ACE USA: The loss and loss expense ratio increased to 75 percent in 2001 from 73.7 percent in 2000. This change is primarily the result of the September 11th tragedy, which added net incurred losses and loss expenses of \$28 million or about 2.2 percentage points to the ratio. The curtailment of certain business that did not meet our underwriting standards subsequent to the acquisition and the associated run-off of earned premiums attributable to the high loss ratio business in 2000, contributed to the improvement in 2001. The loss and loss expense ratio increased from 71.2 percent in 1999 to 73.7 percent in 2000. The loss and loss expense ratio of the ACE INA domestic segment is historically higher than the loss ratio reported for ACE US Holdings business due to the type of business mix. On a comparative

basis, including 12 months of 1999 operations for the ACE INA business, the loss ratio in 2000 actually declined by more than 8 percentage points. The curtailment of certain lines of unprofitable business, more favorable catastrophe experience and the purchase of reinsurance on the ACE USA run-off books of business on July 2, 1999 as part of the ACE INA Acquisition all contributed to the improvement.

ACE International: The loss and loss expense ratio increased to 75.4 percent in 2001 from 59.6 percent in 2000. This change is primarily the result of losses incurred in the European commercial property portfolio, the reserve strengthening principally in the casualty operations as previously mentioned and the effects of the September 11th tragedy. Excluding the impact of these items, the loss and loss expense ratio would have been 62.9 percent.

The loss and loss expense ratio increased from 57.1 percent in 1999 to 59.6 percent in 2000. This change was primarily the result of additional loss activity in 2000 in the property division.

ACE Financial Services: The loss and loss expense ratio was 68.3 percent in 2001 compared with 64.8 percent in 2000. The increase in the loss and loss expense ratio is a result of a change in the mix of business earned in 2001 compared with 2000. ACE Financial Services was acquired on December 30, 1999; therefore, there are no comparatives for 1999.

Underwriting and Administrative Expense Ratios

Underwriting and administrative expenses are comprised of policy acquisition costs, which include commissions, premium taxes, underwriting and other costs that vary with and are primarily related to the production of premiums, and administrative expenses which include all other operating costs. The underwriting and administrative expense ratio decreased from 30.8 percent in 2000 to 29.1 percent in 2001. The reasons for the change are relatively stable operating costs coupled with continuing growth in the earned premium base. The underwriting and administrative expense ratio decreased to 30.8 percent in 2000 compared with 33.5 percent in 1999 primarily due to cost reduction measures by ACE INA.

ACE Bermuda: The underwriting and administrative expense ratio decreased to 6.5 percent in 2001 from 10.4 percent in 2000. This change is primarily the result of a significant increase in earned premium while the expense base remained relatively unchanged. The underwriting and administrative expense ratio remained unchanged at 10.4 percent from 1999 to 2000.

ACE Global Markets: The underwriting and administrative expense ratio increased to 47.2 percent in 2001 from 37.8 percent in 2000. The 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. The underwriting and administrative expense ratio decreased by 3.1 percentage points in 2000 compared with 1999. These changes were primarily the result of relatively stable administrative expenses over a higher earned premium base.

ACE Global Reinsurance: The underwriting and administrative expense ratio increased from 25.1 percent in 2000 to 28 percent in 2001. The increase is primarily the result of increased administrative expenses during the year due to business expansion. The increase was partially offset by a higher net earned premium base arising out of improved market conditions. The underwriting and administrative expense ratio increased by 1.7 percent in 2000 over 1999 primarily due to the business expansion activities in 2000.

ACE USA: The underwriting and administrative expense ratio decreased to 24.6 percent in 2001 from 25.6 percent in 2000. The decrease is primarily the result of the relatively stable level of operating expenses in 2001 compared with 2000, paired with a \$273 million increase in the earned premium base in 2001. The underwriting and administrative expense ratio declined to 25.6 percent in 2000 from 33.6 percent in 1999. The decrease was primarily due to cost reduction initiatives implemented at ACE USA subsequent to the ACE INA Acquisition. These included staff reductions, the outsourcing of certain information technology operations and the closure and consolidation of numerous field office locations.

ACE International: The underwriting and administrative expense ratio decreased to 36.9 percent in 2001 from 37.6 percent in 2000. This decrease is the result of higher net premiums earned in 2001 together with lower operating costs due to a reduction in the number of staff.

The underwriting and administrative expense ratio decreased by 3.3 percentage points in 2000 over 1999. This change was primarily due to savings achieved as a result of restructuring and other spending reduction initiatives.

ACE Financial Services: The underwriting and administrative expense ratio decreased from 27 percent in 2000 to 23.9 percent in 2001. The reduction in the expense ratio is the result of a larger portion of the business derived from the structured finance and credit default swap lines, which typically have much lower or no associated ceding commissions.

ACE Financial Services was acquired on December 30, 1999; therefore, there are no comparative figures for 1999.

Net Investment Income					
Years ended December 31,					
(in millions of U.S. dollars)	2001	Percentage Change	2000	Percentage Change	1999

ACE Bermuda	\$153	2%	\$150	(14)%	\$174
ACE Global Markets	36	(2)	37	29	28
ACE Global Reinsurance	74	23	60	--	60
ACE USA	335	(2)	341	81	189
ACE International	81	(12)	92	127	41
ACE Financial Services	102	5	97	--	--
Other	5	--	(6)	--	1

Net Investment Income	\$786	2%	\$771	56%	\$493
=====					

Net investment income is influenced by a number of factors, including the amounts and timing of inward and outward cash flows, the level of interest rates as well as changes in overall asset allocation. Net investment income increased in 2001 by \$15 million to \$786 million compared to \$771 million in 2000. On a comparable basis, net investment income declined by \$14 million. As our Commercial Insurance Services ("CIS") was treated as a discontinued operation until July 2, 2000, the 2000 year only includes six months of investment income from the CIS division. The comparable number assumes 2000 includes 12 months of investment income from CIS.

While we had substantial positive operating and financing cash flow in 2001, these inflows were weighted toward the end of the year. Thus they did not have a large impact on net investment income during the year.

Offsetting the increase in investment income from the higher asset base was the continual decline in interest rates during the year and the corresponding decline in the investment portfolio's yield.

Net investment income increased in 2000 by \$278 million to \$771 million compared with \$493 million in 1999. The primary reason for the increase was an increase in the size of the investable asset base resulting from the ACE INA Acquisition on July 2, 1999, and the ACE Financial Services acquisition on December 30, 1999. Net investment income in 1999 includes six months of ACE INA results, whereas the net investment income in 2000 includes 12 months of both ACE INA and ACE Financial Services.

ACE Bermuda: Net investment income increased by \$3 million to \$153 million in 2001. The increase is primarily the result of a larger asset base and a change in investment strategy to a portfolio with a higher yield. The increase was offset by lower short-term interest rates in the second half of the year.

Net investment income decreased by \$24 million in 2000 compared with 1999. This decrease was primarily the result of a higher investable asset base in the first half of 1999, before ACE Bermuda paid dividends to ACE Limited for the purchase of ACE INA. ACE Bermuda also provided funding for the ACE Financial Services acquisition in December 1999.

ACE Global Markets: Net investment income in 2001 was relatively unchanged compared with 2000. The investable base grew on average by approximately 18 percent in 2001 over 2000, however this was offset by ACE Global Markets' need to have relatively higher cash and short-term investment balances (in order to maintain liquidity) while short-term rates were falling. In addition, the fourth quarter of 2001 experienced significant reduction in federal interest and fixed income coupon rates.

Net investment income was \$37 million in 2000 compared with \$28 million in 1999. The increase was the result of our increased participation in the Lloyd's syndicates we manage, in both 2000 and 1999, resulting in an increasing asset base.

ACE Global Reinsurance: Net investment income increased by \$14 million to \$74 million in 2001 compared with 2000. The additional assets arising from net positive cash flows, and a capital contribution of \$400 million in the fourth quarter contributed to the increase. Net investment income was unchanged in 2000 compared with 1999 at \$60 million.

ACE USA: Net investment income decreased by \$6 million to \$335 million in 2001 from \$341 million in 2000. On a comparable basis, including a full year of investment income from CIS in 2000, the decline was approximately \$34 million. 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 reconsolidated into the individual lines of our financial statements. The decline is mainly due to a reduction in investment income generated by the run-off books of business due to the expected decline in the invested asset base as loss reserves are paid. Lower short-term rates also had an unfavorable impact. Net investment income increased by 81 percent to \$341 million in 2000 from \$189 million in 1999. The increase in 2000 was due to the inclusion of 12 months of investment income for ACE INA in 2000, while in 1999 the results of ACE INA are included from July 2, 1999.

ACE International: Net investment income decreased by \$11 million to \$81 million in 2001 from \$92 million in 2000. This change is primarily the result of lower yields and the unfavorable effect of devaluing foreign currencies.

Net investment income increased by 127 percent to \$92 million in 2000 from \$41 million in 1999. The increase was primarily due to the inclusion of 12 months of results for ACE INA, while 1999 includes the six months of ACE INA results from the July 2, 1999, date of acquisition.

ACE Financial Services: Net investment income in 2001 increased by \$5 million to \$102 million compared with 2000. Although the value of the invested portfolio has increased, reduced interest rates in 2001 have negatively impacted investment income. Net investment income was \$97 million in 2000. We completed the acquisition of ACE Financial Services on December 30, 1999, and the investment income for the year ended December 31, 2000, represents a full year of income generated by the investment portfolio. As ACE Financial Services was acquired on December 30, 1999, there are no comparative figures for 1999.

Net Realized Gains (Losses) on Investments			
Years ended December 31,			

(in millions of U.S. dollars)	2001	2000	1999

Fixed maturities and short-term investments	\$ (7)	\$ (82)	\$ (82)
Equity securities	27	114	47
Financial futures, options			
and interest rate swaps	(11)	(48)	68
Other investments	(38)	(12)	9
Fair value adjustment on derivatives	(17)	-	-
Currency	(12)	(11)	(4)

Total net realized gains (losses) on investments	\$ (58)	\$ (39)	\$ 38
=====			

Our investment strategy takes a long-term view and our portfolio is actively managed to maximize total return within certain specific guidelines, which minimize risk. The portfolio is reported at fair value and the effect of market movements on the investment portfolio only impact net realized gains (losses) on investments when securities are sold or other than temporary impairments are recorded on invested assets. 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.

We use foreign currency forward 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. These contracts are not designated as specific hedges and therefore, realized and unrealized gains and losses recognized on these contracts are recorded as 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.

During 2001, sales proceeds for fixed maturity securities were generally lower than their amortized cost. This resulted in net realized losses of \$7 million being recognized on fixed maturities and short-term investments in 2001, compared with net realized losses of \$82 million in both 2000 and 1999.

The liquidation of certain equity portfolios contributed \$27 million to net realized gains in 2001 compared to \$114 million and \$47 million in 2000 and 1999, respectively.

We use fixed income futures contracts and interest rate swaps to manage duration exposure. Gains of \$11 million were recognized on interest rate swaps during 2001. Net realized losses generated by our equity index futures contracts amounted to \$22 million for the year, bringing the total net realized losses attributable to financial futures and option contracts and interest rate swaps to \$11 million compared with losses of \$48 million in 2000, and gains of \$68 million in 1999.

Other investments had a loss of \$38 million primarily because we wrote down the value of an equity investment by \$28 million during the third quarter of 2001.

We 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 of our derivatives in 2001 was a loss of \$17 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.

Other Expenses					
Years ended December 31,					
(in millions of U.S. dollars)	2001	Percentage Change	2000	Percentage Change	1999

Amortization of goodwill	\$ 80	1%	\$ 79	76%	\$ 45

Interest expense	\$199	(10)%	\$221	111%	\$105

Income tax expense (benefit)	\$(79)	(184)%	\$ 94	227%	\$ 29
=====					

As expected, the amortization of goodwill was relatively unchanged in 2001 compared with 2000. The amortization of goodwill increased by \$34 million in 2000 compared with 1999. Of this increase, \$30 million related to the difference in ACE INA goodwill amortization as 2000 had a full year of amortization compared with six months in 1999. The remaining increase relates to the amortization of goodwill generated by the acquisition of ACE Financial Services in December 1999. 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, we have adopted FAS 142 on January 1, 2002 and ceased amortizing goodwill.

Interest expense decreased by 10 percent in 2001 compared with 2000. The decrease is primarily attributed to lower short-term interest rates on our floating rate debt in 2001 as compared with 2000. The increase in interest expense in 2000 as compared with 1999 was a result of our incurring a full year of interest with respect to debt acquired in connection with the ACE INA Acquisition. A full description of our outstanding debt, including interest rates and terms, is included in Note 9 of the Consolidated Financial Statements.

We recorded an income tax benefit of \$79 million in 2001 compared with an expense of \$94 million in 2000. This decrease was primarily due to the net loss we incurred in 2001. The increase in income tax expense from \$29 million in 1999 to \$94 million in 2000 was primarily due to the inclusion of ACE INA for six months in 1999 and a full year in 2000. For further information on taxation, see Note 14 of the Consolidated Financial Statements.

Investments and Cash

Our principal investment objective is to ensure that funds will be available to meet our insurance and reinsurance obligations. Within this broad liquidity constraint, our investment portfolio's structure seeks to maximize return subject to specifically approved guidelines of overall asset classes, credit quality, liquidity and volatility of expected returns. As such, our investment portfolio is invested primarily in fixed income securities of the highest credit quality.

At December 31, 2001, total investments and cash were \$15.9 billion compared with \$13.8 billion at December 31, 2000, an increase of \$2.1 billion. In October 2001, we raised \$1.1 billion in a public offering of our Ordinary Shares (see Liquidity and Capital Resources discussion). The balance of the increase in total investments and cash is primarily due to positive cash flows from operations due to strong premium volume, and an increase in unrealized appreciation on the fixed income portfolio caused by declining interest rates during 2001. Offsetting these

increases, we paid dividends of \$154 million during the year and spent \$179 million repurchasing our own shares. Our investment portfolio is externally managed by independent professional investment managers. The following table identifies our invested assets at fair value, by type held as of December 31, 2001 and 2000:

(in millions of U.S. dollars)	2001	2000
Fixed maturities available for sale	\$13,000	\$10,721
Equity securities	468	532
Short-term investments	1,206	1,370
Other investments	591	531
Cash	671	608
Total investments and cash	\$15,936	\$13,762

The following table identifies the fixed maturity securities at fair value, by type as of December 31, 2001 and 2000:

(in millions of U.S. dollars)	2001	2000
U.S. Treasury and agency	\$ 1,344	\$ 1,216
Non-U.S. governments	1,429	1,251
Corporate securities	6,743	5,378
Mortgage-backed securities	2,323	1,713
States, municipalities and political sub division	1,161	1,163
Fixed maturities	\$13,000	\$10,721

Restricted Assets

We are required to maintain assets on deposit with various regulatory authorities to support our insurance and reinsurance operations. These requirements are generally promulgated in the statutory regulations of the individual jurisdictions. These funds on deposit are available to settle insurance and reinsurance liabilities. We also utilize trust funds in certain large transactions where the trust funds are set up for the benefit of the ceding companies, and generally take the place of Letter of Credit ("LOC") requirements. We also have investments in segregated portfolios primarily to provide collateral or guarantees for LOCs and debt instruments (see Notes 8 and 9 of the Consolidated Financial Statements). The following table identifies the value of restricted assets as of December 31, 2001 and 2000:

(in millions of U.S. dollars)	2001	2000
Deposits with U.S. regulatory authorities	\$ 864	\$ 923
Deposits with non-U.S. regulatory authorities	735	670
Assets used for collateral or guarantees	1,030	731
Trust funds	852	-
	\$3,481	\$2,324

Property and Casualty Loss Reserves

We establish reserves for the estimated unpaid ultimate liability for losses and loss expenses under the terms of our policies and agreements. These reserves include estimates for both claims that have been reported and those that have been incurred but not reported ("IBNR"), and include estimates of expenses associated with processing and settling these claims. The reserve for unpaid losses and loss expenses was \$20.7 billion at December 31, 2001, compared with \$17.4 billion at December 31, 2000, and includes \$13.3 billion of case and loss expense reserves for 2001. We incurred gross losses of \$1.9 billion with respect to the September 11th tragedy (see September 11th 2001 tragedy discussion). In addition, during the year, we incurred losses of \$55 million from a series of Mid-Western United States storms, an after tax charge of \$50 million to strengthen loss reserves principally in our international casualty operations and incurred additional after tax losses of \$80 million in the European commercial property portfolio. The remainder of the increase is due to the growth in business written during 2001. While we believe that our reserve for unpaid losses and loss expenses at December 31, 2001, is adequate, future developments may result in ultimate losses and loss expenses significantly greater or less than the reserve provided.

As part of our evaluation process of loss reserves, we engage independent actuarial firms to review the methods and assumptions we use in estimating the unpaid losses and loss expense. As stated in their actuarial reviews, the firms believe that the methods and assumptions we use are reasonable and appropriate for use in setting loss reserves at December 31, 2001.

Note 6 of our Consolidated Financial Statements includes a reconciliation of our

beginning and ending net loss and loss adjustment expense reserves for each of the three years ended December 31, 2001, 2000 and 1999. Our net incurred losses in 2001 were \$4.6 billion and are discussed in more detail in the property

and casualty underwriting results. Net losses and loss expenses incurred in 2001 were impacted by \$94 million of prior year development principally in the ACE International segment. This development was reflected during the fourth quarter of 2001 when we recorded additional reserves to strengthen our casualty loss reserves.

Net losses and loss expenses incurred in 2000 were impacted by favorable development of reserves from prior periods primarily from ACE Tempest Re, ACE USA and ACE Bermuda partially offset by unfavorable development in ACE Financial Services.

Net losses and loss expenses incurred in 1999 include incurred losses for ACE INA from July 2, 1999, the date of acquisition. In our analysis of incurred and paid losses for ACE INA for the 1999 period, all losses incurred and paid on losses occurring in the period January 1, 1999, through December 31, 1999, have been included as current year activity in 1999.

Reinsurance

One of the ways we manage our loss exposure is through the use of reinsurance. While reinsurance arrangements are designed to limit our losses from large exposures and to permit recovery of a portion of direct losses, reinsurance does not relieve us of our liability to our insureds. Accordingly, our 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 we have already paid. Reinsurance recoverables increased by \$2.4 billion during 2001 to \$11.4 billion. Part of this increase was due to the \$1.3 billion of reinsurance recoverables accrued with respect to the September 11th tragedy, as our gross insured losses are covered by significant amounts of reinsurance from high-quality reinsurers. The remaining increase is a result of our business growth during 2001. Our reinsurance recoverable on our September 11th losses is of high quality with approximately 98 percent of all reinsurance purchased by us being with reinsurers rated A- or better, including 38 percent with reinsurers rated AAA- and 33 percent with reinsurers rated AA-, based on ratings from Standard & Poor's or an equivalent rating. Our total reinsurance recoverable is also of high quality with approximately 90 percent of our reinsurance recoverable with reinsurers rated A- or better, including approximately 53 percent with reinsurers that are either rated AAA- or better, are collateralized or recoverable from a government pool. Approximately 20 percent is recoverable from reinsurers in the AA rating category, 18 percent from reinsurers in the A rating category and 9 percent is recoverable from all others. This analysis is based on ratings from Standard & Poor's or an equivalent rating.

We evaluate the financial condition of our reinsurers and potential reinsurers on a regular basis and also monitor concentrations of credit risk with reinsurers. At December 31, 2001, the largest concentration of reinsurance recoverables, which amounted to 24 percent, was with a group of affiliated reinsurers rated AAA by Standard & Poor's, and no other reinsurer or affiliated group of reinsurers accounted for more than 5 percent of total reinsurance recoverable.

The allowance for unrecoverable reinsurance is required principally due to the failure of reinsurers to indemnify us, 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 and London reinsurance market exposures. Allowances have been established for amounts estimated to be uncollectible. Our allowance for unrecoverable reinsurance was \$789 million and \$710 million for 2001 and 2000, respectively.

Asbestos and Environmental Claims

Included in our liabilities for losses and loss expenses are liabilities for asbestos, environmental and latent injury damage claims and expenses ("A&E exposures"). 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. These amounts include provision for both reported and IBNR claims. The table below presents loss reserve details for A&E exposures as of December 31, 2001 and 2000:

(in millions of U.S. dollars)	2001		2000	
	Gross	Net	Gross	Net
Asbestos	\$1,119	\$149	\$1,073	\$212
Environmental and Other	\$1,089	\$452	\$1,156	\$540
Total	\$2,208	\$601	\$2,229	\$752

We continuously evaluate our estimates of liabilities and related reinsurance recoverable for A&E exposures. While most of these liabilities for such claims arise from exposures in North America, we have also provided for international A&E exposures.

We have considered asbestos and environmental claims and claims expenses in establishing the liability for unpaid losses and loss expenses. We have 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 our best estimate of future loss and loss expense payments and recoveries which are expected to develop over the next several decades. We continuously monitor evolving case law and its effect on environmental and latent injury claims. While reserving for these claims is inherently uncertain, we believe that the reserves carried for these claims are adequate based on known facts and current law.

Liquidity and Capital Resources

Liquidity

Liquidity is a measure of a company's ability to generate sufficient cash flows to meet the short-term and long-term cash requirements of its business operations. 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"). During 2001 and 2000, ACE was able to meet all of its obligations, including the payment of dividends declared on its Ordinary Shares and FELINE PRIDES, with its net operating cash flow and the dividends received. Should the need arise, we have access to the debt markets and other available credit facilities which are discussed below.

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 levels adequate to support the insurance and reinsurance operations. During 2001, dividends of \$105 million and \$234 million were declared by ACE Tempest Life Re and ACE Bermuda, respectively. During 2000, dividends of \$20 million and \$81 million were declared by ACE Tempest Life Re and ACE Bermuda, respectively. ACE expects that a majority of its cash inflows for 2002 will be from dividends from these two companies.

The payments of dividends from ACE's non-Bermuda based operating subsidiaries are also subject to laws and regulations, which vary by jurisdiction. 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. ACE INA's and ACE Financial Services' U.S. insurance subsidiaries may pay dividends, without prior regulatory approval, only from earned surplus and 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.

During the years ended December 31, 2001 and 2000, ACE did not receive any dividends from ACE Global Markets, ACE INA or ACE Financial Services nor does ACE expect to receive dividends from these subsidiaries during 2002. Under the Lloyd's accounting model, syndicates in Lloyd's operate each year as an annual venture. Each "year of account" is held open for three years. At the end of three years, the "year of account" purchases reinsurance from the next open year (this purchase is known as "reinsurance to close" or "RITC") and distributes the remaining funds to the investors in the syndicate. ACE Global Markets has historically reinvested these funds in its operations, which have expanded each year. ACE INA has issued debt to provide partial financing for the ACE INA Acquisition and for other operating needs. This debt is serviced by dividends paid by ACE INA's insurance subsidiaries to ACE INA as well as other group resources. ACE Financial Services' U.S. insurance subsidiaries are limited in their dividend paying abilities due to their AA and AAA financial strength ratings.

Our 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. After satisfying our cash requirements, excess cash flows

from these underwriting and investing activities are used to build the investment portfolio and thereby increase future investment income.

Our insurance and reinsurance operations provide liquidity in that premiums are received in advance, generally substantially in advance, of the time claims are paid. Our consolidated net cash flow from operating activities was \$1.4 billion in 2001, compared with \$(427) million in 2000. The positive operating cash flows were generated from strong premium volume during the current year. This growth in premiums came from all segments in the group, including the new ACE Global Re life reinsurance division, which completed its first full year of operation in 2001. Net loss and loss expense payments were the same in 2001 and 2000 at \$3.8 billion. Generally cash flows are affected by claim payments which, due to the nature of our 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. We believe that we have sufficient liquidity to meet our anticipated cash flow obligations, including those resulting from the September 11th tragedy. Although ongoing operations continue to generate positive cash flows, our 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 \$614 million and \$729 million in 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.

Both internal and external forces influence our 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 us and the settlement of the liability for that loss. We believe that our cash balances, cash flow from operations, routine sales of investments and the liquidity provided by our credit facilities (discussed below) are adequate to meet expected cash requirements.

Capital Resources

Capital resources consist of funds deployed or available to be deployed to support our business operations. The following table summarizes the components of our capital resources as of December 31, 2001, 2000 and 1999:

(in millions of U.S. dollars)	2001	2000	1999
Shareholders' equity	\$6,107	\$5,420	\$4,451
Mezzanine equity	311	311	-
Trust preferred securities	875	875	575
Long-term debt	1,349	1,424	1,424
Short-term debt	495	365	1,075
Total capitalization	\$9,137	\$8,395	\$7,525
Debt to total capitalization	20%	21%	33%

Our financial strength provides us with the flexibility and capacity to obtain funds externally through debt or equity financings on both a short-term and long-term basis. As noted in the table above, we have accessed both the debt and equity markets from time to time. Historically, this has primarily been in connection with acquisitions, although we did issue Ordinary Shares in October 2001 to provide additional capital to support growth in our operations. Our ability to access the capital markets is dependent on maintaining our debt and financial strength ratings. We are currently rated by the four major rating agencies.

In 1999, we filed a registration statement with the Securities and Exchange Commission utilizing a "shelf" registration process relating to a number of different types of debt and equity securities. Under this shelf process, we may sell the securities described in the registration statement up to a total offering price of \$4 billion. We have utilized the shelf to issue the mezzanine equity, the trust preferred securities, the short- and long-term debt, as well as the equity offerings of \$400 million in 2000 and \$1.1 billion in October 2001. At December 31, 2001, \$627 million of securities were available under the shelf filing.

Shareholders' Equity

The following table analyzes the movements in our shareholders' equity for the years ended December 31, 2001, 2000 and 1999:

(in millions of U.S. dollars)	2001	2000	1999
Balance, beginning of year	\$ 5,420	\$ 4,451	\$ 3,910
Net income (loss)	(147)	543	365
Change in net unrealized appreciation (depreciation) on investments	35	186	(186)
Dividends declared - Ordinary Shares	(138)	(113)	(84)
Dividends declared - FELINE PRIDES	(26)	(18)	-
Ordinary Shares issued in share offering	1,127	400	-
Repurchase of Ordinary Shares	(179)	-	-
Other movements, net	15	(29)	6
Ordinary Shares issued in ACE Financial Services transaction	-	-	367
Ordinary Shares issued in ACE INA transaction	-	-	73
Balance, end of year	\$ 6,107	\$ 5,420	\$ 4,451

Our shareholders' equity increased by \$687 million or 13 percent in 2001, primarily due to a public offering of shares. We completed the public offering of 32.89 million Ordinary Shares (which included the over-allotment option of 4.29 million shares) in October 2001 and raised approximately \$1.1 billion. We have used the net proceeds of the Ordinary Share offering to expand our net underwriting capacity following the September 11th tragedy and for general corporate purposes.

As part of our capital management program, in November 2000, our Board of Directors authorized the repurchase of any ACE issued debt or capital securities including Ordinary Shares, up to an aggregate total of \$250 million. During 2001, we repurchased and cancelled 6,760,900 Ordinary Shares under the program at a cost of \$179.4 million. In November 2001, our Board of Directors replaced the existing authorization with a new authorization to repurchase any ACE issued debt or capital securities including Ordinary Shares, up to an aggregate total of \$250 million. As of December 31, 2001, this authorization had not been utilized.

During 2001, we continued to pay quarterly dividends on our Ordinary Shares. In January 2001, and April 2001, we paid dividends of 13 cents per share to shareholders of record on December 29, 2000, and March 30, 2001, respectively. In July 2001, October 2001 and January 2002, we paid dividends of 15 cents per share to shareholders of record on July 29, 2001, September 28, 2001, and December 31, 2001, respectively. We have paid dividends each quarter since we became a public company in January 1993 and the quarterly dividend amount has increased each year. However, the declaration, payment and value of future dividends is at the discretion of our Board of Directors and will be dependent upon our profits, financial requirements and other factors, including legal restrictions on the payment of dividends and such other factors as our Board of Directors deems relevant.

Contractual Obligations and Commitments

The table below shows our contractual obligations and commitments including our payments due by period:

(in millions of U.S. dollars)	Payments Due By Period				
	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Operating leases	\$ 318	\$ 64	\$ 120	\$ 80	\$ 54
Short-term debt	495	495	-	-	-
Long-term debt	1,349	-	400	299	650
Trust preferred securities	875	400	-	-	475
Total contractual obligations and commitments	\$ 3,037	\$ 959	\$ 520	\$ 379	\$ 1,179

Operating Lease Commitments

We lease office space in certain countries in which we operate under operating leases that expire at various dates through January 2017. We renew and enter into new leases in the ordinary course of business as required.

Short-Term Debt

Included in short-term debt are the ACE Financial Services \$75 million 7.75 percent debentures which mature in November 2002. Upon maturity, we have the ability to either repay the debenture or obtain alternative financing in the capital markets.

In June 1999, we 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. The commercial paper for ACE and ACE INA is rated P1 by Moody's, A2 by Standard & Poor's and F1 by Fitch.

Following the September 11th tragedy, our ability to access the commercial paper markets was disrupted, partly because certain of our debt ratings were placed on "negative watch". As we were unable to sell new commercial paper, we borrowed \$180 million under the \$800 million 364-day revolving credit facility to replace the maturing commercial paper. These funds were borrowed at rates which averaged 3.4 percent. During the fourth quarter of 2001, as an alternative to raising commercial paper, we entered into securities repurchase agreements with various counter-parties to raise short-term funds. Under these repurchase agreements, we agree to sell securities and repurchase them at a date in the future for a predetermined price, thereby creating liquidity. The proceeds of repurchase transactions and internal liquidity were used to repay maturing commercial paper of \$215 million and the bank borrowings of \$180 million. At December 31, 2001, amounts due to brokers under the repurchase agreements amounted to \$395 million. The average cost of borrowing using repurchase transactions was 2.0 percent.

Long-Term Debt

Our total long-term debt of \$1.3 billion is described in Note 9 to our Consolidated Financial Statements. The following instruments have specific collateral triggers. In 1998, ACE US Holdings issued \$250 million of unsecured senior notes that mature in October 2008. Simultaneously, we have entered into a notional \$250 million swap transaction that has the economic effect of reducing our cost of borrowing. Fixed maturity securities of approximately \$90 million are pledged as collateral for the swap transaction. In December 1999, ACE INA issued \$300 million of unsecured subordinated notes that mature in December 2009. Simultaneously, we entered into a notional \$300 million swap transaction that has the economic effect of reducing our cost of borrowing. Fixed maturity securities totaling approximately \$105 million are pledged as collateral in connection with the swap transaction.

Under these two issuances, we would be required to provide collateral of \$300 million and \$250 million, respectively, if Standard & Poor's downgraded our debt rating to BB+ or lower (currently A-), or downgraded ACE Bermuda's financial strength rating to BBB- or lower (currently A+). Although there can be no assurance, we believe it is unlikely that either of these two events will occur. In the event that we terminate either of the swaps prematurely, we would be liable for certain transaction costs. The counter-party in each swap is a highly rated major financial institution and management does not anticipate non-performance.

The "negative watches" on our debt ratings have now been lifted. Subsequent to year-end we raised commercial paper and repaid \$335 million of the amounts due to brokers under the repurchase agreements.

We continue to have access to substantial liquidity resources. In the event of any future disruption to the commercial paper markets, we have access to our cash resources, short-term investments and our substantial investment portfolio. We also have the ability to draw down on our existing \$1.05 billion of credit facilities. In addition, we have the ability to enter into repurchase agreements to provide liquidity. The covenants of our existing credit facilities limit our borrowing under repurchase agreements to \$800 million.

Trust Preferred Securities

During 1999 and 2000, we issued \$800 million of trust preferred securities. The funds generated from these issues were used to partially finance the ACE INA Acquisition. These securities consist of:

- (i) \$400 million company-obligated mandatorily redeemable preferred shares (\$100 million and \$300 million) issued by two business trusts wholly owned by us and,
- (ii) \$400 million Auction Rate Reset Preferred Securities ("RHINO Preferred Securities") issued by a business trust wholly owned by us ("RHINOS Trust").

We also have outstanding \$75 million of monthly income preferred securities issued by one of our subsidiary limited liability companies.

Each of the four series of preferred securities was issued by a special purpose entity, three trusts and a limited liability company, that is wholly owned by us. The sole assets of the special purpose entities are debt instruments issued by one or more of our subsidiaries. The special purpose entities look to payments on the debt instruments to make payments on the preferred securities. We have guaranteed the payments on these debt securities. The trustees of the trusts and the managers of the limited liability company include one or more of our officers and at least one independent trustee or manager, such as a bank or trust company. Our officers serving as trustees of the trusts or managers of the limited liability company do not receive any compensation or other remuneration for their services in such capacity. The full \$875 million of outstanding preferred stock is shown on our consolidated balance sheet as a liability. Additional information with respect to the preferred securities is contained in Note 9 to our financial statements.

The RHINO Preferred Securities were issued in June 1999 and mature on September 30, 2002. These securities are subject to certain remarketing provisions if the trading price of our Ordinary Shares falls below \$18.83. If the remarketing fails, the holder has the right to require us to repurchase the RHINO Preferred Securities. Our Ordinary Shares did trade below \$18.83 following the September 11th tragedy but the holders of these securities did not exercise their remarketing rights. Since that time, our share price has increased substantially and at December 31, 2001, the trading price of our Ordinary Shares was \$40.15. In September 2000, we issued \$400 million of Ordinary Shares, the proceeds of which support ACE's guarantee of the \$412 million principal amount of the Subordinated Notes held by the RHINOS Trust. These proceeds are available to repay the RHINO Preferred Securities if and when required. None of the other three series of preferred securities is mandatorily redeemable prior to maturity except upon the occurrence of an event of default. Events of default include the failure to make interest or principal payments on the preferred securities or underlying debt securities, breaches of covenants contained in the indentures governing the underlying debt securities, payment defaults on indebtedness of \$50 million or more, accelerations of indebtedness of \$50 million or more and certain events of bankruptcy. The maturity of the preferred securities and underlying debt securities will not be accelerated as a result of adverse changes in our credit rating, financial ratios, earnings, cash flows, or stock price.

Credit Facilities

In April 2001, we renewed our \$800 million, 364-day revolving credit facility. This facility, together with our \$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 (see Note 8c of the Consolidated Financial Statements). The five-year facility also permits the issuance of letters of credit. In 2000, an amount of \$25 million was drawn under the five-year facility. This remains outstanding at December 31, 2001.

In November 2001, to fulfill the requirements of Lloyd's for open years of account, we renewed and increased a syndicated uncollateralized, five-year letter of credit ("LOC") facility in the amount of (Pound)440 million (approximately \$625 million). This facility was originally arranged in 1998. In addition to the covenants noted below, the facility requires that collateral be posted if the financial strength rating of the guarantor, ACE Bermuda, falls to Standard and Poor's BBB+ or less.

As our Bermuda-based subsidiaries are not admitted insurers and reinsurers in the United States, the terms of certain insurance and reinsurance contracts require them to provide LOCs to clients. ACE Global Markets are required to satisfy certain United States regulatory trust fund requirements which can be met by the issuance of LOCs. In August 2001, we arranged a \$450 million unsecured syndicated, one year LOC facility 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. Usage under this facility was \$373 million at December 31, 2001. In December 2001, we arranged a \$500 million secured syndicated, one-year LOC facility for general business purposes, including the issuance of insurance and reinsurance letters of credit. This additional capacity was required to meet the increased requirements for LOCs arising principally from ACE Tempest Re's growing life reinsurance operations and U.S. regulatory trust fund requirements of ACE Global Markets arising from the September 11th tragedy. Usage under this facility was \$130 million as of December 31, 2001. The LOCs issued under these facilities are principally used to support unpaid losses and loss expenses already reflected in our balance sheet.

All of the above facilities require that we maintain certain covenants. These covenants include:

- (i) a minimum consolidated tangible net worth covenant of \$3.6 billion plus 25 percent of cumulative net income since March 31, 2000 and;
- (ii) maximum debt to total capitalization of 35 percent. Under this covenant, debt does not include trust preferred securities or mezzanine equity except where the ratio of the sum of trust preferred securities and mezzanine equity to total capitalization is greater than 15 percent. In this circumstance, the surplus greater than 15 percent would be included in the debt to total capitalization ratio.

At December 31, 2001, the minimum consolidated net worth requirement under the covenant was \$3.8 billion and our actual consolidated net worth as calculated under the covenant was \$6.0 billion and our ratio of debt to total capitalization was 20 percent.

Our failure to meet these covenants would result in an event of default and we could be required to repay any outstanding borrowings under these facilities. The covenants also provide that failure to meet commitments of \$25 million or more under any of these facilities would result in default of the other facilities.

As of December 31, 2001, ACE Guaranty Re Inc. was party to a non-recourse credit facility which provides up to \$150 million specifically designed to provide rating agency qualified capital to further support ACE Guaranty Re Inc. claims-paying resources. During 2001, the facility's expiry date was extended to October 2008. ACE Guaranty Re Inc. has not borrowed under this credit facility.

We also maintain various other LOC facilities, both collateralized and uncollateralized, for general corporate purposes. At December 31, 2001, the aggregate availability under these facilities was \$533 million and usage was \$307 million.

Market-Sensitive Instruments and Risk Management Market risk represents the potential for loss due to adverse changes in the fair value of financial instruments. We are exposed to potential loss to various market risks, including changes in interest rates and foreign currency exchange rates. Our investment portfolio consists of both fixed income and equity securities, denominated in both U.S. and foreign currencies, which are sensitive to changes in interest rates, equity prices and foreign currency exchange rates. Therefore earnings would be effected by changes in interest rates, equity prices and foreign currency exchange rates. We use investment derivative instruments such as futures, options, interest rate swaps, and foreign currency forward contracts for duration management and management of foreign currency exposures. These instruments are sensitive to changes in interest rates and foreign currency exchange rates. The portfolio includes other market-sensitive instruments which are subject to changes in market values, with changes in interest rates.

Duration Management and Market Exposure Management We utilize financial futures, options, interest rate swaps, and foreign currency forward contracts for the purpose of managing certain investment portfolio exposures. These instruments are recognized as assets or liabilities in our consolidated financial statements and changes in market value are included in net realized gains or losses on investments in the consolidated statements of operations. The market value of mortgage-backed securities, another category of market sensitive instruments, was \$2.3 billion at December 31, 2001, or approximately 15 percent of the total investment portfolio, compared with \$1.7 billion or 13 percent in 2000. Mortgage-backed securities include pass-through mortgage bonds and collateralized mortgage obligations.

Our exposure to interest rate risk is concentrated in our investment portfolio, and to a lesser extent, our debt obligations. A hypothetical adverse parallel shift in the treasury yield curve of 100 basis points would have resulted in a decrease in total return of 3.2 percent on our fixed income portfolio in 2001 compared with 3.8 percent in 2000. This equates to a decrease in market value of approximately \$452 million on a fixed income portfolio valued at \$14 billion at December 31, 2001, and \$450 million on a fixed income portfolio valued at \$12 billion at December 31, 2000. An immediate time horizon was used as this presents the worse case scenario.

Our portfolio of equity securities, which we carry on our balance sheet at fair value, has exposure to price risk. This risk is defined as the potential loss in fair value resulting from adverse changes in prices. In addition, we attain exposure to the

equity markets through the use of derivative instruments which also have exposure to price risk. Our U.S. equity exposure in the portfolio is highly correlated with the Standard and Poor's 500 index and changes in this index would approximate the impact on our portfolio. Our international equity portfolio has exposure to a broad range of non-U.S. equity markets, primarily in those countries where we have insurance operations. These portfolios are correlated to movement in each country's broad equity market. The combined equity exposure through both our equity portfolio and derivative instruments was valued at \$805 million at December 31, 2001. A hypothetical 10 percent decline in the price of each stock in these portfolios and the index correlated to the derivative instruments would have resulted in an \$81 million decline in fair value. Changes in fair value of these derivative instruments are recorded as realized gains or losses in the consolidated statements of operations. Changes in the fair value of our equity portfolio are recorded as unrealized appreciation (depreciation) and are included as other comprehensive income in shareholders' equity.

Our exposure to foreign exchange risk is concentrated in our net invested assets denominated in foreign currencies. Our international operations use cash flows to purchase these investments to hedge insurance reserves and other liabilities denominated in the same currencies. At December 31, 2001, our net asset exposure to foreign currencies was not material.

Derivatives

As of January 1, 2001, we adopted FAS 133 which 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. FAS 133 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. As of December 31, 2001, we had no derivatives that were designated as hedges.

We maintain investments in derivative instruments such as futures, options, interest rate swaps, 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. We have historically recorded the changes in market value of these instruments as realized gains or losses in our consolidated statement of operations and, accordingly, FAS 133, as amended, did not 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 ACE Financial Services segment 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, we record these products at their fair value, which is determined principally through obtaining quotes from independent dealers and counterparties.

We recorded an expense related to the cumulative effect of adopting this standard of \$23 million, net of income tax of \$12 million. We have recorded in net realized gains (losses) on investments, a pretax loss of \$17 million to reflect the change in the fair value of derivatives during the year. 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. Our involvement with derivative instruments and transactions is primarily to offer protection to others or to mitigate our own risk and is not considered speculative in nature.

New Accounting Pronouncement

In June 2001, FASB issued FAS 142. FAS 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition. As required, we have adopted FAS 142 on January 1, 2002, and ceased amortizing goodwill at that time. All goodwill recognized in our 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. We do not expect any impairment in goodwill to arise from testing during initial adoption.

Management's Responsibility for Financial Statements

Management is responsible for the preparation, integrity and objectivity of the consolidated financial statements and other financial information presented in this annual report. The accompanying consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States, applying certain estimates and judgments as required.

The Company's internal controls are designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets. Such controls are based on established policies and procedures and are implemented by trained, skilled personnel with an appropriate segregation of duties. The Company's internal audit department performs independent audits on the Company's internal controls. The Company's policies and procedures prescribe that the Company and all its employees are to maintain the highest ethical standards and that its business practices are to be conducted in a manner which is above reproach.

PricewaterhouseCoopers LLP, independent accountants, are retained to audit the Company's financial statements. Their accompanying report is based on audits conducted in accordance with auditing standards, generally accepted in the United States which includes the consideration of the Company's internal controls to establish a basis for reliance thereon in determining the nature, timing and extent of audit tests to be applied.

The Board of Directors exercises its responsibility for these financial statements through its Audit Committee, which consists entirely of independent non-management Board members. The Audit Committee meets periodically with the independent accountants, both privately and with management present, to review accounting, auditing, internal controls and financial reporting matters.

/s/ Brian Duperreault

Brian Duperreault
Chairman and Chief Executive Officer

/s/ Philip V. Bancroft

Philip V. Bancroft
Chief Financial Officer

Report of Independent Accountants

To the Board of Directors and Shareholders of ACE Limited

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, shareholders' equity, cash flows and comprehensive income present fairly, in all material respects, the financial position of ACE Limited and its subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for the years ended December 31, 2001, 2000 and 1999, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note 2m to the financial statements, the Company changed its method of accounting for derivatives in 2001.

PricewaterhouseCoopers LLP
New York, New York
February 13, 2002

Consolidated Balance Sheets
ACE Limited and Subsidiaries

December 31, 2001 and 2000 (in thousands of U.S. dollars except share and per share data)	2001	2000

Assets		
Investments and cash		
Fixed maturities available for sale, at fair value (amortized cost - \$12,794,444 and \$10,640,937)	\$ 13,000,165	\$ 10,721,309
Equity securities, at fair value (cost - \$516,028 and \$495,049)	467,566	532,046
Short-term investments, at fair value	1,205,795	1,369,784
Other investments (cost - \$569,045 and \$518,130)	591,006	531,116
Cash	671,381	608,069

Total investments and cash	15,935,913	13,762,324
Accrued investment income	213,821	183,011
Insurance and reinsurance balances receivable	2,521,562	2,095,573
Accounts and notes receivable	242,724	388,996
Reinsurance recoverable	11,398,446	8,994,940
Deferred policy acquisition costs	679,281	572,757
Prepaid reinsurance premiums	1,222,795	857,745
Goodwill	2,772,094	2,846,709
Deferred tax assets	1,250,835	1,144,261
Other assets	949,293	843,210

Total assets	\$ 37,186,764	\$ 31,689,526
=====		
Liabilities		
Unpaid losses and loss expenses	\$ 20,728,122	\$ 17,388,394
Unearned premiums	3,853,429	3,035,288
Future policy benefits for life and annuity contracts	382,730	-
Premiums received in advance	57,486	63,123
Insurance and reinsurance balances payable	1,418,001	1,319,091
Contract holder deposit funds	101,187	139,056
Accounts payable, accrued expenses and other liabilities	1,466,127	1,316,449
Dividends payable	42,044	33,127
Short-term debt	495,408	364,509
Long-term debt	1,349,473	1,424,228
Trust preferred securities	875,000	875,000

Total liabilities	30,769,007	25,958,265
=====		

December 31, 2001 and 2000 (in thousands of U.S. dollars except share and per share data)			2001	2000

Commitments and contingencies				
Mezzanine equity		\$	311,050	\$ 311,050

Shareholders' equity				
Ordinary Shares (\$0.041666667 par value, 300,000,000 shares authorized; 259,861,205 and 232,346,579 shares issued and outstanding)			10,828	9,681
Additional paid-in capital			3,710,698	2,637,085
Unearned stock grant compensation			(37,994)	(29,642)
Retained earnings			2,321,576	2,733,633
Deferred compensation obligation			16,497	14,597
Accumulated other comprehensive income			101,599	69,454
Ordinary Shares issued to employee trust			(16,497)	(14,597)

Total shareholders' equity			6,106,707	5,420,211

Total liabilities, mezzanine equity and shareholders' equity			\$37,186,764	\$31,689,526
=====				

See accompanying notes to consolidated financial statements

Consolidated Statements of Operations
ACE Limited and Subsidiaries

For the years ended December 31, (in thousands of U.S. dollars, except per share data)	2001	2000	1999
Revenues			
Gross premiums written			
Property and casualty premiums	\$ 9,751,310	\$ 7,586,771	\$ 3,869,157
Life and annuity premiums	414,052	-	-
	10,165,362	7,586,771	3,869,157
Reinsurance premiums ceded	(3,801,748)	(2,707,417)	(1,373,809)
Net premiums written			
Property and casualty premiums	5,955,924	4,879,354	2,495,348
Life and annuity premiums	407,690	-	-
	6,363,614	4,879,354	2,495,348
Change in unearned premiums	(446,437)	(344,591)	(9,611)
Net premiums earned			
Property and casualty premiums	5,510,897	4,534,763	2,485,737
Life and annuity premiums	406,280	-	-
	5,917,177	4,534,763	2,485,737
Net investment income	785,869	770,855	493,337
Net realized gains (losses) on investments	(58,359)	(38,961)	37,916
Total revenues	\$ 6,644,687	\$ 5,266,657	\$ 3,016,990

For the years ended December 31,
(in thousands of U.S. dollars, except per share data)

	2001	2000	1999

Expenses			
Losses and loss expenses	\$4,552,456	\$2,936,065	\$1,639,543
Life and annuity benefits	401,229	-	-
Policy acquisition costs	784,664	650,741	338,076
Administrative expenses	830,003	742,691	495,236
Amortization of goodwill	79,571	78,820	45,350
Interest expense	199,182	221,450	105,138

Total expenses	6,847,105	4,629,767	2,623,343
=====			
Income (loss) before income tax and cumulative effect of adopting a new accounting standard	(202,418)	636,890	393,647
Income tax expense (benefit)	(78,674)	93,908	28,684

Income (loss) before cumulative effect of adopting a new accounting standard	(123,744)	542,982	364,963
Cumulative effect of adopting a new accounting standard (net of income tax)	(22,670)	-	-

Net income (loss)	\$ (146,414)	\$ 542,982	\$ 364,963
=====			
Basic earnings (loss) per share before cumulative effect of adopting a new accounting standard	\$ (0.64)	\$ 2.37	\$ 1.88
Basic earnings (loss) per share	\$ (0.74)	\$ 2.37	\$ 1.88

Diluted earnings (loss) per share before cumulative effect of adopting a new accounting standard	\$ (0.64)	\$ 2.31	\$ 1.85
Diluted earnings (loss) per share	\$ (0.74)	\$ 2.31	\$ 1.85
=====			

See accompanying notes to consolidated financial statements

Consolidated Statements of Shareholders' Equity ACE Limited and Subsidiaries

For the years ended December 31,
(in thousands of U.S. dollars)

	2001	2000	1999

Ordinary Shares			
Balance - beginning of year	\$ 9,681	\$ 9,061	\$ 8,070
Shares issued	1,380	542	-
Exercise of stock options	69	76	15
Issued under Employee Stock Purchase Plan (ESPP)	9	2	1
Repurchase of Shares	(282)	-	-
Cancellation of Ordinary Shares	(29)	-	-
Shares issued in ACE Financial Services transaction	-	-	867
Shares issued in ACE INA transaction	-	-	108

Balance - end of year	10,828	9,681	9,061
=====			
Additional paid-in capital			
Balance - beginning of year	2,637,085	2,214,989	1,767,188
Ordinary Shares issued	1,135,328	406,561	-
Exercise of stock options	32,597	31,259	5,658
Ordinary Shares issued under ESPP	6,065	1,232	1,150
Equity offering expenses	(830)	(7,072)	-
Cancellation of Ordinary Shares	(22,698)	-	-
Repurchase of Ordinary Shares	(76,849)	-	-
FELINE PRIDES issuance cost	-	(9,884)	-
Ordinary Shares issued in ACE Financial Services transaction	-	-	366,009
Ordinary Shares issued in ACE INA transaction	-	-	72,484
Options issued in ACE Financial Services transaction	-	-	2,500

Balance - end of year	3,710,698	2,637,085	2,214,989
=====			
Unearned stock grant compensation			
Balance - beginning of year	(29,642)	(28,908)	(15,087)
Stock grants awarded	(22,559)	(10,346)	(21,706)
Stock grants forfeited	4,533	-	312
Amortization	9,674	9,612	7,573

Balance - end of year	\$ (37,994)	\$ (29,642)	\$ (28,908)
=====			

For the years ended December 31,
(in thousands of U.S. dollars)

	2001	2000	1999
Retained earnings			
Balance - beginning of year	\$2,733,633	\$2,321,570	\$2,040,664
Net income (loss)	(146,414)	542,982	364,963
Dividends declared on Ordinary Shares	(137,734)	(112,528)	(84,057)
Dividends declared on FELINE PRIDES	(25,594)	(18,391)	-
Repurchase of Ordinary Shares	(102,315)	-	-
Balance - end of year	2,321,576	2,733,633	2,321,570
Deferred compensation obligation			
Balance - beginning of year	14,597	14,563	9,900
Increase to obligation	1,900	34	4,663
Balance - end of year	16,497	14,597	14,563
Accumulated other comprehensive income			
Net unrealized appreciation (depreciation) on investments			
Balance - beginning of year	102,335	(83,327)	102,271
Change in year, net of tax	34,581	185,662	(185,598)
Balance - end of year	136,916	102,335	(83,327)
Cumulative translation adjustments			
Balance - beginning of year	(32,881)	17,175	6,471
Net adjustment for period, net of tax	(2,436)	(50,056)	10,704
Balance - end of year	(35,317)	(32,881)	17,175
Accumulated other comprehensive income (loss)	101,599	69,454	(66,152)
Ordinary Shares issued to employee trust			
Balance - beginning of year	(14,597)	(14,563)	(9,900)
Increases in Ordinary Shares	(1,900)	(34)	(4,663)
Balance - end of year	(16,497)	(14,597)	(14,563)
Total shareholders' equity	\$6,106,707	\$5,420,211	\$4,450,560

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows
ACE Limited and Subsidiaries

For years ended December 31, (in thousands of U.S. dollars)	2001	2000	1999
Cash flows from operating activities			
Net income (loss)	\$ (146,414)	\$ 542,982	\$ 364,963
Adjustments to reconcile net income to net cash provided by operating activities:			
Unpaid losses and loss expenses, net of reinsurance recoverable	965,983	(329,072)	(1,098,795)
Unearned premiums	771,039	574,244	71,658
Future policy benefits for life and annuity contracts	382,730	-	-
Prepaid reinsurance premiums	(365,050)	(256,501)	(65,068)
Deferred income taxes	(118,058)	33,827	(46,853)
Net realized (gains) losses on investments	58,359	38,961	(37,916)
Amortization of premium/discounts on fixed maturities	(2,019)	(7,377)	(8,712)
Amortization of goodwill	79,571	78,820	45,350
Deferred policy acquisition costs	(112,714)	(50,626)	(7,282)
Insurance and reinsurance balances receivable	(449,585)	(175,809)	(41,199)
Premiums received in advance	(5,637)	(636)	1,088
Insurance and reinsurance balances payable	110,809	(415,310)	440,607
Accounts payable, accrued expenses and other liabilities	160,646	(373,733)	(89,171)
Net change in contract holder deposit funds	(31,670)	(49,825)	(3,814)
Cumulative effect of adopting a new accounting standard	22,670	-	-
Other	32,345	(37,117)	14,292
Net cash flows from (used for) operating activities	\$ 1,353,005	\$ (427,172)	\$ (460,852)
Cash flows from investing activities			
Purchases of fixed maturities	(16,847,920)	(11,476,638)	(17,853,323)
Purchases of equity securities	(210,936)	(411,022)	(368,923)
Sales of fixed maturities	14,733,578	11,521,678	18,553,593
Sales of equity securities	204,842	793,499	421,365
Maturities of fixed maturities	44,929	68,869	437,665
Net realized gains (losses) on financial future contracts	(21,976)	(48,227)	68,311
Other investments	(89,115)	(214,416)	(139,034)
Acquisitions of subsidiaries, net of cash acquired	-	-	(2,679,216)
Net cash from (used for) investing activities	\$ (2,186,598)	\$ 233,743	\$ (1,559,562)

For the years ended December 31,
(in thousands of U.S. dollars)

	2001	2000	1999
Cash flows from financing activities			
Dividends paid on Ordinary Shares	\$ (128,745)	\$ (106,459)	\$ (77,836)
Dividends paid on FELINE PRIDES	(25,666)	(15,254)	-
Repurchase of Ordinary Shares	(179,446)	-	-
Proceeds from short-term debt	56,144	314,623	1,049,585
Net proceeds from issuance of Ordinary Shares	1,135,878	400,320	-
Proceeds from exercise of options for Ordinary Shares	32,666	31,335	5,672
Proceeds from shares issued under Employee Stock Purchase Plan	6,074	1,234	1,151
Repayment of bank debt	-	(1,024,699)	(198,816)
Issuance costs of FELINE PRIDES	-	(9,884)	-
Proceeds from long-term debt	-	-	1,099,334
Proceeds from issuance of trust preferred securities	-	300,000	500,000
Proceeds from issuance of FELINE PRIDES	-	311,050	-
Net cash from financing activities	\$ 896,905	\$ 202,266	\$2,379,090
Net increase in cash	63,312	8,837	358,676
Cash - beginning of year	608,069	599,232	240,556
Cash - end of year	\$ 671,381	\$ 608,069	\$ 599,232
Supplemental cash flow information			
Taxes paid	\$ 28,513	\$ 38,817	\$ 29,532
Interest paid	\$ 220,155	\$ 224,787	\$ 73,021

See accompanying notes to consolidated financial statements

Consolidated Statements of Comprehensive Income ACE Limited and Subsidiaries

For years ended December 31, (in thousands of U.S. dollars)	2001	2000	1999
Net income (loss)	\$ (146,414)	\$ 542,982	\$ 364,963
Other comprehensive income (loss)			
Net unrealized appreciation (depreciation) on investments			
Unrealized appreciation (depreciation) on investments	65,168	220,901	(130,832)
Less: reclassification adjustment for net realized (gains) losses included in net income	(16,303)	(7,219)	(60,145)
	48,865	213,682	(190,977)
Cumulative translation adjustments	(6,646)	(70,448)	18,008
	42,219	143,234	(172,969)
Other comprehensive income (loss), before income tax			
Income tax expense related to other comprehensive income items	(10,074)	(7,628)	(1,925)
	32,145	135,606	(174,894)
Other comprehensive income (loss)			
Comprehensive income (loss)	\$ (114,269)	\$ 678,588	\$ 190,069
=====			

See accompanying notes to consolidated financial statements

1. General

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 a broad range of insurance and reinsurance products to insureds worldwide. In addition, ACE, through ACE Global Markets, provides funds at Lloyd's, primarily in the form of letters of credit, to support underwriting capacity for Lloyd's syndicates managed by Lloyd's managing agencies, which are wholly owned subsidiaries of ACE. ACE operates through six business segments:

ACE Bermuda, ACE Global Markets, ACE Global Reinsurance, ACE USA, ACE International and ACE Financial Services. These segments are described in Note 18.

2. Significant accounting policies

a) Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and include the accounts of the Company and its subsidiaries. The Company records its proportionate share of the results of the Lloyd's syndicates in which it participates. All significant intercompany accounts and transactions have been eliminated. Certain items in the prior year financial statements have been reclassified to conform with the current year presentation.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company's principal estimates include loss and loss expense reserves and estimated premiums for situations where the Company has not received ceding company reports. Actual results may differ from these estimates.

b) Investments

The Company's investments are considered to be "available for sale" under the definition included in the Financial Accounting Standard Board's ("FASB") Statement of Financial Accounting Standards ("FAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The Company's investment portfolio is reported at fair value, being the quoted market price of these securities provided by either independent pricing services, or when such prices are not available, by reference to broker or underwriter bid indications. Short-term investments comprise securities due to mature within one year of date of issue. Short-term investments include certain cash and cash equivalents, which are part of investment portfolios under the management of external investment managers.

Securities sold under agreements to repurchase (liabilities) are accounted for as collateralized investments and borrowings and are recorded at the contractual repurchase amounts plus accrued interest. Assets to be repurchased are the same, or substantially the same, as the assets transferred and the transferror, through right of substitution, maintains the right and ability to redeem the collateral on short notice.

Other investments principally comprise direct investments, investments in investment funds and investments in limited partnerships. For direct investments that meet the requirements for equity accounting, the Company accrues its portion of the net income or loss of the investment. Other direct investments are carried at fair value. Where fair values are not publicly available, the investments are carried at estimated fair value. Investments in investment funds are carried at the net asset value as advised by the fund. Investments in limited partnerships are accounted for using the equity method.

Realized gains or losses on sales of investments are determined on a first-in, first-out basis. Unrealized appreciation (depreciation) on investments is included as other comprehensive income in shareholders' equity. The Company evaluates the carrying value of its investments and if any of its investments experience a decline in value that is considered other than temporary, the Company records a realized loss in the statement of operations.

The Company utilizes financial futures, options, interest rate swaps and foreign currency forward contracts for the purpose of managing certain investment portfolio exposures (see Note 8 for additional discussion of the objectives and strategies employed). These instruments are recognized as assets or liabilities in the accompanying consolidated financial statements and changes in market value are included in net realized gains or losses on investments in the consolidated statements of operations.

Collateral held by brokers equal to a percentage of the total value of open futures contracts is included in short-term investments.

Net investment income includes interest and dividend income together with amortization of market premiums and discounts and is net of investment management and custody fees. For mortgage-backed securities, and any other holdings for which there is a prepayment risk, prepayment assumptions are evaluated and revised as necessary. Any adjustments required due to the resultant change in effective yields and maturities are recognized prospectively.

c) Premiums

Premiums are generally recognized as written upon inception of the policy. For multi-year policies written which are payable in annual installments, due to the ability of the insured/reinsured to commute or cancel coverage within the term of the policy, only the annual premium is included as written at policy inception. The remaining annual premiums are included as written at each successive anniversary date within the multi-year term.

Reinsurance premiums from traditional life and annuity policies with life contingencies are generally recognized as revenue when due from policyholders. Traditional life policies include those contracts with fixed and guaranteed premiums and benefits. Benefits and expenses are matched with such income to result in the recognition of profit over the life of the contracts.

Premiums written are primarily earned on a daily pro rata basis over the terms of the policies to which they relate. Accordingly, unearned premiums represent the portion of premiums written which is applicable to the unexpired portion of the policies in force. Premium estimates for retrospectively rated policies are recognized within the periods in which the related losses are incurred.

Financial guarantee premiums that are received upon inception of the policy are earned pro rata over the period of risk. Installment premiums are earned over each installment period, generally one year or less.

The Company underwrites loss portfolio transfer contracts. These contracts, which meet the established criteria for reinsurance accounting, are recorded in the statement of operations when written and generally result in large one-time written and earned premiums with comparable incurred losses. The contracts, when written, can cause significant variances in gross premiums written, net premiums written, net premiums earned, net incurred losses, as well as the loss and loss expense ratio and underwriting and administrative expense ratio.

Reinsurance premiums assumed are estimated based on information provided by ceding companies. The information used in establishing these estimates is reviewed and subsequent adjustments are recorded in the period in which they are determined. These premiums are earned over the terms of the related reinsurance contracts.

d) Earnings per share

Basic earnings per share is calculated utilizing the weighted average shares outstanding. All potentially dilutive securities including FELINE PRIDES, unvested restricted stock, stock options, warrants and convertible securities are excluded from the basic earnings per share calculation. In calculating diluted earnings per share, the weighted average shares outstanding is increased to include all potentially 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. Basic and diluted earnings per share are calculated by dividing income available to ordinary shareholders by the applicable weighted average number of shares outstanding during the year.

e) Policy acquisition costs

Policy acquisition costs consist of commissions, premium taxes, underwriting and other costs that vary with and are primarily related to the production of premium. Acquisition costs are deferred and amortized over the period in which the related premiums are earned, or for annuities over the pattern of estimated gross profit. Deferred policy acquisition costs are reviewed to determine if they are recoverable from future income, including investment income. If such costs are estimated to be unrecoverable, they are expensed.

f) Unpaid losses and loss expenses

A liability is established for the estimated unpaid losses and loss expenses of the Company under the terms of, and with respect to, its policies and agreements. The methods of determining such estimates and establishing the resulting reserve are reviewed continuously and any adjustments are reflected in operations in the period in which they become known. Future developments may result in losses and loss expenses significantly greater or less than the reserve provided.

The development of life and annuity policy reserves requires management to make estimates and assumptions regarding mortality, morbidity, lapse, expense and investment experience. Such estimates are primarily based on historical experience and information provided by ceding companies. Actual results could differ materially from these estimates.

Management monitors actual experience, and where circumstances warrant, will revise its assumptions and the related reserve estimates. These revisions are recorded in the period they are determined.

In accordance with industry standards, the financial guaranty unpaid losses and loss expenses have been discounted using an average rate of 6 percent in both 2001 and 2000.

g) Contract holder deposit funds

Contract holder deposit funds represents a liability for an investment contract sold that does not meet the definition of an insurance contract under Statement of Financial Accounting Standards No. 97, "Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts." The investment contracts are sold with a guaranteed rate of return. The proceeds are then invested with the intent of realizing a greater return than is called for in the investment contract.

h) Goodwill

Goodwill represents the excess of the cost of acquisitions over the identifiable net assets acquired. The Company amortizes goodwill recorded in connection with its business combinations on a straight-line basis over the estimated useful lives, which range from 25 to 40 years. In June 2001, FASB issued FAS No. 142, "Goodwill and Other Intangible Assets" ("FAS 142"). As required, the Company will adopt FAS 142 on January 1, 2002 and will cease amortizing goodwill at that time.

i) Reinsurance

In the ordinary course of business, the Company's insurance subsidiaries assume and cede reinsurance with other insurance companies. These arrangements provide greater diversification of business and minimize the net loss potential arising from large risks. Ceded reinsurance contracts do not relieve the Company of its obligation to its insureds.

Reinsurance recoverable includes the balances due from reinsurance companies for paid and unpaid losses and loss expenses that will be recovered from reinsurers, based on contracts in force. A reserve for uncollectible reinsurance has been determined based upon a review of the financial condition of the reinsurers and an assessment of other available information.

Prepaid reinsurance premiums represent the portion of premiums ceded to reinsurers applicable to the unexpired terms of the reinsurance contracts in force.

j) Translation of foreign currencies

Financial statements of subsidiaries expressed in foreign currencies are translated into U.S. dollars in accordance with FAS No. 52, "Foreign Currency Translation" ("FAS 52"). Under FAS 52, functional currency assets and liabilities are translated into U.S. dollars generally using period end rates of exchange and the related translation adjustments are recorded as a separate component of accumulated other comprehensive income. Functional currencies are generally the currencies of the local operating environment. Statement of operations amounts expressed in functional currencies are translated using average exchange rates. Gains and losses resulting from foreign currency transactions are recorded in current income.

k) Income taxes

Income taxes have been provided in accordance with the provisions of FAS No. 109, "Accounting for Income Taxes" on those operations which are subject to income taxes (see Note 14). Deferred tax assets and liabilities result from temporary differences between the amounts recorded in the consolidated financial statements and the tax basis of the Company's assets and liabilities. Such temporary differences are primarily due to the tax basis discount on unpaid losses, adjustment for unearned premiums, uncollectible reinsurance, and tax benefits of net operating loss carry-forwards. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance against deferred tax assets is recorded if it is more likely than not that all or some portion of the benefits related to deferred tax assets will not be realized.

l) Cash flow information

Purchases and sales or maturities of short-term investments are recorded net for purposes of the statements of cash flows and are included with fixed maturities.

m) Derivatives

The Company adopted FAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133") which 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 as of January 1, 2001. 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. As of December 31, 2001, the Company had no derivatives that were designated as hedges.

The Company maintains investments in derivative instruments such as futures, options, interest rate swaps 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, FAS 133, as amended, did not have a significant impact on the results of operations, financial condition or liquidity as it relates to these instruments.

Certain products (principally credit protection oriented) issued by the ACE Financial Services segment 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. Included in premiums written is \$76 million related to these products. Effective January 1, 2001, the Company records these products at their fair value, which is determined principally through obtaining quotes from independent dealers and counterparties.

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 \$17 million to reflect the change in the fair value of derivatives during the year. 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.

n) New accounting pronouncements

In June 2001, FASB issued FAS 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.

3. Acquisitions

On July 2, 1999, the Company, through a U.S. holding company, ACE INA Holdings, Inc. ("ACE INA"), acquired CIGNA Corporation's ("CIGNA") 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"). The ACE INA Acquisition has been recorded using the purchase method of accounting and accordingly, the consolidated financial statements include the results of ACE INA and its subsidiaries from July 2, 1999, the date of acquisition. Approximately \$1.85 billion of goodwill was generated as a result of the acquisition.

Under the terms of the ACE INA Acquisition Agreement, CIGNA agreed to provide a guarantee to ACE to indemnify against unanticipated increases in recorded reserves for losses and loss adjustment expenses of certain subsidiaries being acquired by ACE. CIGNA had the option to replace its guarantee with reinsurance obtained from a mutually agreed upon third-party reinsurer. Contemporaneous with the consummation of the ACE INA Acquisition, CIGNA exercised its option and replaced its guarantee with reinsurance by directing certain subsidiaries being acquired to transfer \$1.25 billion of investments to National Indemnity Company, a subsidiary of Berkshire Hathaway Inc., for aggregate coverage of \$2.5 billion. This coverage attaches at an amount equal to the net recorded reserves of the certain subsidiaries acquired, on the closing date, minus \$1.25 billion.

On December 30, 1999, the Company acquired Capital Re Corporation ("Capital Re") which is engaged in the financial guaranty reinsurance business. Following the acquisition the name of the company was changed to 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. These shares were capitalized at a value of \$17.625 per share, which was determined in accordance with the Emerging Issues Task Force ("EITF") 95-19 consensus that deals with the value of equity securities issued to effect a purchase combination. The total value of the acquisition amounted to \$588 million, which includes the value of stock options and restricted stock of Capital Re that were converted into stock options and restricted stock of ACE and transaction costs. The Capital Re acquisition was recorded using the purchase method of accounting and accordingly, the consolidated financial statements include the results of Capital Re and its subsidiaries from December 30, 1999, the date of acquisition. Approximately \$105 million of goodwill was generated as a result of the acquisition. As Capital Re was acquired on December 30, 1999, the Company has not reflected any operations from this segment during 1999.

Notes to Consolidated Financial Statements (continued) ACE Limited and Subsidiaries

4. Investments

a) Fixed maturities

The fair values and amortized costs of fixed maturities at December 31, 2001 and 2000 are as follows:

(in thousands of U.S. dollars)	2001		2000	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
U.S. Treasury and agency	\$ 1,344,076	\$ 1,314,524	\$ 1,216,544	\$ 1,179,018
Non-U.S. governments	1,428,977	1,403,053	1,250,712	1,205,424
Corporate securities	6,743,090	6,687,887	5,378,203	5,450,681
Mortgage-backed securities	2,322,951	2,272,111	1,712,949	1,689,849
States, municipalities and political subdivisions	1,161,071	1,116,869	1,162,901	1,115,965
Fixed maturities	\$13,000,165	\$12,794,444	\$10,721,309	\$10,640,937

The gross unrealized appreciation (depreciation) related to fixed maturities at December 31, 2001 and 2000 are as follows:

(in thousands of U.S. dollars)	2001		2000	
	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Gross Unrealized Appreciation	Gross Unrealized Depreciation
U.S. Treasury and agency	\$ 38,499	\$ (8,947)	\$ 38,566	\$ (1,040)
Non-U.S. governments	32,993	(7,068)	54,494	(9,206)
Corporate securities	179,028	(123,826)	70,868	(143,346)
Mortgage-backed securities	60,345	(9,505)	30,316	(7,216)
States, municipalities and political subdivisions	50,105	(5,903)	48,213	(1,277)
	\$ 360,970	\$ (155,249)	\$ 242,457	\$ (162,085)

Mortgage-backed securities issued by U.S. government agencies are combined with all other mortgage derivatives held and are included in the category "mortgage-backed securities". Approximately 81 percent of the total mortgage holdings at December 31, 2001, and 74 percent at December 31, 2000, are represented by investments in GNMA, FNMA and FHLMC bonds. The remainder of the mortgage exposure consists of CMOs (Collateralized Mortgage Obligations) and non-government mortgage-backed securities, the majority of which provide a planned structure for principal and interest payments and carry a "AAA" rating by the major credit rating agencies. Fixed maturities at December 31, 2001, by contractual maturity, are shown below. Expected maturities could differ from contractual maturities because borrowers may have the right to call or prepay obligations, with or without call or prepayment penalties.

(in thousands of U.S. dollars)	Fair Value	Amortized Cost
Maturity period		
Less than 1 year	\$ 776,130	\$ 757,954
1-5 years	4,553,390	4,463,448
5-10 years	3,959,947	3,940,549
Greater than 10 years	1,387,747	1,360,382
	\$10,677,214	\$10,522,333
Mortgage-backed securities	2,322,951	2,272,111
Total fixed maturities	\$13,000,165	\$12,794,444

b) Equity securities

The gross unrealized appreciation (depreciation) on equity securities at December 31, 2001 and 2000 is as follows:

(in thousands of U.S. dollars)	2001	2000
Equity securities-cost	\$ 516,028	\$ 495,049
Gross unrealized appreciation	41,043	84,199
Gross unrealized depreciation	(89,505)	(47,202)
Equity securities-fair value	\$ 467,566	\$ 532,046

c) Net realized gains (losses) and change in net unrealized appreciation (depreciation) on investments

The analysis of net realized gains (losses) on investments and the change in net unrealized appreciation (depreciation) on investments for the years ended December 31, 2001, 2000 and 1999 is as follows:

(in thousands of U.S. dollars)	2001	2000	1999
Fixed maturities			
Gross realized gains	\$ 189,751	\$ 90,403	\$ 113,129
Gross realized losses	(196,732)	(172,009)	(195,496)
	(6,981)	(81,606)	(82,367)
Equity securities			
Gross realized gains	58,779	170,243	59,384
Gross realized losses	(32,213)	(56,199)	(12,149)
	26,566	114,044	47,235
Other investments	(38,200)	(12,114)	8,696
Currency losses	(12,061)	(11,058)	(3,959)
Financial futures and option contracts and interest rate swaps - net realized gains (losses)	(10,843)	(48,227)	68,311
Fair value adjustment on derivatives	(16,840)	-	-
Net realized gains (losses) on investments	(58,359)	(38,961)	37,916
Change in net unrealized appreciation (depreciation) on investments			
Fixed maturities	125,349	310,971	(311,614)
Equity securities	(85,459)	(115,759)	127,350
Other investments	8,975	16,389	(4,271)
Short-term investments	-	2,081	(2,442)
Deferred income taxes	(14,284)	(28,020)	5,379
Change in net unrealized appreciation (depreciation) on investments	34,581	185,662	(185,598)
Total net realized gains (losses) and			

change in net unrealized appreciation			
(depreciation) on investments	\$ (23,778)	\$ 146,701	\$(147,682)
=====			

d) Net investment income

Net investment income for the years ended December 31, 2001, 2000 and 1999 was derived from the following sources:

(in thousands of U.S. dollars)	2001	2000	1999
Fixed maturities and short-term investments	\$ 811,912	\$ 766,312	\$ 495,078
Equity securities	9,837	12,268	8,731
Other investments	5,861	39,783	22,481
Gross investment income	827,610	818,363	526,290
Investment expenses	(41,741)	(47,508)	(32,953)
Net investment income	\$ 785,869	\$ 770,855	\$ 493,337

e) Restricted assets

The Company is required to maintain assets on deposit with various regulatory authorities to support its insurance and reinsurance operations. These requirements are generally promulgated in the statutory regulations of the individual jurisdictions. These funds on deposit are available to settle insurance and reinsurance liabilities. The Company also utilizes trust funds in certain large transactions where the trust funds are set up for the benefit of the ceding companies, and generally take the place of Letter of Credit ("LOC") requirements. The Company also has investments in segregated portfolios primarily to provide collateral or guarantees for LOCs and debt instruments described in Notes 8 and 9. The total value of restricted assets at December 31, 2001 and 2000 was \$3.5 billion and \$2.3 billion, respectively.

(in millions of U.S. dollars)	2001	2000
Deposits with U.S. regulatory authorities	\$ 864	\$ 923
Deposits with non-U.S. regulatory authorities	735	670
Assets used for collateral or guarantees	1,030	731
Trust funds	852	-
	\$ 3,481	\$ 2,324

5. 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 year ended December 31, 2001. The analysis of the impact of the September 11th tragedy includes the effects of intercompany reinsurance transactions. ACE believes that its current estimate for September 11, 2001 claims is reasonable and accurate based on information currently available. ACE continues to evaluate its total potential liability based upon individual insurance and reinsurance policy language, legal and factual developments in underlying matters involving its insureds as well as legislative developments in the U.S. involving the terrorist attack. If ACE's current assessments of future developments are proved wrong, the financial impact of any of them, singularly or in the aggregate, could be material. For example, business interruption insurance claims could materialize in the future with greater frequency than ACE has anticipated or provided for in its estimates; or, insureds that ACE expects will not be held responsible for injuries resulting from the attack, are ultimately found to be responsible at a financial level that impacts ACE's insurance or reinsurance policies.

Impact of September 11, 2001 Tragedy
Year ended December 31, 2001

(in thousands of U.S. dollars)	ACE Bermuda	ACE Global Markets	ACE Global Reinsurance	ACE USA	ACE International	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-. This analysis is based on ratings from Standard & Poor's or an equivalent rating.

6. Unpaid losses and loss expenses

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 become available and are reviewed, as new or improved methodologies are developed or as current laws 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.

The reconciliation of unpaid losses and loss expenses for the years ended December 31, 2001, 2000 and 1999 is as follows:

(in thousands of U.S. dollars)	2001	2000	1999
Gross unpaid losses and loss expenses at beginning of year	\$ 17,388,394	\$16,460,247	\$3,678,269
Reinsurance recoverable on unpaid losses	(8,057,444)	(7,551,430)	(1,100,464)
Net unpaid losses and loss expenses at beginning of year	9,330,950	8,908,817	2,577,805
Unpaid losses and loss expenses assumed in respect of reinsurance business acquired	300,204	169,537	183,774
Unpaid losses and loss expenses in respect of formerly discontinued operations	-	1,269,914	-
Unpaid losses and loss expenses assumed in respect of acquired companies (net of reinsurance recoverable of \$6,345,679 in 1999)	-	-	6,940,593
Total	9,631,154	10,348,268	9,702,172
Net losses and loss expenses incurred in respect of losses occurring in:			
Current year	4,457,986	2,996,429	1,601,278
Prior year	94,470	(60,364)	38,265
Total	4,552,456	2,936,065	1,639,543
Net losses and loss expenses paid in respect of losses occurring in:			
Current year	1,345,699	1,205,110	916,848
Prior year	2,430,655	2,631,171	1,509,638
Total	3,776,354	3,836,281	2,426,486
Foreign currency revaluation	(68,242)	(117,102)	(6,412)
Net unpaid losses and loss expenses at end of year	10,339,014	9,330,950	8,908,817
Reinsurance recoverable on unpaid losses	10,389,108	8,057,444	7,551,430
Gross unpaid losses and loss expenses at end of year	\$20,728,122	\$17,388,394	\$16,460,247

Net losses and loss expenses incurred for the year ended December 31, 2001 were impacted by \$94 million of prior year development principally in the ACE International segment. This development was reflected during the fourth quarter of 2001 when the Company recorded additional reserves to strengthen its casualty loss reserves.

Net losses and loss expenses incurred for the year ended December 31, 2000 were impacted by favorable development of reserves from prior periods primarily from ACE Tempest Re, ACE USA and ACE Bermuda partially offset by unfavorable development in ACE Financial Services.

Net losses and loss expenses incurred for the year ended December 31, 1999 include incurred losses for ACE INA from July 2, 1999, the date of acquisition. With respect to the analysis of incurred and paid

losses for ACE INA for the 1999 period, all losses incurred and paid, on losses occurring in the period January 1, 1999, through December 31, 1999, have been included as current year activity in 1999.

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 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 following table presents selected data on the unpaid losses and loss expenses for asbestos, and environmental and other latent exposures as at December 31, 2001 and 2000:

(in millions of U.S. dollars)	2001		2000	
	Gross	Net	Gross	Net
Asbestos	\$1,119	\$149	\$1,073	\$212
Environmental and other latent exposures	1,089	452	1,156	540
	\$2,208	\$601	\$2,229	\$752

During the years ended December 31, 2001 and 2000, the Company made payments of \$239.3 million and \$308.9 million, respectively, with respect to latent claims.

At December 31, 2001 and 2000, the Company's reinsured financial guaranty portfolio was broadly diversified by bond type, geographic location and maturity schedule, with no single risk representing more than 1.3 percent and 1.4 percent, respectively, of the Company's net par in force. The Company limits its exposure to losses from reinsured financial guarantees by underwriting primarily investment grade obligations and retroceding a portion of its risks to other insurance companies.

Net financial guaranty par in force was approximately \$74.2 billion and \$65.8 billion at December 31, 2001 and 2000, respectively. At December 31, 2001, the weighted average credit quality of this portfolio, including credit default swaps was A+ based on ratings assigned by Standard & Poor's. The composition at December 31, 2001 and 2000, by type of issue and the range of final maturities, was as follows:

(in billions of U.S. dollars)	2001	2000	Range of final maturities
Non-municipal	\$26.2	\$19.5	1-40 years
Tax-backed	17.9	16.9	1-40 years
Utility	13.5	15.1	1-40 years
Special revenue	7.4	6.9	1-40 years
Health care	5.7	6.6	1-40 years
Structured municipal	2.6	-	1-25 years
Housing	0.8	0.8	1-40 years
Project finance	0.1	-	1-30 years
Total	\$74.2	\$65.8	

As part of its financial guaranty business, the Company participates in credit default swap transactions whereby one counterparty pays a periodic fee in fixed basis points on a notional amount in return for a contingent payment by the other counterparty in the event one or more defined credit events occurs with respect to one or more third-party reference securities or loans. A credit event is defined as a failure to pay, bankruptcy, cross acceleration (generally accompanied by a failure to pay), repudiation, restructuring or similar nonpayment event. The total notional amount of credit default swaps outstanding at December 31, 2001 and 2000, included in the Company's financial guaranty exposure above was \$15.5 billion and \$11.3 billion, respectively.

At December 31, 2001 and 2000, the Company's net mortgage guaranty insurance in force (representing the current principal balance of all mortgage loans that are currently reinsured) was approximately \$5.7 billion and \$6.9 billion, respectively, and direct primary net risk in force was approximately \$2.6 billion and \$2.7 billion, respectively.

7. 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 years ended December 31, 2001, 2000 and 1999 are as follows:

(in thousands of U.S. dollars)	2001	2000	1999
Premiums written			
Direct	\$ 7,629,233	\$ 6,093,151	\$ 3,015,176
Assumed	2,536,129	1,493,620	853,981
Ceded	(3,801,748)	(2,707,417)	(1,373,809)
Net	\$ 6,363,614	\$ 4,879,354	\$ 2,495,348
Premiums earned			
Direct	\$ 6,980,359	\$ 5,612,988	\$ 2,917,301
Assumed	2,359,241	1,361,254	835,966
Ceded	(3,422,423)	(2,439,479)	(1,267,530)
Net	\$ 5,917,177	\$ 4,534,763	\$ 2,485,737

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

(in thousands of U.S. dollars)	2001	2000
Reinsurance recoverable on paid losses and loss expenses, (net of provision for uncollectible balances - \$62,493 and nil)	\$ 1,004,003	\$ 937,496
Reinsurance recoverable on future policy benefits	5,335	-
Reinsurance recoverable on unpaid losses and loss expenses	11,115,552	8,767,111
Provision for uncollectible balances on reinsurance recoverable	(726,444)	(709,667)
Reinsurance recoverable	\$11,398,446	\$8,994,940

The Company evaluates the financial condition of its reinsurers and potential reinsurers on a regular basis and also monitors concentrations of credit risk with reinsurers. At December 31, 2001, the largest concentration of reinsurance recoverables, which amounted to 24 percent, was with a group of affiliated reinsurers rated AAA by Standard & Poor's. No other reinsurer or affiliated group of reinsurers accounted for more than 5 percent of the total reinsurance recoverable.

At December 31, 2001, approximately 90 percent of the reinsurance recoverable was recoverable from reinsurers rated A- or better, including approximately 53 percent with reinsurers that are either rated AAA- or better, are collateralized or recoverable from a government pool. Approximately 20 percent was recoverable from reinsurers in the AA rating category, 18 percent from reinsurers in the A rating category and 9 percent was recoverable from all others. This analysis is based on ratings from Standard & Poor's or an equivalent rating. The allowance for unrecoverable reinsurance is required principally due to the failure of reinsurers to indemnify ACE, 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 and London reinsurance market exposures. Allowances have been established for amounts estimated to be uncollectible.

8. Commitments and contingencies

a) Derivative instruments The Company maintains investments in derivative instruments such as futures, options, interest rate swaps 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 currently records changes in market value of these instruments as realized gains or losses in the consolidated statements of operations.

(i) Foreign currency exposure management The Company uses foreign currency forward contracts to minimize the effect of fluctuating foreign currencies. The forward currency contracts purchased are not specifically identifiable against cash, any single security or groups of securities denominated in those currencies, and therefore, do not qualify as hedges for financial reporting purposes. All realized and unrealized contract gains and losses are reflected currently in the statements of operations. The contractual amount of the foreign

currency forward contracts at December 31, 2001, was \$81 million, the current fair value was \$80 million and the unrealized loss was \$1 million.

(ii) Duration management and market exposure Futures: A portion of the Company's equity exposure is attained using a synthetic equity strategy, whereby equity index futures contracts are held in an amount equal to the market value of an underlying portfolio comprised of short-term investments and fixed maturities. This creates an equity market exposure equal in value to the total amount of funds invested in this strategy. In addition, exchange traded bond and note futures contracts may be used in fixed maturity portfolios as substitutes for ownership of the physical bonds and notes without significantly increasing the risk in the portfolio. Investments in financial futures contracts may be made only to the extent that there are assets under management, not otherwise committed.

Futures contracts give the holder the right and obligation to participate in market movements, determined by the index or underlying security on which the futures contract is based. Settlement is made daily in cash by an amount equal to the change in value of the futures contract times a multiplier that scales the size of the contract. At December 31, 2001, the contract amount of \$502 million reflects the net extent of involvement the Company had in these financial instruments.

Options: Option contracts may be used in the portfolio as protection against unexpected shifts in interest rates, which would thereby affect the duration of the fixed maturity portfolio. By using options in the portfolio, the overall interest rate sensitivity of the portfolio can be reduced. Option contracts may also be used as an alternative to futures contracts in the Company's synthetic equity strategy as described above. An option contract conveys to the holder the right, but not the obligation, to purchase or sell a specified amount or value of an underlying security at a fixed price. The price of an option is influenced by the underlying security, expected volatility, time to expiration and supply and demand.

For long option positions, the maximum loss is the premium paid for the option. The maximum credit exposure is represented by the fair value of the options held. For short option positions, the potential loss is the same as having taken a position in the underlying security. Short call options are backed in the portfolio with the underlying, or highly correlated, securities and short put options are backed by uncommitted cash for the in-the-money portion.

Interest rate swaps: An interest rate swap is a contract between two counterparties in which interest payments are made based on a notional principal amount, which itself is never paid or received. At December 31, 2001, the notional principal amount was \$621 million. Under the terms of an interest rate swap one counterparty makes interest payments based on a fixed interest rate and the other counterparty's payments are based on a floating rate. Interest rate swap contracts are used in the portfolio as protection against unexpected shifts in interest rates which would affect the fair value of the fixed maturity portfolio. By using swaps in the portfolio, the overall duration, or interest rate sensitivity of the portfolio can be reduced.

The credit risk associated with the above derivative financial instruments relates to the potential for non-performance by counterparties. Non-performance is not anticipated; however, in order to minimize the risk of loss, management monitors the creditworthiness of its counterparties. The performance of exchange traded instruments is guaranteed by the exchange on which they trade. For non-exchange traded instruments, the counterparties are principally banks, which must meet certain criteria according to the Company's investment guidelines. These counterparties are required to have a minimum credit rating of AA- by Standard and Poor's or Aa3 by Moody's. In addition, certain contracts require that collateral be posted once pre-determined thresholds are breached as a result of market movements.

b) Concentrations of credit risk The investment portfolio is managed following prudent standards of diversification. Specific provisions limit the allowable holdings of a single issue and issuers. The Company believes that there are no significant concentrations of credit risk associated with its investments.

c) Credit facilities 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. During the year ended December 31, 2001, amounts of \$180 million were drawn under the 364-day revolving credit facility. These amounts were fully repaid during the year. In 2000, an amount of \$25 million was drawn under the five-year facility and remained outstanding at December 31, 2001.

ACE Tempest Re also maintained an uncollateralized, syndicated revolving credit facility in the amount of \$72.5 million, which was guaranteed by the Company. At December 31, 2001, no amounts had drawn down under this facility. This facility expired in February 2002 and was not renewed.

As of December 31, 2001, ACE Guaranty Re Inc. was party to a non-recourse credit facility with a syndicate of banks pursuant to which the syndicate provides up to \$150 million specifically designed to provide rating agency qualified capital to further support ACE Guaranty Re Inc. claims-paying resources. The facility expires on October 15, 2008. ACE Guaranty Re Inc. has not borrowed under this credit facility.

d) Letters of Credit In November 2001, to fulfill the requirements of Lloyd's for open years of account, the Company renewed and increased a syndicated uncollateralized, five-year LOC facility in the amount of (Pound)440 million (approximately \$625 million). This facility was originally arranged in 1998. This LOC facility requires that the Company and/or certain of its subsidiaries continue to maintain certain covenants, including a minimum consolidated tangible net worth covenant and a maximum leverage covenant.

In August 2001, the Company, and various subsidiaries as Account Parties and Guarantors, entered into an unsecured syndicated, one-year 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 \$373 million as of December 31, 2001.

In December 2001, the Company, along with various subsidiaries as Account Parties and Guarantors, entered into a secured syndicated, one-year LOC facility in the amount of \$500 million for general business purposes, including the issuance of insurance and reinsurance letters of credit. Usage under this facility is secured by fixed maturity investments and 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 \$130 million as of December 31, 2001.

The Company also maintains various LOC facilities, both collateralized and uncollateralized, for general corporate purposes. At December 31, 2001, the aggregate availability under these facilities was \$533 million and usage was \$307 million.

e) Lease commitments The Company and its subsidiaries lease office space in the countries in which they operate under operating leases which expire at various dates through January 2017. The Company renews and enters into new leases in the ordinary course of business as required. Total rent expense with respect to these operating leases for the years ended December 31, 2001, 2000 and 1999, were approximately \$62 million, \$64 million and \$63 million, respectively.

Future minimum lease payments under the leases are expected to be as follows:

(in thousands of U.S. dollars)	Year ending December 31,	
	2002	\$ 64,300
	2003	62,300
	2004	57,400
	2005	52,300
	2006	27,200
	Later years	54,200
Total minimum future lease commitments		\$317,700

f) Legal proceedings The Company is subject to legal proceedings and claims that have arisen in the ordinary course of its business and have not been finally adjudicated. Although there can be no assurance as to the ultimate disposition of these matters, it is the opinion of the Company's management, based upon the information available at this time, that the expected outcome of these matters, individually or in the aggregate, will not have a material adverse effect on the results of operations or financial condition of the Company.

9. Debt The following table outlines the Company's debt as of December 31, 2001 and 2000:

(in millions of U.S. dollars)	2001	2000
Short-term debt		
ACE Financial Services note	\$ 25	\$ 25
Reverse Repurchase Agreements	395	-
ACE Financial Services Debentures due 2002	75	-
ACE INA commercial paper	-	340
	\$ 495	\$ 365
Long-term debt		
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
ACE Financial Services Debentures due 2002	-	75
	\$1,349	\$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

a) Commercial paper and money market facilities In 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 as outlined in Note 8) for ACE and for ACE INA.

During the year ended December 31, 2001 the Company borrowed \$180 million under the \$800 million 364-day revolving credit facility. These borrowings were used to repay maturing commercial paper. In October 2001, the Company and certain subsidiaries executed securities repurchase agreements with various counterparties. Under these repurchase agreements, the Company agreed to sell securities and repurchase them at a date in the future for a predetermined price. The Company used the proceeds of repurchase transactions to repay maturing commercial paper of \$215 million and the bank borrowings of \$180 million. At December 31, 2001, short-term debt consisted of \$395 million of amounts owed to brokers under securities repurchase transactions, \$25 million in bank borrowings by ACE Financial Services and the ACE Financial Services debentures due in November 2002. Subsequent to year end, the Company repaid \$335 million of the amounts owed to brokers under securities repurchase transactions with the proceeds raised from the issuance of commercial paper and internal liquidity. Through the years ended December 31, 2001, and December 31, 2000, commercial paper rates averaged 5.0 percent and 6.2 percent. The average rate on bank loans during 2001 was 3.4 percent, respectively. The rate on repurchase transactions, which were used during the quarter ended December 31, 2001, averaged 2.0 percent.

b) ACE INA notes and debentures In 1999, ACE INA issued \$400 million of 8.2 percent notes due August 15, 2004, \$300 million of 8.3 percent notes due August 15, 2006, and \$100 million of 8.875 percent debentures due August 15, 2029. The notes and debentures are not redeemable before maturity and do not have the benefit of any sinking fund. These unsecured notes and debentures are guaranteed on a senior basis by the Company and they rank equally with all of ACE INA's other senior indebtedness.

c) ACE US Holdings senior notes

In 1998, ACE US Holdings issued \$250 million in aggregate principal amount of unsecured senior notes maturing in October 2008. Interest payments, based on a floating rate, averaged 9.0 percent during fiscal 2000 and 8.6 percent during fiscal 2001. The senior notes are callable subject to certain call premiums. Simultaneously, the Company entered into a notional \$250 million swap transaction that has the economic effect of reducing the cost of debt to the consolidated group, excluding fees and expenses, to 6.47 percent for 10 years. Certain assets totaling approximately \$90 million are pledged as collateral in connection with the swap transaction. In the event that the Company terminates the swap prematurely, the Company would be liable for certain transaction costs. The swap counterparty is a highly rated major financial institution and the Company does not anticipate non-performance.

d) ACE INA subordinated notes

In 1999, ACE INA issued \$300 million 11.2 percent unsecured subordinated notes maturing in December 2009. The subordinated notes are callable subject to certain call premiums. Simultaneously, the Company entered into a notional \$300 million swap transaction that has the economic effect of reducing the cost of debt to the consolidated group, excluding fees and expenses, to 8.41 percent for 10 years. Certain assets totaling approximately \$105 million are pledged as collateral in connection with the swap transaction. In the event that the Company terminates the swap prematurely, the Company would be liable for certain transaction costs. The swap counterparty is a highly rated major financial institution and the Company does not anticipate non-performance.

e) ACE INA RHINO preferred securities

In 1999, ACE RHINOS Trust, a Delaware statutory business trust (the "Trust"), sold in a private placement \$400 million of Auction Rate Reset Preferred Securities (the "Rhino Preferred Securities"). All of the common securities of the Trust are owned by ACE INA.

The Rhino Preferred Securities mature on September 30, 2002. Distributions on the Rhino Preferred Securities are payable quarterly at LIBOR plus 87.5 basis points, adjusted quarterly. The Trust may defer interest payments (but no later than September 30, 2002, or, if there is a remarketing, the maturity date of the remarketed securities), if ACE INA defers interest on the Subordinated Notes (as defined below). Deferred payments accrue interest compounded quarterly. If the trading price of ACE's Ordinary Shares declines to approximately \$18.83 per Ordinary Share, the holders of a majority of the Rhino Preferred Securities will have the option to require Banc of America Securities LLC as the Remarketing Agent to remarket the Rhino Preferred Securities. If remarketed, the maturity of the remarketed securities will be reset to one year from the date on which the remarketed securities are issued. The coupon will be reset pursuant to a bid process to value the remarketed securities at 100.25 percent of the face amount thereof. If Banc of America were unable to remarket the securities, the holders of a majority of the Rhino Preferred Securities would have the right to require ACE INA to repurchase them at a purchase price equal to the face amount of the securities plus accrued and unpaid distributions. These obligations would be guaranteed by ACE. ACE's Ordinary Shares have traded below \$18.83 during the year ended December 31, 2001. The holders of the Rhino Preferred Securities did not exercise their remarketing rights at that time.

The sole assets of the Trust consist of \$412,372,000 principal amount of Auction Rate Reset Subordinated Notes Series A (the "Subordinated Notes") issued by ACE INA. The Subordinated Notes mature on September 30, 2002. Interest on the Subordinated Notes is payable quarterly at LIBOR plus 87.5 basis points, adjusted quarterly. ACE INA may defer the interest payments (but no later than September 30, 2002, or, if there is a remarketing, the maturity date of the remarketed securities). Deferred payments accrue interest compounded quarterly. If under certain circumstances the Trust is dissolved and the holders of the Rhino Preferred Securities directly hold the Subordinated Notes, then the remarketing provisions described above will be applicable to the Subordinated Notes.

Proceeds of the Ordinary Share offering of September 12, 2000, described in Note 11, were used to support the Company's guarantee of the \$412 million principal amount of the Subordinated Notes.

f) Capital Re LLC monthly income preferred securities

In 1994, ACE Financial Services, through Capital Re LLC, issued \$75 million of company obligated mandatorily redeemable preferred securities. Capital Re LLC exists solely for the purpose of issuing preferred and common shares. These securities pay monthly dividends at a rate of 7.65 percent per annum, are callable as of January 1999 at par and are mandatorily redeemable in January 2044. The Company has guaranteed all obligations of Capital Re LLC.

g) ACE INA trust preferred securities

In 1999, ACE Capital Trust I, a Delaware statutory business trust ("ACE Capital Trust I") issued \$100 million 8.875 percent Trust Originated Preferred Securities (the "Trust Preferred Securities"). All of the common securities of ACE Capital Trust I (the "ACE Capital Trust I Common Securities") are owned by ACE INA.

The Trust Preferred Securities mature on December 31, 2029. The maturity date may be extended for one or more periods but not later than December 31, 2048. Distributions on the Trust Preferred Securities are payable quarterly at a rate of 8.875 percent. ACE Capital Trust I may defer these payments for up to 20 consecutive quarters (but no later than December 31, 2029, unless the maturity date is extended). Any deferred payments would accrue interest quarterly on a compounded basis if ACE INA defers interest on the subordinated debentures (as defined below).

The sole assets of ACE Capital Trust I consist of \$103,092,800 principal amount of 8.875 percent Junior Subordinated Deferrable Interest Debentures (the "Subordinated Debentures") issued by ACE INA. The Subordinated Debentures mature on December 31, 2029. Interest on the Subordinated Debentures is payable quarterly at a rate of 8.875 percent. ACE INA may defer such interest payments (but no later than December 31, 2029, unless the maturity date is extended), with such deferred payments accruing interest compounded quarterly. ACE INA may redeem the Subordinated Debentures at 100 percent of the principal amount thereof, plus accrued and unpaid interest to the redemption date, in whole or in part at any time on or after December 31, 2004, and in whole but not in part prior to December 31, 2004, in the event certain changes in tax or investment company law occur. The Trust Preferred Securities and the ACE Capital Trust I Common Securities will be redeemed upon repayment of the Subordinated Debentures.

The Company has guaranteed, on a subordinated basis, ACE INA's obligations under the Subordinated Debentures and distributions and other payments due on the Trust Preferred Securities. These guarantees, when taken together with the Company's obligations under an expense agreement entered into with ACE Capital Trust I, provide a full and unconditional guarantee of amounts due on the Trust Preferred Securities.

h) ACE INA capital securities

In 2000, ACE Capital Trust II, a Delaware statutory business trust ("ACE Capital Trust II"), issued and sold in a public offering \$300 million 9.7 percent Capital Securities (the "Capital Securities"). All of the common securities of ACE Capital Trust II (the "ACE Capital Trust II Common Securities") are owned by ACE INA.

The Capital Securities mature on April 1, 2030, which may not be extended. Distributions on the Capital Securities are payable semi-annually. ACE Capital Trust II may defer these payments for up to 10 consecutive semi-annual periods (but no later than April 1, 2030). Any deferred payments would accrue interest semi-annually on a compounded basis if ACE INA defers interest on the Subordinated Debentures due 2030 (as defined below).

The sole assets of ACE Capital Trust II consist of \$309,280,000 principal amount of 9.7 percent Junior Subordinated Deferrable Interest Debentures (the "Subordinated Debentures due 2030") issued by ACE INA. The Subordinated Debentures due 2030 mature on April 1, 2030. Interest on the Subordinated Debentures due 2030 is payable semi-annually. ACE INA may defer such interest

payments (but no later than April 1, 2030), with such deferred payments accruing interest compounded semi-annually. ACE INA may redeem the Subordinated Debentures due 2030 in the event certain changes in tax or investment company law occur at a redemption price equal to accrued and unpaid interest to the redemption date plus the greater of (i) 100 percent of the principal amount thereof, or (ii) the sum of the present value of scheduled payments of principal and interest on the debentures from the redemption date to April 1, 2030. The Capital Securities and the ACE Capital Trust II Common Securities will be redeemed upon repayment of the Subordinated Debentures due 2030.

The Company has guaranteed, on a subordinated basis, ACE INA's obligations under the Subordinated Debentures due 2030, and distributions and other payments due on the Capital Securities. These guarantees, when taken together with the Company's obligations under expense agreements entered into with ACE Capital Trust II, provide a full and unconditional guarantee of amounts due on the Capital Securities.

10. Mezzanine equity

On April 12, 2000, the Company publicly offered and issued 6,000,000 FELINE PRIDES. On May 8, 2000, exercise of the over allotment option resulted in the issuance of an additional 221,000 FELINE PRIDES, for aggregate net proceeds of approximately \$311 million. Each FELINE PRIDE initially consists of a unit referred to as an Income PRIDE. Each Income PRIDE consists of (i) one 8.25 percent Cumulative Redeemable Preferred Share, Series A, liquidation preference \$50 per share, of the Company, and (ii) a purchase contract pursuant to which the holder of the Income PRIDE agrees to purchase from the Company, on May 16, 2003, Ordinary Shares at the applicable settlement rate. Each preferred share is pledged to the Company to secure the holders obligations under the purchase contract. A holder of an Income PRIDE can obtain the release of the preferred share by substituting certain zero-coupon treasury securities as security for performance under the purchase contract. The resulting unit consisting of the zero-coupon treasury security and the purchase contract is a Growth PRIDE, and the preferred shares would be a separate security. A holder of a Growth PRIDE can convert it back into an Income PRIDE by depositing preferred shares as security for performance under the purchase contract and thereby obtain the release of the zero-coupon treasury securities.

The aggregate liquidation preference of the 8.25 percent Cumulative Redeemable Preferred Shares is \$311 million. Unless deferred by the Company, the preferred shares pay dividends quarterly at a rate of 8.25 percent per year to May 16, 2003, and thereafter at the reset rate established pursuant to a remarketing procedure. If the Company elects to defer dividend payments on the preferred shares, the dividends will continue to accrue and the Company will be restricted from paying dividends on its Ordinary Shares and taking certain other actions. The preferred shares are not redeemable prior to June 16, 2003, on which date they must be redeemed by the Company in whole.

11. Shareholders' equity

a) Shares issued and outstanding

Following is a table of changes in Ordinary Shares issued and outstanding for the years ended December 31, 2001, 2000 and 1999:

	2001	2000	1999
Opening balance	232,346,579	217,460,515	193,687,126
Shares issued, net	32,415,912	13,008,419	-
Exercise of stock options	1,648,326	1,826,993	356,472
Shares issued under Employee Stock Purchase Plan	211,288	50,652	25,697
Repurchase of shares	(6,760,900)	-	-
Cancellation of non-vested restricted stock	-	-	(5,500)
Shares issued in ACE Financial Services acquisition	-	-	20,815,677
Shares issued in ACE INA acquisition	-	-	2,581,043
	259,861,205	232,346,579	217,460,515
Ordinary Shares issued to employee trust			
Opening balance	(661,125)	(659,625)	(411,625)
Shares issued	(52,350)	(1,500)	(248,000)
	(713,475)	(661,125)	(659,625)

On October 25, 2001, the Company completed a public offering of 32.89 million Ordinary Shares (which included the overallotment option of 4.29 million shares) in which it raised aggregate net proceeds of approximately \$1.1 billion. The Company has used the net proceeds of the Ordinary Share offering to expand its net underwriting capacity and for general corporate purposes. In addition, 474,088 restricted Ordinary Shares of the Company were cancelled in connection with the Company's long-term incentive plans during fiscal 2001.

On September 12, 2000, the Company completed a public offering of 12.25 million Ordinary Shares (which included exercise of the overallotment option of 1.25 million shares) in which it raised aggregate net proceeds of approximately \$400 million. The offering was made in satisfaction of a June 29, 1999, agreement with Banc of America Securities LLC. In addition, the Company issued 758,419 restricted Ordinary Shares in connection with the Company's long-term incentive plans during fiscal 2000.

Ordinary Shares issued to employee trust are the shares issued by the Company to a rabbi trust for deferred compensation obligations (see Note 12g).

b) ACE Limited securities repurchase authorization

On November 17, 2000, the Board of Directors authorized the repurchase of any ACE issued debt or capital securities, including ACE's Ordinary Shares, up to an aggregate total of \$250 million. These purchases may take place from time to time in the open market or in private purchase transactions. During 2001, the Company repurchased and cancelled 6,760,900 Ordinary Shares under the program for an aggregate cost of \$179.4 million. In November 2001, the Board of Directors replaced the existing authorization with a new authorization to repurchase any ACE issued debt or capital securities including Ordinary Shares, up to an aggregate total of \$250 million. As of December 31, 2001 this authorization had not been utilized. During 2000, no securities were repurchased.

c) General restrictions

The holders of the Ordinary Shares are entitled to receive dividends and are allowed one vote per share provided that, if the controlled shares of any shareholder constitute 10 percent or more of the outstanding Ordinary Shares of the Company, only a fraction of the vote will be allowed so as not to exceed 10 percent. Generally, the Company's directors have absolute discretion to decline to register any transfer of shares. All transfers are subject to the restriction that they may not increase to 10 percent or higher the proportion of issued Ordinary Shares owned by any shareholder.

d) Dividends declared

Dividends declared on Ordinary Shares amounted to \$0.58, \$0.50 and \$0.42 per Ordinary Share for the years ended December 31, 2001, 2000 and 1999. Dividends declared on FELINE PRIDES amounted to \$25.6 million and \$18.4 million for the years ended December 31, 2001 and 2000, respectively.

12. Employee benefit plans

a) Pension plans

The Company provides pension benefits to eligible employees and agents, spouses and other eligible dependents through various plans sponsored by the Company. Pension benefits are provided through plans sponsored by ACE covering most U.S. and Bermuda based employees and by separate pension plans for various non-U.S. subsidiaries and employees. Pension expenses totaled \$9 million, \$17 million and \$11 million for the years ended December 31, 2001, 2000 and 1999, respectively.

b) Capital accumulation plans

ACE sponsors a capital accumulation plan in the U.S. in which employee contributions on a pre-tax basis (401(k)) are supplemented by ACE matching contributions. These contributions are invested, at the election of the employee, in one or more of several investment portfolios. In addition, ACE may provide additional matching contributions, depending on its annual financial performance. Expenses for the plan totaled \$29 million, \$28 million and \$19 million for the years ended December 31, 2001, 2000 and 1999, respectively.

c) Options and stock appreciation rights

In February 1996 and November 1998, shareholders of the Company approved the ACE Limited 1995 Long-Term Incentive Plan and the ACE Limited 1998 Long-Term Incentive Plan, respectively (the "Incentive Plans"), which incorporate stock options, stock appreciation rights, restricted stock awards and stock purchase programs. There are 12.5 million Ordinary Shares of the Company available for award

under these Incentive Plans. Prior to the adoption of the Incentive Plans, the Company adopted the Equity Linked Incentive Plan, which incorporated both a Stock Appreciation Rights Plan and a Stock Option Plan ("Option Plan") which will continue to run off. Under the Option Plan, generally, options expire ten years after the award date and are subject to a vesting period of four years. Stock options granted under the Incentive Plan may be exercised for Ordinary Shares of the Company upon vesting. Under the Incentive Plans, generally, options expire ten years after the award date and vest in equal portions over three years.

During 1999, the Company established the ACE Limited 1999 Replacement Stock Plan. This plan was established to replace existing Capital Re employee benefits in connection with the Capital Re acquisition, as well as to permit additional grants to employees of the Company. At December 31, 2001, 2,000,000 Ordinary Shares were available for grant under this plan.

d) Options

(i) Options outstanding

Following is a summary of options issued and outstanding for the years ended December 31, 2001, 2000 and 1999.

	Year of Expiration	Average Exercise Price	Options for Ordinary Shares
Balance at December 31, 1998			10,807,926
Options granted	2009	\$27.86	4,058,190
Options exercised	2005-2007	\$15.91	(356,472)
Options forfeited	2005-2008	\$29.02	(544,884)
Balance at December 31, 1999			13,964,760
Options granted	2010	\$25.26	4,214,018
Options exercised	2003-2009	\$35.71	(1,826,993)
Options forfeited	2006-2008	\$25.30	(454,985)
Balance at December 31, 2000			15,896,800
Options granted	2011	\$35.63	3,821,615
Options exercised	2002-2010	\$37.87	(1,648,326)
Options forfeited	2004-2011	\$26.28	(999,459)
Balance at December 31, 2001			17,070,630

The following table summarizes the range of exercise prices for outstanding options at December 31, 2001:

Range of Exercise Prices	Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercisable Price	Options Exercisable	Weighted Average Exercise Price
\$ 7.45-\$15.00	3,273,296	2.87 years	\$ 9.15	3,267,962	\$ 9.14
\$15.00-\$30.00	9,597,639	6.90 years	\$22.16	7,524,888	\$22.83
\$30.00-\$41.25	4,199,695	8.85 years	\$35.91	501,389	\$33.08
	17,070,630			11,294,239	

(ii) FAS 123 pro forma disclosures

In October 1995, FASB issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("FAS 123"). FAS 123 establishes accounting and reporting standards for stock-based employee compensation plans, which include stock option and stock purchase plans. FAS 123 provides employers a choice: adopt FAS 123 accounting standards for all stock compensation arrangements which requires the recognition of compensation expense for the fair value of virtually all stock compensation awards; or continue to account for stock options and other forms of stock compensation under Accounting Principles Board Opinion No. 25 ("APB 25"), while also providing the disclosure required under FAS 123. The Company continues to account for stock-based compensation plans under APB 25.

The following table outlines the Company's net income available to holders of Ordinary Shares and diluted earnings per share had the compensation cost been determined in accordance with the fair value method recommended in FAS 123.

(in thousands of U.S. dollars, except per share data)	December 31, 2001	December 31, 2000
---	----------------------	----------------------

Net income (loss) available to holders of Ordinary Shares:		
As reported	\$ (172,008)	\$ 524,591
Pro forma	\$ (192,712)	\$ 509,088
Diluted earnings (loss) per share:		
As reported	\$ (0.74)	\$ 2.31
Pro forma	\$ (0.82)	\$ 2.24
=====		

The fair value of the options issued is estimated on the date of grant using the Black-Scholes option-pricing model, with the following weighted-average assumptions used for grants in 2001 and 2000, respectively: dividend yield of 1.65 percent and 2.23 percent; expected volatility of 42.8 percent and 40.1 percent; risk-free interest rate of 4.84 percent and 6.37 percent and an expected life of 4 years for both 2001 and 2000.

e) Employee stock purchase plan

The Company maintains an employee stock purchase plan (ESPP). Participation in the plan is available to all eligible employees. Maximum annual purchases by participants are limited to the number of whole shares that can be purchased by an amount equal to 10 percent of the participant's compensation or \$25,000, whichever is less. Participants may purchase shares at a purchase price equal to 85 percent of the lesser of (i) the fair market value of the stock on first day of the subscription period; or (ii) the fair market value of the stock on the last day of the subscription period. Pursuant to the provisions of the ESPP, during 2001, 2000 and 1999, employees paid \$6.1 million, \$1.2 million and \$1.1 million, respectively, to purchase 211,288 shares, 50,652 shares and 25,697 shares, respectively.

f) Restricted stock awards

Under the Company's long-term incentive plans 704,748 restricted Ordinary Shares were awarded during the year ended December 31, 2001, to officers of the Company and its subsidiaries. These shares vest at various dates through December 2005. In addition, during the year, 12,650 restricted Ordinary Shares were awarded to outside directors under the terms of the 1995 Outside Director Plan. These shares vest in May 2002.

Under the Company's long-term incentive plans, 461,884 restricted Ordinary Shares were awarded during the year ended December 31, 2000, to officers of the Company and its subsidiaries. These shares vest at various dates through December 2004. In addition, during the year, 17,200 restricted Ordinary Shares were awarded to outside directors under the terms of the 1995 Outside Directors Plan. These shares vested in May 2001.

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.

g) Deferred compensation obligation

The Company maintains a rabbi trust for deferred compensation plans for key employees and executive officers. In accordance with EITF 97-14, "Accounting for Deferred Compensation Agreements Where Amounts Earned are Held in a Rabbi Trust and Invested," assets of the rabbi trust are to be consolidated with those of the employer, and the value of the employer's stock held in the rabbi trust should be classified in shareholders' equity and accounted for at historical cost in a manner similar to treasury stock. The shares issued by the Company to the rabbi trust are recorded in Ordinary Shares issued to employee trust and the obligation has been recorded in deferred compensation obligation, both are components of shareholders' equity.

h) Shares issued in ACE INA acquisition

During 1999, the ACE Limited 1999 Replacement Long-Term Incentive Plan ("Replacement Plan") was established to award substitute restricted stock awards and substitute restricted stock unit awards in satisfaction of the Company's obligations under the ACE INA Acquisition Agreement and to provide selected individuals substitute restricted stock awards and substitute restricted stock unit awards in replacement of certain equity-based awards which terminated or expired in connection with the closing of the ACE INA transaction. During 1999, 2,581,043 restricted Ordinary Shares were granted in connection with the Replacement Plan. The costs associated with issuing these awards were included as a cost of the ACE INA Acquisition.

13. Earnings per share

The following table sets forth the computation of basic and diluted earnings per share for the years ended December 31, 2001, 2000 and 1999:

(in thousands of U.S. dollars, except share and per share data)	2001	2000	1999

Numerator:			
Net income (loss) before cumulative effect of adopting a new accounting standard	\$ (123,744)	\$ 542,982	\$ 364,963
Dividends on FELINE PRIDES	(25,594)	(18,391)	-

Net income (loss) available to holders of Ordinary Shares before cumulative effect	(149,338)	524,591	364,963
Cumulative effect of adopting a new accounting standard	(22,670)	-	-

Net income (loss) available to holders of Ordinary Shares	\$ (172,008)	\$ 524,591	\$ 364,963
=====			
Denominator:			
Denominator for basic earnings per share:			
Weighted average shares outstanding	233,799,588	221,082,961	194,028,374
Dilutive effect of FELINE PRIDES	-	1,099,226	-
Effect of other dilutive securities	-	5,236,243	3,597,980

Denominator for diluted earnings (loss) per share:			
Adjusted weighted average shares outstanding and assumed conversions	233,799,588	227,418,430	197,626,354
=====			
Basic earnings (loss) per share:			
Earnings (loss) per share before cumulative effect of adopting a new accounting standard	\$ (0.64)	\$ 2.37	\$ 1.88
Earnings (loss) per share	\$ (0.74)	\$ 2.37	\$ 1.88

Diluted earnings (loss) per share:			
Earnings (loss) per share before cumulative effect of adopting a new accounting standard	\$ (0.64)	\$ 2.31	\$ 1.85
Earnings (loss) per share	\$ (0.74)	\$ 2.31	\$ 1.85
=====			

The denominator for diluted loss per share for the year ended December 31, 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 FELINE PRIDES for the year ended December 31, 2001 is 3,180,571 shares. Other dilutive securities totaled 8,085,418 shares for the year ended December 31, 2001.

14. 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 is 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 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.

The Company is not subject to taxation other than as stated above. There can be no assurance that there will not be changes in applicable laws, regulations or treaties, which might require the Company to change the way it operates or become subject to taxation.

The income tax provision for the years ended December 31, 2001, 2000 and 1999 is as follows:

(in thousands of U.S. dollars)	2001	2000	1999
Current tax expense	\$ 39,384	\$ 60,081	\$ 8,439
Deferred tax expense (benefit)	(118,058)	33,827	20,245
Provision for income taxes	\$ (78,674)	\$ 93,908	\$ 28,684

The weighted average expected tax provision has been calculated using pre-tax accounting income (loss) in each jurisdiction multiplied by that jurisdiction's applicable statutory tax rate. A reconciliation of the difference between the provision for income taxes and the expected tax provision at the weighted average tax rate for the years ended December 31, 2001 and 2000, is provided below.

(in thousands of U.S. dollars)	2001	2000
Expected tax provision at weighted average rate	\$ (92,276)	\$ 80,699
Permanent differences		
Tax-exempt interest	(15,234)	(21,716)
Goodwill	23,113	22,875
Other	(8,570)	1,182
Net withholding taxes	14,293	10,868
Total provision for income taxes	\$ (78,674)	\$ 93,908

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

(in thousands of U.S. dollars)	2001	2000
Deferred tax assets		
Loss reserve discount	\$ 523,195	\$ 536,005
Foreign tax credits	155,079	137,765
Policyholder dividends	47,509	46,092
Net operating loss carry forward	495,048	500,916
Other	299,068	181,894
Total deferred tax assets	1,519,899	1,402,672
Deferred tax liabilities		
Deferred policy acquisition costs	66,454	62,080
Unrealized appreciation on investments	28,570	25,861
Other	38,448	32,064
Total deferred tax liabilities	133,472	120,005
Valuation allowance	135,592	138,406
Net deferred tax asset	\$1,250,835	\$1,144,261

The valuation allowances of \$135.6 million and \$138.4 million as of December 31, 2001 and 2000, respectively, reflect management's assessment, based on available information, that it is more likely than not that a portion of the deferred tax asset will not be realized due to the inability of certain foreign subsidiaries to generate sufficient taxable income. Adjustments to the valuation allowances are made when there is a change in management's assessment of the amount of deferred tax asset that is realizable.

As of December 31, 2001, the Company has net operating loss carryforwards for U.S. federal income tax purposes of approximately \$1.4 billion which are available to offset future U.S. federal taxable income through 2021.

15. Statutory financial information

The Company's insurance and reinsurance subsidiaries are subject to insurance laws and regulations in the jurisdictions in which they operate. These regulations include restrictions that limit the amount of dividends or other distributions, such as loans or cash advances, available to shareholders without prior approval of the insurance regulatory authorities. Statutory capital and surplus of the Bermuda subsidiaries was \$3.1 billion, \$2.7 billion and \$2.2 billion at December 31, 2001, 2000 and 1999, and statutory net income was \$55 million, \$364 million and \$373 million for the years ended December 31, 2001, 2000 and 1999, respectively.

There are no statutory restrictions on the payment of dividends from retained earnings by any of 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.

The Company's U.S. subsidiaries file financial statements prepared in accordance with statutory accounting practices prescribed or permitted by insurance regulators. Statutory accounting differs from generally accepted accounting policies in the reporting of certain reinsurance contracts, investments, subsidiaries, acquisition expenses, fixed assets, deferred income taxes and certain other items. Combined statutory surplus of the Company's U.S. subsidiaries was \$2.2 billion, \$1.9 billion and \$2.2 billion at December 31, 2001, 2000 and 1999, respectively. The combined statutory net income (loss) of these operations was \$160 million, \$(12) million and \$(277) million for the years ended December 31, 2001, 2000 and 1999.

The Company's international subsidiaries prepare statutory financial statements based on local laws and regulations. Some jurisdictions impose complex regulatory requirements on insurance companies while other jurisdictions impose fewer requirements. In some countries, the Company must obtain licenses issued by governmental authorities to conduct local insurance business. These licenses may be subject to reserves and minimum capital and solvency tests. Jurisdictions may impose fines, censure, and/or criminal sanctions for violation of regulatory requirements.

In 1998, the National Association of Insurance Commissioners ("NAIC") adopted the Codification of Statutory Accounting Principles guidance, which replaces the current Accounting Practices and Procedures manual as the NAIC's primary guidance on statutory accounting as of January 1, 2001. The Codification provides guidance for areas where statutory accounting has been silent and changes current statutory accounting in some areas. All states and Puerto Rico have adopted the Codification guidance, effective January 1, 2001.

16. Condensed unaudited quarterly financial data

2001 (in thousands of U.S. dollars, except per share data)	Quarter Ended March 31, 2001	Quarter Ended June 30, 2001	Quarter Ended September 30, 2001	Quarter Ended December 31, 2001
Net premiums earned	\$ 1,369,116	\$ 1,385,187	\$ 1,399,429	\$ 1,763,445
Net investment income	204,430	196,267	192,909	192,263
Net realized gains (losses) on investments	(19,375)	15,564	(58,843)	4,295
Total revenues	\$ 1,554,171	\$ 1,597,018	\$ 1,533,495	\$ 1,960,063
Losses and loss expenses	\$ 951,946	\$ 982,993	\$ 1,571,333	\$ 1,447,413
Net income (loss) before cumulative effect of adopting a new accounting standard	\$ 141,064	\$ 131,517	\$ (442,590)	\$ 46,265
Cumulative effect of adopting a new accounting standard	(22,670)	-	-	-
Net income (loss)	\$ 118,394	\$ 131,517	\$ (442,590)	\$ 46,265
Basic earnings (loss) per share:				
Earnings (loss) per share before cumulative effect of adopting a new accounting standard	\$ 0.58	\$ 0.54	\$ (1.95)	\$ 0.16
Earnings (loss) per share	\$ 0.48	\$ 0.54	\$ (1.95)	\$ 0.16
Diluted earnings (loss) per share:				
Earnings (loss) per share before cumulative effect of adopting a new accounting standard	\$ 0.55	\$ 0.52	\$ (1.95)	\$ 0.15
Earnings (loss) per share	\$ 0.46	\$ 0.52	\$ (1.95)	\$ 0.15

2000 (in thousands of U.S. dollars, except per share data)	Quarter Ended March 31, 2000	Quarter Ended June 30, 2000	Quarter Ended September 30, 2000	Quarter Ended December 31, 2000
Net premiums earned	\$ 1,104,806	\$ 1,167,836	\$ 1,174,782	\$ 1,087,339
Net investment income	182,935	181,029	197,584	209,307
Net realized gains (losses) on investments	56,740	(30,044)	(12,797)	(52,860)
Total revenues	\$ 1,344,481	\$ 1,318,821	\$ 1,359,569	\$ 1,243,786
Losses and loss expenses	\$ 715,483	\$ 768,111	\$ 772,887	\$ 679,584
Net income	\$ 174,513	\$ 113,928	\$ 140,753	\$ 113,788
Basic earnings per share	\$ 0.80	\$ 0.50	\$ 0.60	\$ 0.46
Diluted earnings per share	\$ 0.80	\$ 0.49	\$ 0.58	\$ 0.44

17. 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 at December 31, 2001 and 2000 and for the years ended December 31, 2001, 2000 and 1999. 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 9).

Condensed Consolidating Balance Sheet
as at December 31, 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	\$ 489,596	\$ 6,443,230	\$ 901,905	\$ 8,101,182	\$ -	\$15,935,913
Insurance and reinsurance balances receivable	-	1,715,873	24,075	781,614	-	2,521,562
Reinsurance recoverable	-	9,259,608	8,194	2,130,644	-	11,398,446
Goodwill	-	2,186,142	96,723	489,229	-	2,772,094
Investments in subsidiaries	5,621,604	-	152,000	(152,000)	(5,621,604)	-
Due from subsidiaries and affiliates, net	348,372	(478,645)	(11,862)	490,507	(348,372)	-
Other assets	64,570	3,313,941	184,509	995,729	-	4,558,749
Total assets	\$6,524,142	\$22,440,149	\$1,355,544	\$12,836,905	\$ (5,969,976)	\$37,186,764
Liabilities						
Unpaid losses and loss expenses	\$ -	\$14,468,024	\$ 75,823	\$ 6,184,275	\$ -	\$20,728,122
Future policy benefits for life and annuity contracts	-	-	-	382,730	-	382,730
Unearned premiums	-	2,055,459	323,951	1,474,019	-	3,853,429
Short-term debt	-	-	25,000	470,408	-	495,408
Long-term debt	-	1,103,218	74,980	171,275	-	1,349,473
Trust preferred securities	-	800,000	75,000	-	-	875,000
Other liabilities	106,385	2,392,000	138,586	447,874	-	3,084,845
Total liabilities	106,385	20,818,701	713,340	9,130,581	-	30,769,007
Mezzanine equity	311,050	-	-	-	-	311,050
Total shareholders' equity	6,106,707	1,621,448	642,204	3,706,324	(5,969,976)	6,106,707
Total liabilities, mezzanine equity and shareholders' equity	\$6,524,142	\$22,440,149	\$1,355,544	\$12,836,905	\$ (5,969,976)	\$37,186,764

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

/(2)/ Includes ACE Limited parent company eliminations.

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.

Condensed Consolidating Statement of Operations For the year ended December 31, 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	\$ -	\$2,616,489	\$ 88,997	\$3,658,128	\$ -	\$6,363,614
Net premiums earned	-	2,498,169	77,662	3,341,346	-	5,917,177
Net investment income	62,322	351,282	46,602	362,438	(36,775)	785,869
Equity in earnings of subsidiaries	(136,456)	-	-	-	136,456	-
Net realized gains (losses) on investments	(13,524)	(52,441)	19,968	(12,362)	-	(58,359)
Losses and loss expenses	-	1,970,727	22,854	2,558,875	-	4,552,456
Life and annuity benefits	-	-	-	401,229	-	401,229
Policy acquisition costs and administrative expenses	58,164	766,803	38,270	752,224	(794)	1,614,667
Amortization of goodwill	-	57,960	4,205	17,406	-	79,571
Interest expense	(7,753)	179,505	14,013	20,492	(7,075)	199,182
Income tax expense (benefit)	8,345	(45,420)	8,229	(49,828)	-	(78,674)
Income (loss) excluding net realized gains (losses) and cumulative effect of adopting a new accounting standard	(146,414)	(132,565)	56,661	(8,976)	107,550	(123,744)
Cumulative effect of adopting a new accounting standard	-	-	(22,800)	130	-	(22,670)
Net income (loss)	\$(146,414)	\$ (132,565)	\$ 33,861	\$ (8,846)	\$107,550	\$ (146,414)

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

/(2)/ Includes ACE Limited parent company eliminations.

Condensed Consolidating Statement of Operations
For the year ended 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
Net premiums written	\$ -	\$ 2,437,811	\$ 82,746	\$ 2,358,797	\$ -	\$ 4,879,354
Net premiums earned	-	2,417,189	67,534	2,050,040	-	4,534,763
Net investment income	43,214	385,722	48,045	322,526	(28,652)	770,855
Equity in earnings of subsidiaries	575,032	-	-	-	(575,032)	-
Net realized gains (losses) on investments	(1,623)	(5,207)	(37,836)	5,705	-	(38,961)
Losses and loss expenses	-	1,713,725	9,109	1,213,231	-	2,936,065
Policy acquisition costs and administrative expenses	58,984	732,720	35,419	567,103	(794)	1,393,432
Amortization of goodwill	-	56,980	4,205	17,635	-	78,820
Interest expense	6,373	188,454	13,361	23,000	(9,738)	221,450
Income tax expense	8,284	45,232	15,910	24,482	-	93,908
Net income	\$ 542,982	\$ 60,593	\$ (261)	\$ 532,820	\$ (593,152)	\$ 542,982

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

/(2)/ Includes ACE Limited parent company eliminations.

Condensed Consolidating Statement of Operations
For the year ended December 31, 1999

(in thousands of U.S. dollars)	ACE Limited (Parent Co. Guarantor)	ACE INA Holdings, Inc. (Subsidiary Issuer)	Other ACE Limited Subsidiaries and Eliminations/(1)/	Consolidating Adjustments/(2)/	ACE Limited Consolidated
Net premiums written	\$ -	\$ 1,330,620	\$ 1,164,728	\$ -	\$ 2,495,348
Net premiums earned	-	1,360,025	1,125,712	-	2,485,737
Net investment income	33,896	182,144	300,165	(22,868)	493,337
Equity in earnings of subsidiaries	400,623	-	-	(400,623)	-
Net realized gains (losses) on investments	(9,354)	(4,909)	52,179	-	37,916
Losses and loss expenses	-	871,861	767,682	-	1,639,543
Policy acquisition costs and administrative expenses	48,537	498,758	286,617	(600)	833,312
Amortization of goodwill	-	27,500	17,850	-	45,350
Interest expense	6,211	76,854	22,092	(19)	105,138
Income tax expense (benefit)	5,454	23,453	(223)	-	28,684
Net income	\$ 364,963	\$ 38,834	\$ 384,038	\$ (422,872)	\$ 364,963

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

/(2)/ Includes ACE Limited parent company eliminations.

Condensed Consolidating Statement of Cash Flows For the year ended December 31, 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	\$ 113,428	\$ (328,591)	\$ (51,649)	\$ 1,619,817	\$ -	\$ 1,353,005
Cash flows from investing activities						
Purchases of fixed maturities	(125,733)	(2,153,163)	(848,263)	(13,720,761)	-	(16,847,920)
Purchases of equity securities	-	(122,778)	-	(88,158)	-	(210,936)
Sales of fixed maturities	94,689	2,386,217	835,459	11,417,213	-	14,733,578
Sales of equity securities	-	122,437	-	82,405	-	204,842
Maturities of fixed maturities	-	-	4,500	40,429	-	44,929
Net realized gains (losses) on financial futures contracts	-	-	-	(21,976)	-	(21,976)
Other investments	(1,009)	(60,594)	(7,337)	(20,175)	-	(89,115)
Net cash from (used for) investing activities	\$ (32,053)	\$ 172,119	\$ (15,641)	\$ (2,311,023)	\$ -	\$ (2,186,598)
Cash flows from financing activities						
Dividends paid on Ordinary Shares	(128,745)	-	-	-	-	(128,745)
Dividends paid on FELINE PRIDES	(25,666)	-	-	-	-	(25,666)
Repurchase of Ordinary Shares	(179,446)	-	-	-	-	(179,446)
Proceeds from short term debt, net	-	(335,708)	-	391,852	-	56,144
Proceeds from issuance of Ordinary Shares	1,135,878	-	-	-	-	1,135,878
Advances to affiliates	(174,000)	483,060	41,741	(350,801)	-	-
Proceeds from exercise of options for Ordinary Shares	32,666	-	-	-	-	32,666
Proceeds from shares issued under ESPP	6,074	-	-	-	-	6,074
Capitalization of subsidiary	(1,101,000)	111,000	-	990,000	-	-
Dividends received from subsidiaries	338,873	-	-	(338,873)	-	-
Net cash from (used for) financing activities	\$ (95,366)	\$ 258,352	\$ 41,741	\$ 692,178	\$ -	\$ 896,905
Net increase (decrease) in cash	(13,991)	101,880	(25,549)	972	-	63,312
Cash - beginning of year	46,516	253,447	26,576	281,530	-	608,069
Cash - end of year	\$ 32,525	\$ 355,327	\$ 1,027	\$ 282,502	\$ -	\$ 671,381

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

/(2)/ Includes ACE Limited parent company eliminations.

Condensed Consolidating Statement of Cash Flows For the year ended 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 Adjustment/(2)/	ACE Limited Consolidated
Net cash flows from (used for) operating activities	\$ (49,024)	\$ (1,212,871)	\$ 58,605	\$ 776,118	\$ -	\$ (427,172)
Cash flows from investing activities						
Purchases of fixed maturities	(618,049)	(2,907,397)	(722,539)	(7,228,653)	-	(11,476,638)
Purchases of equity securities	-	(226,474)	-	(184,548)	-	(411,022)
Sales of fixed maturities	449,766	3,764,557	668,059	6,639,296	-	11,521,678
Sales of equity securities	-	535,531	-	257,968	-	793,499
Maturities of fixed maturities	-	-	2,000	66,869	-	68,869
Net realized gains (losses) on financial futures contracts	-	-	-	(48,227)	-	(48,227)
Sale (acquisition) of subsidiaries	82,244	-	10,200	(10,200)	(82,244)	-
Other investments	135	(1,495)	5,020	(218,076)	-	(214,416)
Net cash from (used for) investing activities	\$ (85,904)	\$ 1,164,722	\$ (37,260)	\$ (725,571)	\$ (82,244)	\$ 233,743
Cash flows from financing activities						
Dividends paid on Ordinary Shares	(106,459)	-	-	-	-	(106,459)
Dividends paid on FELINE PRIDES	(15,254)	-	-	-	-	(15,254)
Repayment of bank debt, net	(424,886)	(280,830)	-	(4,360)	-	(710,076)
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 affiliates	(95,513)	-	-	95,513	-	-
Proceeds from exercise of options for Ordinary Shares	31,335	-	-	-	-	31,335
Proceeds from shares issued under ESPP	1,234	-	-	-	-	1,234
Capitalization of subsidiary	(27,103)	-	5,000	22,103	-	-
Dividends received from subsidiaries	101,147	-	-	(101,147)	-	-
Net proceeds from issuance of ordinary shares	400,320	-	-	-	-	400,320
Net cash from (used for) financing activities	\$ 165,987	\$ 19,170	\$ 5,000	\$ 12,109	\$ -	\$ 202,266
Net increase (decrease) in cash	31,059	(28,979)	26,345	62,656	(82,244)	8,837
Cash - beginning of year	15,457	282,426	231	301,118	-	599,232
Cash - end of year	\$ 46,516	\$ 253,447	\$ 26,576	\$ 363,774	\$ (82,244)	\$ 608,069

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

/(2)/Includes ACE Limited parent company eliminations.

Condensed Consolidating Statement of Cash Flows For the year ended December 31, 1999

(in thousands of U.S. dollars)	ACE Limited (Parent Co. Guarantor)	ACE INA Holdings, Inc. (Subsidiary Issuer)	Other ACE Limited Subsidiaries and Eliminations/(1)/	Consolidating Adjustments/(2)/	ACE Limited Consolidated
Net cash flows from (used for) operating activities	\$ (140,091)	\$ (471,622)	\$ 150,861	\$ -	\$ (460,852)
Cash flows from investing activities					
Purchases of fixed maturities	(402,079)	(1,784,563)	(15,666,681)	-	(17,853,323)
Purchases of equity securities	-	(180,266)	(188,657)	-	(368,923)
Sales of fixed maturities	467,010	1,456,512	16,630,071	-	18,553,593
Sales of equity securities	-	176,734	244,631	-	421,365
Maturities of fixed maturities	-	-	437,665	-	437,665
Net realized gains (losses) on financial futures contracts	-	-	68,311	-	68,311
Other investments	(6,837)	8,506	(140,703)	-	(139,034)
Acquisition of subsidiary, net of cash acquired	-	(2,592,631)	(86,585)	-	(2,679,216)
Net cash from (used for) investing activities	\$ 58,094	\$ (2,915,708)	\$ 1,298,052	\$ -	\$ (1,559,562)
Cash flows from financing activities					
Dividends paid on Ordinary Shares	(77,836)	-	-	-	(77,836)
Repayment of bank debt, net	424,886	620,422	(194,539)	-	850,769
Proceeds from long term debt	-	1,099,334	-	-	1,099,334
Advances to affiliates	(89,526)	400,000	(310,474)	-	-
Proceeds from exercise of options for Ordinary Shares	5,672	-	-	-	5,672
Proceeds from shares issued under ESPP	1,151	-	-	-	1,151
Proceeds from issuance of trust preferred securities	-	500,000	-	-	500,000
Capitalization of subsidiaries	(1,160,351)	1,050,000	110,351	-	-
Dividends received from subsidiaries	966,000	-	(966,000)	-	-
Net cash from (used for) financing activities	\$ 69,996	\$ 3,669,756	\$ (1,360,662)	\$ -	\$ 2,379,090
Net increase (decrease) in cash	(12,001)	282,426	88,251	-	358,676
Cash - beginning of year	27,458	-	213,098	-	240,556
Cash - end of year	\$ 15,457	\$ 282,426	\$ 301,349	\$ -	\$ 599,232

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

/(2)/ Includes ACE Limited parent company eliminations.

18. Segment information ACE's operations are currently organized into six operating segments: ACE Bermuda, ACE Global Markets, ACE Global Reinsurance, ACE USA, ACE International and ACE Financial Services. The operations of ACE Limited, ACE INA Holdings and certain eliminations required to reconcile the segment data to the consolidated statement of operations are included in "other". These segments are structured on a geographic basis. Following recent management changes, the manner in which the segments are presented is being reassessed.

ACE Bermuda, which primarily encompasses the ACE Bermuda Insurance group of companies, provides property and casualty insurance and reinsurance coverage, including excess liability, professional lines, satellite, excess property, political risk, and financial solutions products, to a diverse group of industrial, commercial and other enterprises.

ACE Global Markets primarily encompasses the Company's operations in the Lloyd's market (including for segment purposes Lloyd's operations owned by ACE Financial Services). ACE Global Markets provides funds at Lloyd's to support underwriting by Lloyd's syndicates managed by the Lloyd's managing agencies which are owned by the Company.

ACE Global Reinsurance comprises the operations of ACE Tempest Reinsurance Ltd. and ACE Tempest Life Reinsurance Ltd. ACE Tempest Reinsurance Ltd. primarily includes property catastrophe reinsurance provided worldwide to insurers of commercial and personal property. The company began expanding in 2000 to diversify its business and offer a broad range of products. The life reinsurance business completed its first full year of operations in 2001. The principal business of ACE Tempest Life Reinsurance Ltd. is to provide reinsurance coverage to other life insurance companies.

ACE USA primarily comprises the domestic U.S. operations of ACE INA, which were acquired on July 2, 1999, and the operations of ACE US Holdings, which were acquired on January 2, 1998. These operations provide specialty property and casualty products and services.

ACE International primarily comprises the international operations of ACE INA, which were acquired on July 2, 1999. ACE International provides property and casualty insurance, accident and health insurance and consumer-oriented products to individuals, mid-sized firms and large commercial clients. In addition, ACE International provides customized and comprehensive insurance policies and services to multinational firms and their cross-border subsidiaries. ACE International is organized into four geographic locations: ACE Europe, ACE Far East, ACE Asia Pacific, and ACE Latin America.

ACE Financial Services is primarily comprised of the Capital Re companies acquired on December 30, 1999. ACE Financial Services provides value-added reinsurance products in several specialty insurance markets. ACE Financial Services has two principal divisions: financial guaranty and financial risks. The financial guaranty division is comprised of municipal and non-municipal financial guaranty reinsurance and credit default swaps. The financial risks division is comprised of mortgage guaranty reinsurance, trade credit reinsurance, title reinsurance and financial solutions. As ACE Financial Services was acquired on December 30, 1999, the Company has not reflected any operations from this segment during 1999.

a) The following tables summarize the operations by segment for the years ended December 31, 2001, 2000 and 1999.

b) 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.

Supplemental Information by Segment
For the year ended December 31, 2001

(in thousands of U.S. dollars)	ACE Bermuda	ACE Global Markets	ACE Global Reinsurance	ACE USA	ACE International	ACE Financial Services	Other/(1)/	ACE Consolidated
Operations data								
Gross premiums written:								
Property and								
casualty premiums	\$1,145,564	\$1,299,843	\$ 325,548	\$ 4,427,945	\$2,260,222	\$ 292,188	\$ -	\$ 9,751,310
Life and annuity premiums	-	-	414,052	-	-	-	-	414,052
Net premiums written:								
Property and								
casualty premiums	1,060,959	765,568	286,701	2,046,975	1,511,774	283,947	-	5,955,924
Life and annuity premiums	-	-	407,690	-	-	-	-	407,690
Net premiums earned:								
Property and								
casualty premiums	945,501	623,916	255,538	1,891,703	1,441,910	352,329	-	5,510,897
Life and annuity premiums	-	-	406,280	-	-	-	-	406,280
Losses and loss expenses	1,056,136	550,177	199,606	1,419,157	1,086,782	240,598	-	4,552,456
Life and annuity benefits	-	-	401,229	-	-	-	-	401,229
Policy acquisition costs	22,632	216,778	54,507	182,334	260,689	47,724	-	784,664
Administrative expenses	38,492	71,622	27,558	283,417	271,372	36,586	94,583	823,630
Underwriting income (loss)	(171,759)	(214,661)	(21,082)	6,795	(176,933)	27,421	(94,583)	(644,802)
Net investment income	153,179	35,745	74,219	335,168	80,846	101,566	5,146	785,869
Amortization of goodwill	(900)	3,755	14,011	540	-	4,205	57,960	79,571
Interest expense	6,445	2,591	733	33,481	-	14,013	141,919	199,182
Income tax expense (benefit)	2,756	(65,095)	-	99,716	(46,033)	16,607	(76,699)	(68,748)
Income (loss) excluding net realized gains (losses), non-recurring expenses and cumulative effect	(26,881)	(120,167)	38,393	208,226	(50,054)	94,162	(212,617)	(68,938)
Non-recurring expenses (net of income tax)	-	(4,461)	-	-	-	-	-	(4,461)
Income (loss) excluding net realized gains (losses) and cumulative effect	(26,881)	(124,628)	38,393	208,226	(50,054)	94,162	(212,617)	(73,399)
Net realized gains (losses) (net of income tax)	6,470	6,617	(17,323)	(31,271)	2,962	(4,276)	(13,524)	(50,345)
Income (loss) excluding cumulative effect of adopting a new accounting standard	(20,411)	(118,011)	21,070	176,955	(47,092)	89,886	(226,141)	(123,744)
Cumulative effect of adopting a new accounting standard (net of income tax)	-	510	470	(50)	-	(23,600)	-	(22,670)
Net income (loss)	\$ (20,411)	\$ (117,501)	\$ 21,540	\$ 176,905	\$ (47,092)	\$ 66,286	\$ (226,141)	\$ (146,414)
Total Assets	\$4,175,670	\$3,088,545	\$2,311,755	\$18,693,792	\$4,224,485	\$2,183,096	\$2,509,421	\$37,186,764

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

Supplemental Information by Segment
For the year ended December 31, 2000

(in thousands of U.S. dollars)	ACE Bermuda	ACE Global Markets	ACE Global Reinsurance	ACE USA	ACE International	ACE Financial Services	Other/(1)/	ACE Consolidated
Operations data								
Gross premiums written	\$ 597,865	\$1,063,918	\$ 190,771	\$ 3,380,343	\$ 2,027,285	\$ 326,589	\$ -	\$ 7,586,771
Net premiums written	512,310	772,021	157,489	1,707,623	1,418,661	311,250	-	4,879,354
Net premiums earned	486,984	619,329	141,337	1,619,025	1,385,557	282,531	-	4,534,763
Losses and loss expenses	361,855	354,123	17,954	1,192,881	826,210	183,042	-	2,936,065
Policy acquisition costs	20,630	164,738	25,192	160,956	235,847	43,378	-	650,741
Administrative expenses	29,933	69,384	10,284	253,946	285,090	32,839	61,215	742,691
Underwriting income (loss)	74,566	31,084	87,907	11,242	38,410	23,272	(61,215)	205,266
Net investment income	149,781	36,636	60,281	341,361	92,477	96,591	(6,272)	770,855
Amortization of goodwill	(883)	3,968	14,010	540	-	4,205	56,980	78,820
Interest expense	1,643	4,980	-	38,333	-	13,361	163,133	221,450
Income tax expense (benefit)	2,459	17,481	(173)	98,288	20,067	20,626	(64,841)	93,907
Income (loss) excluding net realized gains (losses)	221,128	41,291	134,351	215,442	110,820	81,671	(222,759)	581,944
Net realized gains (losses) (net of income tax)	1,344	(1,495)	(38,161)	(22,633)	18,221	5,440	(1,678)	(38,962)
Net income (loss)	\$ 222,472	\$ 39,796	\$ 96,190	\$ 192,809	\$ 129,041	\$ 87,111	\$ (224,437)	\$ 542,982
Total Assets	\$3,133,117	\$1,962,401	\$1,324,641	\$16,438,562	\$ 3,846,345	\$2,254,260	\$2,730,200	\$31,689,526
/(1)/ ACE Limited, ACE INA Holdings and intercompany eliminations								

Notes to Consolidated Financial Statements (continued) ACE Limited and Subsidiaries

Supplemental Information by Segment
For the year ended December 31, 1999

(in thousands of U.S. dollars)	ACE Bermuda	ACE Global Markets	ACE Global Reinsurance	ACE USA	ACE International	Other/(1)/	ACE Consolidated
Operations data							
Gross premiums written	\$ 553,365	\$ 634,689	\$ 182,267	\$ 1,566,584	\$ 932,252	\$ -	\$ 3,869,157
Net premiums written	428,953	438,769	145,673	796,892	685,061	-	2,495,348
Net premiums earned	510,013	363,887	140,094	748,635	723,108	-	2,485,737
Losses and loss expenses	390,385	205,811	96,935	533,275	413,137	-	1,639,543
Policy acquisition costs	14,862	94,419	20,809	68,993	138,993	-	338,076
Administrative expenses	38,233	54,636	11,927	176,524	152,165	51,071	484,556
Underwriting income (loss)	66,533	9,021	10,423	(30,157)	18,813	(51,071)	23,562
Net investment income	174,647	28,489	60,015	188,688	40,664	834	493,337
Amortization of goodwill	(834)	4,204	14,011	469	-	27,500	45,350
Interest expense	4,705	3,944	-	34,563	-	61,926	105,138
Income tax expense (benefit)	2,129	6,006	-	34,693	20,199	(26,403)	36,624
Income (loss) excluding net realized gains (losses) and non-recurring expenses	235,180	23,356	56,427	88,806	39,278	(113,260)	329,787
Non-recurring expenses (net of income tax)	-	-	-	(3,900)	(3,042)	-	(6,942)
Income (loss) excluding net realized gains (losses)	235,180	23,356	56,427	84,906	36,236	(113,260)	322,845
Net realized gains (losses) (net of income tax)	63,752	(4,373)	(3,771)	(3,529)	(608)	(9,353)	42,118
Net income (loss)	\$ 298,932	\$ 18,983	\$ 52,656	\$ 81,377	\$ 35,628	\$ (122,613)	\$ 364,963
Total Assets	\$2,867,138	\$1,521,535	\$1,328,687	\$16,240,045	\$3,904,755	\$4,260,728/(2)/	\$30,122,888

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

/(2)/ Includes ACE Financial Services assets of \$1,483,781

The following tables summarize the revenues of each segment by product offering for the years ended December 31, 2001, 2000 and 1999.

Net Premiums Earned by Type of Premium

(in thousands of U.S. dollars)	Property Casualty	Life, Accident & Health	Financial Products	ACE Consolidated

Year ended December 31, 2001				
ACE Bermuda	\$ 169,187	\$ -	\$ 776,314	\$ 945,501
ACE Global Markets	610,873	13,043	-	623,916
ACE Global Reinsurance	255,538	406,280	-	661,818
ACE USA	1,591,560	-	300,143	1,891,703
ACE International	927,484	504,048	10,378	1,441,910
ACE Financial Services	-	-	352,329	352,329

Net premiums earned	\$ 3,554,642	\$ 923,371	\$ 1,439,164	\$ 5,917,177
=====				
Year ended December 31, 2000				
ACE Bermuda	\$ 280,922	\$ -	\$ 206,062	\$ 486,984
ACE Global Markets	577,110	42,219	-	619,329
ACE Global Reinsurance	141,337	-	-	141,337
ACE USA	1,402,982	-	216,043	1,619,025
ACE International	974,144	411,413	-	1,385,557
ACE Financial Services	-	-	282,531	282,531

Net premiums earned	\$ 3,376,495	\$ 453,632	\$ 704,636	\$ 4,534,763
=====				
Year ended December 31, 1999				
ACE Bermuda	\$ 224,503	\$ -	\$ 285,510	\$ 510,013
ACE Global Markets	363,887	-	-	363,887
ACE Global Reinsurance	140,094	-	-	140,094
ACE USA	748,635	-	-	748,635
ACE International	477,545	245,563	-	723,108

Net premiums earned	\$ 1,954,664	\$ 245,563	\$ 285,510	\$ 2,485,737
=====				

c) The following table summarizes the Company's gross premiums written by geographic region. Allocations have been made on the basis of location of risk.

Year Ended	North America	Europe	Australia & New Zealand	Asia Pacific	Latin America	Other
2001	63%	21%	2%	9%	5%	-
2000	63%	20%	7%	5%	4%	1%
1999	59%	18%	4%	9%	3%	7%

19. 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 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. In the absence of an acceptable offer to purchase the in-force book of business, the Company expects to continue to run off this business. The results of the CIS operations from July 2, 2000 are reflected in the ACE USA segment.

Exhibit 21.1 Each of the named subsidiaries is not necessarily a "significant Subsidiary" as defined in Rule 1-02(w) of Regulation S-X, and the Company has several additional subsidiaries not named below. The unnamed subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a "significant subsidiary" at the end of the year covered by this report.

Subsidiaries of the Registrant

Name	Jurisdiction of Organization	Percentage Ownership
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ACE Limited	Cayman Islands	Publicly held
ACE Bermuda Insurance Ltd.	Bermuda	100%
ACE PCC Insurance Limited	Guernsey	100%
Paget Reinsurance International Ltd.	Bermuda	100%
ACE Capital Re International Ltd. f/k/a ACE Capital Re Limited and Capital Global Underwriters Limited	Bermuda	100%
ACE KRE Holdings Limited	Barbados	100%
ACE Capital Re USA Holdings Incorporated	Delaware	100%
ACE Capital Re Overseas Ltd. f/k/a KRE Reinsurance Ltd.	Bermuda	100%
ACE Capital Mortgage Reinsurance Company (EI# 06-1384770, NAIC# 10021, NY)	New York	100%
ACE Capital Title Reinsurance Company (EI# 06-1434264, NAIC# 50028, NY)	New York	100%
ACE Capital Re Inc.	New York	100%
Oasis Investments Limited	Bermuda	67%
Oasis Investments 2 Ltd.	Bermuda	67%
ACE Financial Solutions International, Ltd. f/k/a ACE Insurance Management Limited	Bermuda	100%
ACE European Markets Reinsurance Limited	Ireland	100%
ACE European Markets Insurance Limited	Ireland	100%
Corporate Officers & Directors Assurance Ltd.	Bermuda	100%
Oasis Real Estate Company Ltd.	Bermuda	100%
Tripair Partnership	Bermuda	98%
ACE Realty Holdings Limited	Bermuda	100%
Oasis Personnel Limited	Cayman Islands	100%
Intrepid Re Holdings Limited	Bermuda	100%
Intrepid Re Limited	Bermuda	100%
ACE Global Markets Limited	United Kingdom	100%
ACE Group Holdings Limited	United Kingdom	100%
ACE Tarquin	United Kingdom	100%
ACE Capital V Limited	United Kingdom	100%
ACE (CG) Limited	United Kingdom	100%
ACE Underwriting Agencies Limited	United Kingdom	100%
ACE Trustees Limited	United Kingdom	100%
ACE London Group Limited	United Kingdom	100%
ACE Capital Limited	United Kingdom	100%
ACE Capital III Limited	United Kingdom	100%
ACE Capital IV Limited	United Kingdom	100%
ACE London Holdings Limited	United Kingdom	100%
ACE Capital II Limited	United Kingdom	100%
ACE London Investments Limited	United Kingdom	100%
ACE London Aviation Limited	United Kingdom	100%
ACE London Underwriting Limited	United Kingdom	100%
ACE Underwriting Services Limited	United Kingdom	100%
AGM Underwriting Limited	United Kingdom	100%
ACE London Services Limited	United Kingdom	100%
ACE Capital VI Limited	United Kingdom	100%
ACE UK Limited	United Kingdom	77%
ACE UK Holdings Limited	United Kingdom	100%
ACE (M) Limited	United Kingdom	100%
ACE (ME) Limited	United Kingdom	100%
ACE (MI) Limited	United Kingdom	100%
ACE (MS) Limited	United Kingdom	100%
ACESYS Limited	United Kingdom	100%
ACE UK Underwriting Limited	United Kingdom	100%
Underwriting Systems Limited	United Kingdom	100%
ACE (PM) Limited	United Kingdom	100%
ACE Services Limited	Cayman Islands	100%

ACE Holdings (Gibraltar) Limited	Gibraltar	100%
ACE Gibraltar Limited	Gibraltar	51%
ACE-ii Limited	United Kingdom	100%
ACE Corporate Risks Limited	United Kingdom	51%
ACE-ii (Gibraltar) Limited	Gibraltar	100%
ACE Underwriting Services (Gibraltar) Limited	Gibraltar	100%
Arles Services Limited	Gibraltar	100%
ACE US Holdings, Inc.	USA (Delaware)	100%
ACE Financial Solutions International, Inc. (formerly known as ACE Strategic Advisors, Inc.)	USA (Delaware)	100%
ACE USA, Inc.	USA (Delaware)	100%
CRC Creditor Resources Canada Limited	Canada (British Columbia)	60%
Industrial Excess & Surplus Insurance Brokers	USA (California)	100%
Industrial Underwriters Insurance Co. (EI# 75-6015738, NAIC# 21075, TX)	USA (Texas)	100%
Rhea International Marketing (L), Inc.	Malaysia	60%
Westchester Fire Insurance Company (EI# 13-5481330, NAIC# 21121, NY)	USA (New York)	100%
Westchester Surplus Lines Insurance Co. (EI# 58-2139927, NAIC #10172, GA)	USA (Georgia)	100%
Westchester Specialty Services, Inc.	USA (Florida)	100%
Westchester Specialty Insurance Services Inc.	USA (Nevada)	100%
Amerigard Corporation	USA (Ohio)	80%
WDH Corporation	USA (Ohio)	80%
Dimension Services Corporation	USA (Ohio)	80%
Dimension Holdings Inc.	USA (Ohio)	80%
Oasis Insurance Services Ltd.	Bermuda	100%
ACE Tempest Life Reinsurance Ltd.	Bermuda	100%
ACE Tempest Reinsurance Ltd./fkaTempest Reinsurance Company Limited	Bermuda	100%
Oasis Investments Limited	Bermuda	33%
Oasis Investments 2 Ltd.	Bermuda	33%
Oasis US Inc.	Delaware	100%
St. George Investments Ltd.	Cayman Islands	100%
ACE Prime Holdings Inc.	USA (Delaware)	100%
ACE INA Holdings Inc.	USA (Delaware)	80%
ACE Seguros S.A. (Argentina)	Argentina	99.35%
ACE Seguradora S.A.	Brazil	99% (ACE INA Holdings, Inc.) 1% (ACE Prime Holdings Inc.)
Servicios ACE INA S.A. de C.V.	Mexico	99% (ACE INA Holdings, Inc.) 1% (ACE Prime Holdings Inc.)
ACE America Latina Servicios Ltda.	Brazil	99% (ACE INA Holdings Inc.) 1% (ACE Prime Holdings Inc.)
ACE Tempest Re USA, Inc. fka Tempest Re USA, Inc.	USA (Connecticut)	100%
INA Corporation	USA (Pennsylvania)	100%
ACE INA Properties, Inc.	USA (Delaware)	100%
Conference Facilities, Inc.	USA (Pennsylvania)	100%
INA Tax Benefits Reporting, Inc.	USA (Delaware)	100%
INA Financial Corporation	USA (Delaware)	100%
Brandywine Holdings Corporation	USA (Delaware)	100%
Brandywine Run-Off Services, Inc.	USA (Delaware)	100%
International Surplus Adjusting Services	USA (California)	100%
Western Agency Management, Inc.	USA (California)	100%
Cravens, Dargan & Company, Pacific Coast	USA (Delaware)	100%
Cravens, Dargan & Company, Pacific Coast of Illinois, Inc.	USA (Illinois)	100%
Century Indemnity Company (EI# 05-6105395, NAIC #20710, PA)	USA (Pennsylvania)	100%
Century Reinsurance Company (EI# 06-0988117, NAIC #35130, PA)	USA (Pennsylvania)	100%

ACE American Reinsurance Company (EI# 23-1740414, NAIC#22705, PA)	USA (Pennsylvania)	100%
Brandywine Reinsurance Company S.A.-N.V. The 1792 Company	Belgium	100%
Century International Reinsurance Company Ltd.	USA (Delaware)	100%
INA Holdings Corporation	Bermuda	100%
INATrust, fsb	USA (Delaware)	100%
	Chartered by Office of Thrift Supervision	100%
YouDecide.com, Inc.	Delaware	100%
CFN Finance, Inc.	Delaware	100%
CFN Agency, Inc.	Delaware	100%
CFN Agency of Hawaii, Inc.	Hawaii	100%
PDCN Legal Management Company, Inc.	USA (Delaware)	100%
INA Reinsurance Company, Ltd.	Bermuda	100%
ACE INA Financial Institution Solutions, Inc.	USA (Delaware)	100%
ESIS, Inc.	USA (California)	100%
ACE INA Excess and Surplus Insurance Services, Inc. (GA)	USA (Georgia)	100%
ACE INA Excess and Surplus Insurance Services, Inc. (PA)	USA (Pennsylvania)	100%
NewMarkets Insurance Agency, Inc.	USA (Delaware)	100%
ACE INA Excess and Surplus Insurance Services, Inc. (CA)	USA (California)	100%
ACE INA Excess and Surplus Insurance Services, Inc. (IL)	USA (Illinois)	100%
Excess and Surplus Insurance Services, Inc.	USA (Texas)	100%
ACE Financial Solutions, Inc. (formerly INAC Corp.)	USA (Delaware)	100%
INAC Corp. of California	USA (California)	100%
Global Surety Network, Inc.	USA (Delaware)	100%
Marketdyne International, Inc.	USA (Delaware)	100%
ACE INA Railroad Insurance Brokers, Inc.	USA (California)	100%
Recovery Services International, Inc.	USA (Delaware)	100%
RSI Health Care Recovery, Inc.	USA (Delaware)	100%
Indemnity Insurance Company of North America (EI# 06-1016108, NAIC #43575, PA)	USA (Pennsylvania)	100%
ACE Indemnity Insurance Company EI#92-0040526, NAIC #10030, PA)	USA (Pennsylvania)	100%
Allied Insurance Company (EI# 23-2021364, NAIC #36528, CA)	USA (California)	100%
ACE American Insurance Company (EI#95-2371728, NAIC# 22667, PA)	USA (Pennsylvania)	100%
Pacific Employers Insurance Company (EI#95-1077060, NAIC# 22748, PA)	USA (Pennsylvania)	100%
ACE Insurance Company of Texas (EI# 74-1480965, NAIC #22721, 22920, TX)	USA (Texas)	100%
Illinois Union Insurance Company (EI# 36-2759195, NAIC #27960, IL)	USA (Illinois)	100%
INAMAR Insurance Underwriting Agency, Inc.	USA (New Jersey)	100%
INAMAR Insurance Underwriting Agency of Massachusetts	USA (Massachusetts)	100%
INAMAR Insurance Underwriting Agency of Texas	USA (Texas)	100%
INAMAR Insurance Underwriting Agency of Ohio	USA (Ohio)	100%
Insurance Company of North America (EI# 23-0723970, NAIC #22713, PA)	USA (Pennsylvania)	100%
Bankers Standard Insurance Company (EI# 75-1320184, NAIC #18279, PA)	USA (Pennsylvania)	100%
Bankers Standard Fire and Marine Company (EI#75-6014863, NAIC #20591, PA)	USA (Pennsylvania)	100%
ACE Property and Casualty Insurance Company (EI# 06-0237820, NAIC, #20699, PA)	USA (Pennsylvania)	100%
ACE Employers Insurance Company (EI# 23-2137343, NAIC #38741, PA)	USA (Pennsylvania)	100%
ACE Insurance Company of Ohio (EI#23-1859893, NAIC #22764, OH)	USA (Ohio)	100%

INA Surplus Insurance Company (EI# 52-1208598, NAIC #42072, PA)	USA (Pennsylvania)	100%
ACE Fire Underwriters Insurance Company (EI# 06-6032187, NAIC #20702, PA)	USA (Pennsylvania)	100%
Atlantic Employers Insurance Company (EI# 23-2173820, NAIC #38938, NJ)	USA (New Jersey)	100%
ALIC, Incorporated	USA (Texas)	100%
ACE American Lloyds Insurance Company (Sponsored Lloyds Association) (EI# 75-1365570, NAIC #18511, TX)	USA (Texas)	100%
ACE Insurance Company of Illinois (EI# 36-2709121, NAIC #22691, IL)	USA (Illinois)	100%
ACE Insurance Company of the Midwest (EI# 06-0884361, NAIC #26417, IN)	USA (Indiana)	100%
INAPRO, Inc.	USA (Delaware)	100%
Reinsurance Solutions International, LLC	USA (Delaware)	50%
American Adjustment Company, Inc.	USA (Delaware)	100%
American Lenders Facilities, Inc.	USA (California)	100%
ACE INA International Holdings, Ltd.	USA (Delaware)	100%
ACE Insurance S.A.	Macau	99.49%
ACE CIIC Holdings Limited	Cayman Islands	100%
Egyptian American Insurance Company	Egypt	51%
ACE Synergy Insurance Berhad	Malaysia	51%
ACE Seguradora S.A.	Macau	100%
ACE Seguros S.A. (Chile)	Chile	98.95%
		66.35% - AIIH
ACE Seguros S.A. (Columbia)	Columbia	99.7595%
		INA (55.1532%)
		AIIH - (24.0163%)
		INA Financial (9.2649%)
		AFIA Finance (6.6923%)
		CIRC (4.6329%)
ACE Seguros S.A. (Ecuador)	Ecuador	100%
ACE Seguros S.A. (Mexico)	Mexico	99.9%
ACE Life Assurance Co. Ltd.	Thailand	70% Eksupsiri
Nam Ek Company Limited	Thailand	49%
Chilena Consolidada Seguros Generales, S.A.	Chile	.65%
INACAN Holdings, Ltd.	Canada	100%
ACE INA Insurance (Canada)	Canada	100%
ACE Insurance Limited (S. Africa)	South Africa	100%
ACE Insurance Limited (New Zealand)	New Zealand	100%
ACE International Management Corporation (PA)	Pennsylvania	100%
Cover Direct, Inc.	USA (Delaware)	100%
ACE INA G.B. Holdings, Ltd.	USA (Delaware)	100%
Brandywine Reinsurance Co. (UK) Ltd	United Kingdom	100%
ACE INA Services U.K. Limited	United Kingdom	100%
Insurance Company of North America (U.K.) Ltd.	United Kingdom	100%
INACAP Sociedad Anonima	Nicaragua	100%
INACAP Reaseguros, Sociedad Anonima	Nicaragua	100%
Century Inversiones, S.A.	Panama	100%
ACE INA de Venezuela Intermediarios de Reaseguros SA	Venezuela	100%
ACE Insurance Limited (Australia)	Australia	100%
ACE Insurance Limited (Singapore)	Singapore	100%
ACE INA Superannuation Pty. Limited	Australia	100%
ACE Insurance Limited (Pakistan)	Pakistan	100%
ACE INA Overseas Insurance Company Ltd.	Bermuda	100%
ACE Insurance (Japan)	Japan	100%
ACE Songai Service Kahushigigaisha	Japan	100%
ACE INA Marketing Group C.A.	Venezuela	100%
ACE INA Overseas Holding Inc.	USA (Delaware)	100%
ACE Insurance S.A.-N.V.	Belgium	99.9477%
ACE Insurance Company (Puerto Rico)	Puerto Rico	100%
(EI# 66-0437305, NAIC #30953, PR)		
ACE Insurance Limited (Hong Kong)	Hong Kong	100%
ACE INA Bermuda Insurance Managers Ltd.	Bermuda	100%
DELPANAMA S.A.	Panama	100%

INAMEX S.A.	Mexico	100%
Oriental Equity Holdings Limited	British Virgin Islands	100%
AFIA Finance Corporation	USA (Delaware)	100%
AFIA Sociedad Anonima	Mexico	100%
AFIA Venezolana C.A.	Venezuela	100%
ACE ICNA Italy Societa a Responsabilita Limitata	Italy	100%
Siam Liberty Company Limited	Thailand	55%
ACE Servicios, S.A. (Argentina)	Argentina	100%
AFIA Finance Corp. Chile Limited	Chile	100%
P.T. ACE INA Insurance (Indonesia)	Indonesia	53.51%
RIYAD Insurance Co. Ltd.	Bermuda	80%
Safire Private Ltd.	Singapore	100%
AFIA (INA) Corporation, Limited	USA (Delaware)	100%
AFIA	Unincorporated Association	60%
AFIA (ACE) Corporation, Limited	USA (Delaware)	100%
ACE Seguros S.A. (Columbia)	Colombia	85.763%
INAVEN, C.A. "Venezuela"	Venezuela	100%
ACE Financial Services Inc./fka Capital Re Corporation	Delaware	100%
ACE Finance Overseas Ltd.	United Kingdom	100%
AGR Financial Products Inc./fka Capital Re Financial Products Corporation	Delaware	100%
Capital RE LLC	Turks & Caicos	100%
ACE (CR) Holdings/fka Capital Re (UK) Holdings	United Kingdom	100%
ACE Capital VII Limited/fka CRC Capital, Limited.	United Kingdom	100%
ACE (RGB) Holdings Limited/fka RGB Holdings Limited	United Kingdom	100%
ACE (CIDR) Limited/fka C.I. de Rougemont & Co. Ltd.	United Kingdom	100%
Global Life Services Limited/fka RGB Underwriting Services, Ltd.	United Kingdom	100%
ACE (RGB) Agencies Limited/fka RGB Underwriting Agencies, Ltd.	United Kingdom	100%
ACE Guaranty Re Inc. (EI# 52-1533088, NAIC #30180, MD)	Maryland	100%
ACE Risk Assurance Company (EI# 13-4027591, NAIC #10943, MD)	Maryland	100%
ACE Asset Management Inc.	Delaware	100%
ACE (Barbados) Holdings Limited	Barbados	100%

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of ACE Limited on Form S-3 (File Nos. 333-78841, 333-60985), Form S-4 (File No. 333-90927) and Form S-8 (File Nos. 33-86146, 333-1400, 333-1402, 333-1404, 33-46301, 333-72299, 333-82175, 333-93867, 333-72301, 333-61038 and 333-76136) of our reports dated February 13, 2002, on our audits of the consolidated financial statements and financial statement schedules of ACE Limited as of December 31, 2001 and 2000, and for the years ended December 31, 2001, 2000 and 1999, which reports are included and incorporated by reference in this Annual Report on Form 10-K.

New York, New York

March 15, 2002 PRICEWATERHOUSECOOPERS LLP

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