

PLAINTIFF'S  
EXHIBIT  
506

HARTFORD STEAM BOILER GROUP  
AGREEMENT NO. 8639

GENERAL REINSURANCE CORPORATION

EXHIBIT  
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4-25-07

Confidential

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to  
**EXCESS OF LOSS**  
**REINSURANCE CONTRACT NO. 8639**  
between  
**THE HARTFORD STEAM BOILER GROUP**  
and  
**GENERAL REINSURANCE CORPORATION**

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GENERAL REINSURANCE CORPORATION

**EXCESS OF LOSS  
REINSURANCE CONTRACT NO. 8639**

(hereinafter referred to as "Contract")

In consideration of the mutual covenants hereinafter contained and subject to all the terms and conditions hereinafter set forth

**GENERAL REINSURANCE CORPORATION**

a Delaware corporation  
having its principal offices at  
Financial Centre  
695 East Main Street P.O. Box 10350  
Stamford, Connecticut 06904-2350

(herein referred to as the "Reinsurer")

does hereby indemnify, as herein provided and specified,

**THE HARTFORD STEAM BOILER INSPECTION AND INSURANCE COMPANY**  
Hartford, Connecticut

**THE HARTFORD STEAM BOILER INSPECTION AND INSURANCE COMPANY  
OF CONNECTICUT**  
Hartford, Connecticut

**THE BOILER INSPECTION AND INSURANCE COMPANY OF CANADA**  
Toronto, Canada

**THE ALLEN INSURANCE COMPANY, LTD.**  
Hamilton, Bermuda

**THE HARTFORD STEAM BOILER INSPECTION AND INSURANCE COMPANY  
OF TEXAS**  
Hartford, Connecticut

**HSB ENGINEERING INSURANCE LIMITED**  
London, England

including any and/or all of the subsidiary companies  
which are or may hereafter come under their management

(hereinafter referred to either collectively or individually as the "Company")

Wherever the word "Company" is used in this Contract, such term shall be held to include any and/or all of the subsidiary companies which are or may hereafter come under the management of the Company, provided, however, that notice be given to the Reinsurer of any such subsidiary companies which may hereafter come under the management of the Company within 90 days of attaching hereunder, with full particulars as to how such inclusion is likely to affect this Contract. In the event of either party maintaining that such inclusion calls for alteration in existing terms, and an agreement not being arrived at, then the business of such

GENERAL REINSURANCE CORPORATION

included companies is covered only for a period of ninety (90) days after notice to the other party that the dissenting party does not wish to cover the business so included.

## ARTICLE I

### BUSINESS AND TERRITORY COVERED

The Reinsurer shall indemnify the Company:

- (a) As set forth in Sections A and D of Article 6, Reinsuring Clause, in respect of the liability which may accrue to the Company under all policies, bonds, binders, certificates, contracts of insurance or reinsurance, co-insurance or co-indemnity, or other evidences of liability (hereinafter referred to as "policy(ies)"), oral or written, now or hereinafter in force, covering anywhere in the world, issued by or contracted for by the Company, in respect of all business classified by the Company as Boiler and Machinery; All Risk Property business including Boiler and Machinery; Fire and Allied Lines; Difference in Conditions (DIC); Flood and Earth Movement; Transit; Physical Damage; Business Interruption / Extra Expense; Course of Construction; Builders Risk; Construction All Risk; Erection All Risk; Third Party Liability; Systems Performance Coverage; and Extended Maintenance Coverage. Seepage and Pollution coverage provided as per the Company's original policies.
- (b) As set forth in Section B of Article 6, Reinsuring Clause, in respect of Net Loss which the Company becomes legally obligated to pay by reason of liability arising out of the rendering or failure to render professional services, as such term is more fully described in Article 4, Definitions, whether committed or omitted by the Company or any person employed by the Company or by others for whom the Company is legally responsible, and which the Company, by reason of contractual liability assumed under any written contract for the provision of professional services shall be legally obligated to pay, subject to the exclusions set forth in Article 5, Exclusions, and the other terms and conditions of this Contract as set forth herein.
- (c) As set forth in Section C of Article 6, Reinsuring Clause, in respect of the liability which may accrue to the Company under all policies, bonds, binders, certificates, contracts of insurance or reinsurance, co-insurance or co-indemnity, or other evidences of liability (hereinafter referred to as "policy(ies)"), oral or written, now or hereinafter in force, covering anywhere in the world, issued by or contracted for by the Company, in respect of Electric Utility business originally assumed by the Company via a 100% Quota Share Treaty with Industrial Risk Insurers effective August 1, 1996. Seepage and Pollution coverage provided as per the Company's original policies.
- (d) As set forth in Section E of Article 6, Reinsuring Clause, in respect of the liability which may accrue to the Company under all policies, bonds, binders, certificates, contracts of insurance or reinsurance, co-insurance or co-indemnity, or other evidences of liability (hereinafter referred to as "policy(ies)"), oral or written, now or hereinafter in force, covering anywhere in the world, issued by or contracted for by the Company, in respect

of all business classified by the Company as Boiler and Machinery; All Risk Property business including Boiler and Machinery; Fire and Allied Lines; Difference in Conditions (DIC); Flood and Earth Movement; Transit; Physical Damage; Business Interruption / Extra Expense; Course of Construction; Builders Risk; Construction All Risk; Erection All Risk; Third Party Liability; Systems Performance Coverage; and Electric Utility business originally assumed by the Company via a 100% Quota Share Treaty with Industrial Risk Insurers effective August 1, 1996. Seepage and Pollution coverage provided as per the Company's original policies.

- (e) As set forth in Section F of Article 6, Reinsuring Clause, in respect of the liability which may accrue to the Company as a result of participation in NUCLEAR ELECTRIC INSURANCE LIMITED - NEIL II (hereinafter referred to as "NEIL"). Such participation is:
- (1) As respects Band A, \$3,500,000 part of \$250,000,000 in excess of \$1,000,000,000 each and every Risk, each and every occurrence; and
  - (2) As respects Band B, \$3,500,000 part of \$250,000,000 in excess of \$2,500,000,000 each and every Risk, each and every occurrence.

The liability of the Reinsurer shall follow that of the Company in every case and shall be subject in all respects to all the general and specific stipulations, clauses, exclusions, waivers, extensions, modifications and endorsements of NEIL's contracts, subject to the terms and conditions of this Contract as set forth herein.

- (f) As set forth in Section G of Article 6, Reinsuring Clause, in respect of the liability which may accrue to the Company resulting from involuntary assessments made against the Company.

The liability of the Reinsurer under Sections A, C, D and E of Article 6, Reinsuring Clause shall follow that of the Company in every case and shall be subject in all respects to all the general and specific stipulations, clauses, waivers, extensions, modifications and endorsements of any of the Company's aforementioned evidences of liability, subject to the exclusions set forth in Article 5, Exclusions, and the other terms and conditions of this Contract as set forth herein.

## ARTICLE 2

### SCOPE OF CONTRACT

This Contract is solely between the Company and the Reinsurer. Performance of the respective obligations of each party under this Contract shall be rendered solely to the other party; however, in the instance of the insolvency of the Company, the liability of the Reinsurer shall be modified to the extent set forth in Article 20, Insolvency. In no instance shall any insured of the Company or any claimant against an insured of the Company nor any other third parties not parties to this Contract have any rights under this Contract.

### ARTICLE 3

#### SELF-INSURED OBLIGATIONS

As respects all business the subject matter hereof, this Contract shall cover all obligations of the Company assumed by it as a self-insurer or self-insured obligations in excess of any valid and collectible insurance available to the Company to the same extent as if all types of insurance covered by the Company were afforded under the broadest form of policies issued by the Company.

An insurance or reinsurance wherein the Company hereby reinsured and/or its affiliated and/or subsidiary companies are named as the insured or reinsured party, either alone or jointly with some other party, shall be deemed to be an insurance or reinsurance coming within the scope of this Contract, notwithstanding that no legal liability may arise in respect thereof by reason of the fact that the Company hereby reinsured and/or its affiliated and/or subsidiary companies may not be obligated by law to pay a claim to itself or its affiliated and/or subsidiary companies.

### ARTICLE 4

#### DEFINITIONS

(a) Professional Services

As respects the coverage afforded by Section B of Article 6, Reinsuring Clause, this term shall mean, including but not limited to, inspections, loss control, engineering, technical and scientific services, claims handling and adjusting, salvage operations, insurance consulting, testing and scientific research, for the account of the Company or any other person or entity, and other insurance brokerage services, except as specifically excluded in Article 5, Exclusions.

(b) Net Loss

As respects the coverage afforded by Sections A, C, D and E of Article 6, Reinsuring Clause, the term "Net Loss" shall mean the actual loss paid by the Company in settlement of claims or losses and (where applicable, as outlined in Article 6, Reinsuring Clause) Loss Adjustment Expense, as defined herein, and 90% of Extra Contractual Obligations, as defined in Article 14, Extra Contractual Obligations, and 100% of losses in excess of the Company's original policy limit, as defined in Article 13, Excess of Original Policy Limits, after deduction of any recoveries obtained from salvage, subrogation or inuring reinsurances, but prior to deduction of amounts due from catastrophe or aggregate excess of loss reinsurance on the amount retained by the Company for its own account; however, in the instance of the insolvency of the Company, this definition shall be modified to the extent set forth in Article 20, Insolvency.

Nothing in this definition shall be construed to mean that losses under this Contract are not recoverable until the Company's final Net Loss has been ascertained.

As respects the coverage afforded by Section B of Article 6, Reinsuring Clause, this term shall mean the actual loss paid by the Company in settlement of claims or losses, including punitive damages, compensatory damages, and exemplary damages, and Loss Adjustment Expense, after deduction of any recoveries obtained from salvage, subrogation or inuring reinsurances; however, in the instance of the insolvency of the Company, this definition shall be modified to the extent set forth in Article 20, Insolvency.

As respects the coverage afforded by Section F of Article 6, Reinsuring Clause, this term shall mean the actual loss paid by the Company in settlement of claims or losses and Loss Adjustment Expense, after deduction of any recoveries obtained from salvage, subrogation or inuring reinsurances; however, in the instance of the insolvency of the Company, this definition shall be modified to the extent set forth in Article 20, Insolvency.

As respects the coverage afforded by Section G of Article 6, Reinsuring Clause, this term shall mean the actual assessment paid by the Company, after deduction of any recoveries obtained from salvage, subrogation or inuring reinsurances; however, in the instance of the insolvency of the Company, this definition shall be modified to the extent set forth in Article 20, Insolvency.

(c) Company Retention

This term shall mean the amount the Company shall retain for its own account unless otherwise stipulated in Article 6, Reinsuring Clause; however, such requirement shall be satisfied if such amount is retained by the Company or its affiliated companies under common management or common ownership or both.

(d) One Risk

As respects the coverage afforded by Sections A, C and D of Article 6, Reinsuring Clause, the Company shall in all cases be the sole judge as to what shall constitute One Risk.

As respects the coverage afforded by Section F of Article 6, Reinsuring Clause, NEIL shall in all cases be the sole judge as to what shall constitute One Risk.

(e) One Accident/One Occurrence/One Event

The terms "One Accident", "One Occurrence" and "One Event" as used in Sections A, C and D of Article 6, Reinsuring Clause, shall be applied in accordance with the application of these terms in the Company's original policy.

(f) Loss Occurrence

- (1) As respects coverage provided under Sections A, C and D of Article 6, Reinsuring Clause:

With respect to All Risk Property business, Builders Risk business, Course of Construction, Construction All Risk, Erection All Risk business (with the exception of Third Party Liability coverages), and Electric Utility business, the term "Loss Occurrence" shall mean any loss, or series of losses, arising out of one event. However, as respects all perils, this term shall mean the sum total of all the losses sustained by the Company as a result of damage from these perils which arise during a continuous period of 72 hours. The Company may elect the moment from which each of the aforesaid periods of 72 hours shall commence, but no two such 72 hour periods shall overlap.

- (2) With respect to coverage provided under Section E of Article 6, Reinsuring Clause:

With respect to All Risk Property business, Builders Risk business, Course of Construction, Construction All Risk, Erection All Risk business (with the exception of Third Party Liability coverages), the term "Loss Occurrence" shall mean any loss, or series of losses, arising out of one event. However, as respects all perils, this term shall mean the sum total of all the losses sustained by the Company as a result of damage from these perils which arise during a continuous period of 168 hours. The Company may elect the moment from which each of the aforesaid periods of 168 hours shall commence, provided that only one such period of 168 consecutive hours shall apply with respect to one event.

(g) Loss Adjustment Expense

As respects the coverage afforded by Sections A, B, C, D, and E of Article 6, Reinsuring Clause this term shall mean the following expenditures made by the Company and allocated to an individual claim or loss, or in connection with the disposition of such claim or loss or legal proceeding:

- (1) Expenses, other than salaries, of the Company's personnel which are related to the investigation and adjustment of a claim or loss;
- (2) Fees charged by any company, including any subsidiary of the Company, for adjusting, consulting or investigative assignments; and
- (3) Negotiation and legal expenses, court costs, statutory penalties, and accrued interest, other than accrued interest which is part of a judgment; and
- (4) The Company's defense costs and legal expense incurred in direct connection with declaratory judgment actions brought to determine the Company's defense and/or indemnification obligations. Any declaratory judgment expenses shall be deemed

to be fully incurred on the same date as the original loss (if any) giving rise to the action.

As respects the coverage afforded by Section F of Article 6, Reinsuring Clause, this term shall mean the Company's share of expenditures made by NEIL and allocated to an individual claim or loss, or in connection with the disposition of such claim or loss or legal proceeding.

(h) Salvage and Subrogation

This term shall mean any recovery made by the Company in connection with a claim or loss, less all expenses paid by the Company, other than payments to any salaried employee of the Company in making such recovery.

## ARTICLE 5

### EXCLUSIONS

- (a) As respects the coverage afforded by Sections A, C, D and E of Article 6, Reinsuring Clause, this Contract shall not apply to and specifically excludes:
- (1) War risk as defined in the Company's original policies.
  - (2) Any liability derived directly as a member of any Pool, Association or Syndicate.
  - (3) Nuclear Incident as set forth in the following clauses attached to and forming a part of this Contract:
    - (i) Nuclear Incident Exclusion Clause - Physical Damage - Reinsurance - U.S.A.;
    - (ii) Nuclear Incident Exclusion Clause - Physical Damage and Liability (Boiler and Machinery Policies) - Reinsurance - U.S.A.;
    - (iii) Nuclear Incident Exclusion Clause - Physical Damage and Liability (Boiler and Machinery Policies) - Reinsurance - Canada;
    - (iv) Nuclear Incident Exclusion Clause - Physical Damage - Reinsurance - Canada;
    - (v) Nuclear Energy Risks Exclusion Clause (Reinsurance) (1994) (Worldwide Excluding U.S.A. & Canada) including Japanese and German amendments.
  - (4) All liability of the Company arising by contract, operation of law, or otherwise, from its participation or membership, whether voluntary or involuntary, in any insolvency fund. "Insolvency fund" includes any guaranty fund, insolvency fund,

plan, pool, association, fund or other arrangement, howsoever denominated, established or governed; which provides for any assessment of or payment or assumption by the Company of part or all of any claim, debt, charge, fee, or other obligation of an insurer, or its successors or assigns, which has been declared by any competent authority to be insolvent, or which is otherwise deemed unable to meet any claim, debt, charge, fee or other obligation in whole or in part.

(5) Financial Guarantee and Insolvency. However, the liability of the Company under any policy or bond covering losses due to dishonesty or negligence of any person or failure of any person to faithfully perform his duty or failure to account for and pay over money or other property in his custody shall not be considered Financial Guarantee or Insolvency. Notwithstanding the foregoing, no claim shall attach hereto in respect of any loss arising as a result of:

(a) the insolvency of any Financial Institution at which trust moneys are deposited or insolvency of any other person, firm, or company, or

(b) the fall in the market value of investments,

unless such loss is the direct result of (i) a dishonest, fraudulent, criminal or negligent act on the part of the bonded person, or (ii) a dishonest, fraudulent or criminal act on the part of any other person or persons, or (iii) unless such loss is solely created by a physical damage loss to property other than where such physical damage loss could have been recovered from a third party but for the insolvency of such third party.

(6) Liabilities under self-insurance or under policies issued by the Company to itself or other insurance or reinsurance companies specifically covering liability arising from the handling of any claim.

(7) Liabilities, if any, derived from the Japanese Government Earthquake Scheme, New Zealand Earthquake and War Damage Commission.

(8) In respect of losses occurring in Great Britain only, as defined herein, this Contract does not cover any loss directly or indirectly arising from fire or explosion occasioned by, happening through or in consequence of Terrorism, which shall mean any act of any person acting on behalf of or in connection with any organization with activities directed towards the overthrowing or influencing of any government de jure or de facto by force or violence.

Great Britain shall mean England, Scotland and Wales other than the Isle of Man and the Channel Islands.

In respect of Terrorism losses occurring in Northern Ireland, this Contract shall exclude all such losses within the meaning of the Northern Ireland (Emergency Provisions) Act of 1973 or successors thereof.

- (b) As respects the coverage afforded by Section B of Article 6, Reinsuring Clause, this Contract shall not apply to claims arising out of:
- (1) Any claims based upon or arising out of, or in any way, involving the adequacy of claim reserves.
  - (2) Any claim arising out of bodily injury to, or sickness, disease or death of any person or to injury to or destruction of any tangible property, including the loss of use thereof, except with respect to professional services performed by the Company.
  - (3) The ownership, rental, leasing, maintenance, use or repair of any real or personal property.
  - (4) The conduct of any business enterprise that is wholly or partially owned, operated, or managed by the Company, other than liability arising out of the Company's professional services.
  - (5) The ownership, maintenance, operation or use, including loading or unloading, by or in the interest or at the direction of the Company, of automobiles, motor vehicles or aircraft of any kind.
  - (6) The insolvency or bankruptcy of the Company or any other person, firm or organization.
  - (7) Dishonest, fraudulent, criminal, malicious or knowingly wrongful acts or omissions committed intentionally by, or at the direction of the Company.
  - (8) Arising out of failure to purchase or maintain adequate reinsurance.
  - (9) Claims based upon underwriting results.
  - (10) Claims made against the Company by a business enterprise (or its assignees) that is wholly or partly owned, operated, or managed by the Company; or by an employee (or his assignees) of said business enterprise.
  - (11) Any claim or claims involving the Company's direct pollution and/or the contamination of the environment; or the cost of rectification, renewal, repair or replacement of an environment, place, object, matter, substance or thing, of any nature, or kind, whatsoever or any combination thereof where the said cost of rectification, renewal, repair or replacement is as a consequence of any act or claim that would otherwise be excluded hereunder. However, this exclusion shall not apply to Radian Corporation's (or its subsidiaries) environmental testing and research.
  - (12) Claims directly or indirectly brought about by, arising out of, or attributable to any actual or alleged violation of the Racketeer Influenced and Corrupt Organizations Act, 18 USC Section 1961 et seq., and any amendment thereto, or any rules or regulations promulgated thereunder.

- (13) Claims directly or indirectly brought about by or arising out of the investment services performed by the Company.
- (c) As respects the coverage afforded by Section F of Article 6, Reinsuring Clause, this Contract shall not apply to:
- (1) War risk as defined in NEIL's original policies.
  - (2) Third party liability coverage.
  - (3) Off site decontamination.
  - (4) All liability of the Company arising by contract, operation of law, or otherwise, from its participation or membership, whether voluntary or involuntary, in any insolvency fund. "Insolvency fund" includes any guaranty fund, insolvency fund, plan, pool, association, fund or other arrangement, howsoever denominated, established or governed; which provides for any assessment of or payment or assumption by the Company of part or all of any claim, debt, charge, fee, or other obligation of an insurer, or its successors or assigns, which has been declared by any competent authority to be insolvent, or which is otherwise deemed unable to meet any claim, debt, charge, fee or other obligation in whole or in part.

## ARTICLE 6

### REINSURING CLAUSE

#### SECTION A - BOILER AND PROPERTY EACH ONE RISK

The Reinsurer shall pay to the Company, with respect to each One Risk each One Accident or each One Risk each One Occurrence or each One Risk each One Event, as defined in Article 4, Definitions, 35% of the amount of Net Loss, as defined in Article 4, Definitions, paid or payable by the Company in excess of the Company Retention, as defined in Article 4, Definitions, of \$5,000,000, but not exceeding the Limit of Liability of the Reinsurer of 35% of \$20,000,000.

However, if the Reinsurer's payment of Net Loss exceeds 35% of \$10,000,000 for the term of this Contract, the Reinsurer shall pay to the Company, with respect to each One Risk each One Accident or each One Risk each One Occurrence or each One Risk each One Event, 100% of the amount of Net Loss paid or payable by the Company in excess of the Company Retention of \$5,000,000, but not exceeding the Limit of Liability of the Reinsurer of 100% of \$4,000,000 with respect to each One Risk each other One Accident or each One Risk each other One Occurrence or each One Risk each other One Event.

Notwithstanding the Limit of Liability of the Reinsurer stated above, when the sum of the Net Loss and Loss Adjustment Expense of the Company, as defined in Article 4, Definitions, exceeds \$25,000,000 for each One Risk each One Accident or each One Risk each One

Occurrence or each One Risk each One Event, the Loss Adjustment Expense shall be apportioned between the Company and the Reinsurer in proportion to their respective liability in the Net Loss as finally determined. When the sum of the Net Loss and Loss Adjustment Expense of the Company is \$25,000,000 or less for each One Risk each One Accident or each One Risk each One Occurrence or each One Risk each One Event, the Loss Adjustment Expense shall be included in the Net Loss to determine the liability of the Reinsurer.

In no event shall the Reinsurer's payment of Net Loss and Loss Adjustment Expense combined under this Section A exceed \$8,000,000 with respect to all losses occurring during the term of this Contract.

#### SECTION B - PROFESSIONAL LIABILITY AGGREGATE

The Reinsurer shall pay to the Company, with respect to all claims made or suits brought during the term of this Contract arising out of Professional Services, the amount of Net Loss paid or payable by the Company in excess of the Company Retention of \$25,000,000, but not exceeding the Limit of Liability of the Reinsurer of \$5,000,000.

#### SECTION C - HARTFORD STEAM BOILER/INDUSTRIAL RISK INSURERS BUSINESS

The Reinsurer shall pay to the Company, with respect to each One Risk each One Accident or each One Risk each One Occurrence or each One Risk each One Event, as defined in Article 4, Definitions, 100% of the amount of Net Loss, as defined in Article 4, Definitions, paid or payable by the Company in excess of the Company Retention, as defined in Article 4, Definitions, of \$500,000, but not exceeding the Limit of Liability of the Reinsurer of 100% of \$4,500,000.

Loss Adjustment Expense shall be included in the Net Loss to determine the liability of the Reinsurer.

In no event shall the Reinsurer's payment of Net Loss and Loss Adjustment Expense combined under this Section C exceed \$15,000,000 with respect to all losses occurring during the term of this Contract.

#### SECTION D - UNDERLYING BOILER AND PROPERTY EACH ONE RISK

The Reinsurer shall pay to the Company, with respect to each One Risk each One Accident or each One Risk each One Occurrence or each One Risk each One Event, as defined in Article 4, Definitions, 100% of the amount of Net Loss paid or payable by the Company in excess of the Company Retention of \$3,000,000, but not exceeding the Limit of Liability of the Reinsurer of 100% of \$2,000,000.

Loss Adjustment Expense shall be included in the Net Loss to determine the liability of the Reinsurer.

In no event shall the Reinsurer's payment of Net Loss and Loss Adjustment Expense combined under this Section D exceed \$10,000,000 with respect to all losses occurring during the term of this Contract.

#### SECTION E - EACH LOSS OCCURRENCE

The Reinsurer shall pay to the Company, with respect to each Loss Occurrence, as defined in Article 4, Definitions, under all business of the Company, the amount of Net Loss, as defined in Article 4, Definitions, paid or payable by the Company in excess of the Company Retention as defined in Article 4, Definitions of \$15,000,000, but not exceeding the Limit of Liability of the Reinsurer of \$15,000,000.

The Limit of Liability of the Reinsurer under Section E shall not exceed \$15,000,000 in the aggregate for the term of this Contract.

Notwithstanding the Limit of Liability of the Reinsurer stated above, Loss Adjustment Expense as defined Article 4, Definitions shall be apportioned between the Company and the Reinsurer in proportion to their respective liability in the Net Loss as finally determined.

#### SECTION F - NEIL PARTICIPATION

The Reinsurer shall pay to the Company, with respect to each One Risk each occurrence the amount of Net Loss and Loss Adjustment Expense paid or payable by the Company in excess of:

- (1) As respects Band A, the Company Retention of \$500,000, but not exceeding the Limit of Liability of the Reinsurer of \$3,000,000 each One Risk each occurrence and in the aggregate with respect to all losses occurring on Risks attaching during the term of this Contract; and
- (2) As respects Band B, the Company Retention of \$500,000, but not exceeding the Limit of Liability of the Reinsurer of \$3,000,000 each One Risk each occurrence and in the aggregate with respect to all losses occurring on Risks attaching during the term of this Contract.

#### SECTION G - INVOLUNTARY ASSESSMENTS AGGREGATE

The Reinsurer shall pay to the Company, with respect to all involuntary assessments made against the Company during the term of this Contract, the amount of Net Loss paid or payable by the Company in excess of the Company Retention of \$500,000, but not exceeding the Limit of Liability of the Reinsurer of \$1,500,000.

#### SECTION H - REINSURER'S AGGREGATE LIMIT AND CAP

Notwithstanding the provisions of Sections A through G above, in no event shall the Reinsurer's payment of Net Loss and Loss Adjustment Expense combined under Sections A through G exceed \$19,000,000 with respect to all losses occurring (as respects Section A, C,

D, E, and F) and claims made or suits brought (as respects Section B) and assessments made (as respects Section G) during the term of this Contract.

Further, the Reinsurer's payment of Net Loss and Loss Adjustment Expense combined under Sections A through G subsequent to 45 days after the expiration date of each such Section of this Contract shall not exceed the Reinsurer's portion of reserves for claims, losses and Loss Adjustment Expense (including reserves for claims and losses incurred but not reported) as reported to the Reinsurer as of 45 days after the expiration date of this Contract.

#### SECTION I - INURING REINSURANCE

Recoveries from underlying Catastrophe or Aggregate Excess of Loss reinsurance to inure to the benefit of the Reinsurer under Sections A, C, D and E.

Recoveries from Sections A and C of the First Excess of Loss Cover, from Section A of Second Excess of Loss Cover and from the Third and Fourth Excess of Loss Covers and from Sections A and D above to inure to the benefit of the Reinsurer under Section E.

Recoveries from the Special Property and Energy Quota Share Contract to inure to the benefit of the Reinsurer under Sections A, D and E.

Recoveries from the Special Property and Energy Excess of Loss Contract to inure to the benefit of the Company for policies covered under Section C.

Recoveries from the Special Property and Energy Quota Share Contract to inure to the benefit of the Reinsurer under Sections A, C, D and E.

Recoveries from Industrial Risk Insurers to inure to the benefit of the Reinsurer under Section G.

The Company may purchase underlying reinsurance inuring to the Company's benefit, subject to a minimum net retention of \$500,000, recoveries under which will be disregarded in the Calculation of Net Loss under this Contract.

Any of the Company's units may purchase reinsurance from other unit(s) of the Company. Such internal reinsurances will be disregarded in the calculation of the Net Loss under this Contract.

#### ARTICLE 7

##### REINSTATEMENT

This Article applies only to coverage provided under Sections A and D of Article 6, Reinsuring Clause.

In the event of the whole or any portion of the indemnity under this Contract being exhausted by loss, the amount so exhausted shall be automatically reinstated from the time of the occurrence of the loss without payment of additional premium. Nevertheless, the Reinsurer's liability in respect of each One Risk each One Accident or each One Risk each One Occurrence or each One Risk each One Event shall never exceed the amount set forth in said Section A and D, as applicable.

#### ARTICLE 8

##### COMMENCEMENT AND EXPIRATION

- (a) As respects coverage provided under Sections A, C, D, and E of Article 6, Reinsuring Clause, this Contract shall cover losses occurring during the period from 12:01 a.m., Standard Time, January 1st, 1999 to 12:01 a.m., Standard Time, January 1st, 2000.
- As respects coverage provided under Sections A, C and D of Article 6, Reinsuring Clause, in the event this Contract is not renewed, at the option of the Company, the Reinsurer shall remain liable with respect to policies of the Company in force at the time of nonrenewal until the expiration, termination or next anniversary of each such policy, whichever occurs first. In the event the Company exercises this option, the Company shall pay the Reinsurer an additional premium to be determined by mutual agreement.
- (b) As respects coverage provided under Section B of Article 6, Reinsuring Clause, this Contract shall cover claims made or suits brought during the period from 12:01 a.m. Standard Time, January 1st, 1999 to 12:01 a.m. Standard Time, January 1st, 2000, provided the Professional Service resulting in any such claim:
- (1) Was committed during the term of this Contract; or
  - (2) Was committed prior to the inception date of this Contract provided:
    - (i) Any circumstance or event known to the Company, which could give rise to a claim hereunder, was disclosed to the Reinsurer prior to the inception hereof; or
    - (ii) The Company has no knowledge of such prior negligent act, error, or omission on the effective date of this Contract; and
    - (iii) No other valid and collectible insurance or reinsurance is available for the Company for any such prior Professional Service.
- (c) As respects coverage provided under Section F of Article 6, Reinsuring Clause, this Contract shall cover losses occurring on risks attaching during the period from 12:01 a.m., Standard Time, November 15th, 1998 to 12:01 a.m., Standard Time, November 15th, 1999.

- (d) As respects coverage provided under Section G of Article 6, Reinsuring Clause, this Contract shall cover assessments made against the Company during the period from 12:01 a.m., Standard Time, January 1st, 1999 to 12:01 a.m., Standard Time, January 1st, 2000.

By Standard Time it is meant 12:01 a.m. at the location of the risk or risks.

#### ARTICLE 9

##### EXTENDED EXPIRATION

If this Contract terminates while loss covered hereunder covered hereunder is in progress, it is agreed that subject to the other conditions of this Contract, the Reinsurer shall indemnify the Company under Sections A, C, D, E and F of Article 6, Reinsuring Clause as if the entire loss had occurred during the term of this Contract, provided the Accident, Event or Occurrence covered hereunder started before the time of termination.

#### ARTICLE 10

##### REINSURANCE PREMIUM

The Company shall pay to the Reinsurer:

- (a) As respects coverage provided under Section A of Article 6, Reinsuring Clause, a reinsurance premium of \$1,350,000 which shall be paid to the Reinsurer in four quarterly installments of \$337,500.
- (b) As respects coverage provided under Section B of Article 6, Reinsuring Clause, a reinsurance premium of \$465,000 which shall be paid to the Reinsurer in four quarterly installments of \$116,250.
- (c) As respects coverage provided under Section C of Article 6, Reinsuring Clause, a reinsurance premium of \$5,120,000 which shall be paid to the Reinsurer in four quarterly installments of \$1,280,000.
- (d) As respects coverage provided under Section D of Article 6, Reinsuring Clause, a reinsurance premium of \$1,015,000 which shall be paid to the Reinsurer in four quarterly installments of \$253,750.
- (e) As respects coverage provided under Section E of Article 6, Reinsuring Clause, a reinsurance premium of \$1,500,000 which shall be paid to the Reinsurer in four quarterly installments of \$375,000.

- (f) As respects coverage provided under Section F of Article 6, Reinsuring Clause, a reinsurance premium of \$350,000 which shall be paid to the Reinsurer in four quarterly installments of \$87,500.
- (g) As respects coverage provided under Section G of Article 6, Reinsuring Clause, a reinsurance premium of \$200,000 which shall be paid to the Reinsurer in four quarterly installments of \$50,000.

Each quarterly installment shall be paid 100% in United States Dollars.

## ARTICLE 11

### REPORTS AND REMITTANCES

(a) Reinsurance Premium

Within 45 days after the beginning of each calendar quarter, the Company shall pay to the Reinsurer the quarterly reinsurance premium stipulated in Article 10, Reinsurance Premium.

(b) Claims and Losses and Loss Adjustment Expense

The Company shall report promptly to the Reinsurer (within 90 days of notice to the Company) each claim or loss which, in the Company's opinion, may involve the reinsurance provided under this Contract. The Company shall advise the Reinsurer of the estimated amount of Net Loss and Loss Adjustment Expense in connection with each such claim or loss and of any subsequent changes in such estimates.

Upon receipt of a definitive statement of Net Loss and Loss Adjustment Expense from the Company, the Reinsurer shall promptly pay to the Company (within 45 days of receipt of the statement) the Reinsurer's portion of Net Loss and Loss Adjustment Expense. Any subsequent changes in the amount of Net Loss and Loss Adjustment Expense shall be reported by the Company to the Reinsurer and the amount due either party shall be remitted promptly (within 45 days of receipt of the statement).

## ARTICLE 12

### SPECIAL ACCEPTANCES

Business which is not within the scope of this Contract may be submitted to the Reinsurer for special acceptance hereunder and such business, if accepted by the Reinsurer, shall be subject to all terms, conditions and limitations of this Contract except as modified by the special acceptance.

## ARTICLE 13

### LOSS IN EXCESS OF ORIGINAL POLICY LIMITS

The Reinsurer shall indemnify the Company under Sections A, C, D and E of Article 6, Reinsuring Clause, within the limits thereof, where the Net Loss, as defined in Article 4, Definitions, includes loss in excess of the limit of its original policy, such loss in excess of the limit having been incurred because of failure by the Company to settle within the policy limit or by reason of alleged or actual negligence, fraud or bad faith in rejecting an offer of settlement or in the preparation of the defense or in the trial of any action against its insured or reinsured or in the preparation or prosecution of an appeal consequent upon such action.

However, this Article shall not apply where the loss has been incurred due to the fraud of a member of the Board of Directors or a Corporate Officer of the Company acting individually or collectively or in collusion with any individual or corporation or any other organization or party involved in the presentation, defense or settlement of any claim covered hereunder.

For the purpose of this Article, the word "loss" shall mean any amounts for which the Company would have been contractually liable to pay had it not been for the limit of the original policy.

If any provision of this Article shall be rendered illegal or unenforceable by the laws, regulations or public policy of any state, such provision shall be considered void in such state, but this shall not affect the validity or enforceability of any other provision of this Article or the enforceability of such provision in any other jurisdiction. However, in no event shall the operation of this Article increase the liability of the Reinsurer beyond the scope and limit of liability originally agreed upon by the Company and the Reinsurer as set forth in this Contract.

## ARTICLE 14

### EXTRA CONTRACTUAL OBLIGATIONS

The Reinsurer shall indemnify the Company under Sections A, C, D and E of Article 6, Reinsuring Clause, within the limits thereof, where the Net Loss, as defined in Article 4, Definitions, includes any extra contractual obligations. The term "extra contractual obligations" is defined as those liabilities not covered under any other provision of this Contract and which arise from the handling of any claim on business covered hereunder, such liabilities arising because of, but not limited to, the following: failure by the Company to settle within the policy limit, or by reason of alleged or actual negligence, fraud or bad faith in rejecting an offer of settlement or in the preparation of the defense or in the trial of any action against its insured or reinsured or in the preparation or prosecution of an appeal consequent upon such action.

The date on which any extra contractual obligation is incurred by the Company shall be deemed, in all circumstances, to be the date of the original Accident, Occurrence or Event.

However, this Article shall not apply where the loss has been incurred due to fraud of a member of the Board of Directors or a Corporate Officer of the Company acting individually or collectively or in collusion with any individual or corporation or any other organization or party involved in the presentation, defense or settlement of any claim covered hereunder.

If any provision of this Article shall be rendered illegal or unenforceable by the laws, regulations or public policy of any state, such provision shall be considered void in such state, but this shall not affect the validity or enforceability of any other provision of this Article or the enforceability of such provision in any other jurisdiction. However, in no event shall the operation of this Article increase the liability of the Reinsurer beyond the scope and limit of liability originally agreed upon by the Company and the Reinsurer as set forth in this Contract.

## ARTICLE 15

### ERRORS AND OMISSIONS

Any recitals in this Contract of the terms and provisions of any original insurance or reinsurance are merely descriptive. The Reinsurer is reinsuring, to the amount herein provided, the obligations of the Company under any original insurance or reinsurance. The Company shall be the sole judge as to:

- (a) what shall constitute a claim or loss covered under any original insurance or reinsurance written by the Company;
- (b) the Company's liability thereunder;
- (c) the amount or amounts which it shall be proper for the Company to pay thereunder.

The Reinsurer shall be bound by the judgment of the Company as to the obligation(s) and liability(ies) of the Company under any original insurance or reinsurance.

Any inadvertent error, omission or delay in complying with the terms and conditions of this Contract shall not be held to relieve either party hereto from any liability which would attach to it hereunder if such error, omission or delay had not been made, provided such error, omission or delay is rectified immediately upon discovery.

With respect to insurance business reported but not reinsured under this Contract, the Reinsurer shall be obligated only for the return of the premium paid unless otherwise stipulated in this Contract.

## ARTICLE 16

### MANAGEMENT OF CLAIMS AND LOSSES

The Company alone and at its sole discretion shall adjust, settle or compromise all claims and losses, where applicable, except those claims and losses under coverage provided under Section F of Article 6, Reinsuring Clause. All such adjustments, settlements and compromises shall be binding on the Reinsurer. The Company shall likewise at its sole discretion commence, continue, defend, compromise, settle or withdraw from actions, suits or proceedings and generally do all such matters and things relating to any claim or loss as in its judgment may be beneficial or expedient. The Reinsurer shall, on the other hand, benefit from all reductions or losses by salvage, compromise or otherwise. However, in the instance of the insolvency of the Company, the liability of the Reinsurer shall be modified to the extent set forth in Article 20, Insolvency.

## ARTICLE 17

### SALVAGE AND SUBROGATION

The Company shall pay to or credit the Reinsurer with the Reinsurer's portion of any recovery and such recovery shall be applied between the parties in the order inverse to that in which their respective liabilities attached.

## ARTICLE 18

### INSPECTION OF RECORDS

The Reinsurers shall have the right to inspect, through its authorized representative, at all reasonable times during the term of this Contract and thereafter, the books, records and papers of the Company pertaining to the reinsurance provided hereunder and all claims made in connection therewith, other than proprietary information or privileged communications (as determined by the Company). Upon request, the Company shall supply the Reinsurer, at the Reinsurer's expense, with copies of the whole or any part of such books, records, or papers.

If the Reinsurer makes any inspection of the Company's books and records involving specific claims under this Contract and, as a result of the inspection the claim is contested or disputed, the Reinsurer shall provide the Company, at the Company's request, a summary of any reports, other than proprietary information or privileged communications (as determined by the Reinsurer), completed by their personnel or by third parties on their behalf, outlining the reasons for contesting or disputing the subject claim. However, if undisputed balances due from the Reinsurer under this Contract have not been paid for the two most recent reported calendar quarters, the Reinsurer shall not have access to any of the Company's records relating to this Contract without the specific consent of the Company.

## ARTICLE 19

### ARBITRATION

- (a) Any dispute arising out of the interpretation, performance or breach of this Contract including the formation or validity thereof, shall be submitted for decision to a panel of three arbitrators. Notice requesting arbitration will be in writing and sent certified or registered mail, return receipt requested.
- (b) One arbitrator shall be chosen by each party and the two arbitrators shall, before instituting the hearing, choose an impartial third arbitrator who shall preside at the hearing. If either party fails to appoint its arbitrator within 90 days after being requested to do so by the other party, the latter, after 10 days notice by certified or registered mail of its intention to do so, may appoint the second arbitrator.
- (c) If the two arbitrators are unable to agree upon the third arbitrator within 90 days of their appointment, the third arbitrator shall be selected from a list of six; individuals (three named by each arbitrator) by a judge of the federal district court having jurisdiction over the geographical area in which the arbitration is to take place or if the federal court declines to act, the state court having general jurisdiction in such area.
- (d) All arbitrators shall be those individuals without past employment or directorial relationships to the parties and will be present or former officers of insurance or reinsurance companies or Underwriters at Lloyd's, London writing the kind of business about which the difference has arisen. All prospective arbitrators shall disclose within 30 days of his or her appointment any partisan relationships with the parties to the arbitration.

If disclosure of employment or directorial relationships is made by any prospective arbitrator, either party has the right to remove such prospective arbitrator. Another arbitrator shall thereupon be selected by the party whose arbitrator was disqualified, or in the event that the prospective presiding arbitrator is disqualified, by the remaining arbitrators.

- (e) The panel shall be relieved of all judicial formality and shall not be bound by the strict rules of procedure and evidence. Unless the panel agrees otherwise, arbitration shall take place in Hartford, Connecticut, but the venue may be changed when deemed by the panel to be in the best interest of the arbitration proceeding. Insofar as the arbitration panel looks to substantive law, it shall consider the laws of the State of Connecticut. The decision of any two arbitrators when rendered in writing shall be final and binding.
- (f) Once an arbitration hearing has commenced, the parties, and each of them, may not engage in ex-parte communications with any member of the arbitration panel.
- (g) The panel shall make its decision as promptly as possible following the termination of the hearings. Judgment upon the award may be entered in a court having jurisdiction thereof

- (h) The arbitrators and umpires shall interpret the Contract as an honorable engagement, and they shall make their award with the view to effecting the general purpose of the Contract in a reasonable manner rather than in accordance with the literal interpretation of the language. Due regard shall be given to the custom and practice of the applicable insurance and reinsurance industry.
- (i) Each party shall bear the expense of its own arbitrator and shall jointly and equally bear with the other party the cost of the third arbitrator. The remaining costs of the arbitration shall be allocated by the panel. The panel may, at its discretion, award such further costs and expenses as it considers appropriate.
- (j) If more than one Reinsurer is involved in the same dispute, all such Reinsurers shall constitute and act as one party for purposes of this Arbitration Article. Communications shall be made by the Company to each of the Reinsurers constituting the one party. Nothing herein shall impair the rights of such Reinsurers to assert several rather than joint defenses or claims, nor be construed as changing the liability of the Reinsurers under the terms of this Contract from several to joint.

## ARTICLE 20

### INSOLVENCY

In the event of the insolvency of the Company, this reinsurance shall be payable directly to the Company, or to its liquidator, receiver, conservator or statutory successor on the basis of the liability of the Company without diminution because of the insolvency of the Company or because the liquidator, receiver, conservator or statutory successor of the Company has failed to pay all or a portion of any claim. It is agreed, however, that the liquidator, receiver, conservator or statutory successor of the Company shall give written notice to the Reinsurer of the pendency of a claim against the Company indicating the policy or bond reinsured, which claim would involve a possible liability on the part of the Reinsurer within a reasonable time after such claim is filed in the conservation or liquidation proceeding or in the receivership, and that during the pendency of such claim, the Reinsurer may investigate such claim and interpose, at its own expense, in the proceeding where such claim is to be adjudicated any defense or defenses that it may deem available to the Company or its liquidator, receiver, conservator or statutory successor. The expense thus incurred by the Reinsurer shall be chargeable, subject to the approval of the court, against the Company as part of the expense of conservation or liquidation to the extent of a pro rata share of the benefit which may accrue to the Company solely as a result of the defense undertaken by the Reinsurer.

Where two or more Reinsurers are involved in the same claim and a majority in interest elect to interpose defense to such claim, the expense shall be apportioned in accordance with the terms of the reinsurance Contract as though such expense had been incurred by the Company.

As to all reinsurance made, ceded, renewed or otherwise becoming effective under this Contract, the reinsurance shall be payable as set forth above by the Reinsurer to the Company or to its liquidator, receiver, conservator or statutory successor, except as provided by Sections

4118(a)(1)(A) and 1114(c) of the New York Insurance Law or except (1) where the Contract specifically provides another payee in the event of the insolvency of the Company, and (2) where the Reinsurer, with the consent of the direct insured or insureds, has assumed such policy obligations of the Company as direct obligations of the Reinsurer to the payees under such policies and in substitution for the obligations of the Company to such payees. Then, and in that event only, the Company, with the prior approval of the certificate of assumption on New York risks by the Superintendent of Insurance of the State of New York, is entirely released from its obligation and the Reinsurer pays any loss directly to payees under such policy.

## ARTICLE 21

### RESERVES AND TAXES

The Reinsurer shall maintain such reserves as may be required with respect to the Reinsurer's portion of unearned premium, claims, losses and Loss Adjustment Expense, as defined in Article 4, Definitions.

The Company shall be liable for all taxes on premium ceded to the Reinsurer under this Contract. If the Reinsurer is obligated to pay any taxes on such premium, the Company shall reimburse the Reinsurer; however, the Company shall not be required to pay taxes twice on the same premium.

## ARTICLE 22

### CURRENCY

Wherever the word "Dollars" or the sign "\$" is used in this Contract, it shall mean dollars of the United States of America, excepting in those cases where the policy(ies) is issued by the Company in Canadian Dollars, in which case it shall mean dollars of the Government of Canada. In the event the Company is involved in a loss requiring payment in United States and Canadian currency, the Company Retention, as defined in Article 4, Definitions, and the limit of liability of the Reinsurer, as detailed in Article 6, Reinsuring Clause, shall be apportioned between the two currencies in the same proportion as the amount of Net Loss, as defined in Article 4, Definitions, in each currency bears to the total amount of Net Loss paid by the Company. For the purposes of this Contract, where the Company receives premiums or pays losses in currencies other than United States or Canadian currency, such premiums and losses shall be converted into United States Dollars at the actual rates of exchange at which these premiums and losses are entered in the Company's books.

If a loss is settled by the Company in a currency other than United States or Canadian dollars, and if at the date of the settlement there is a variation in the rate of exchange between these currencies in comparison with that at the time of inception of new or renewal policies, or endorsement thereto, the loss will be apportioned between the Company and the Reinsurer

after taking into account either an increase or decrease in the amount of the Company's retention and the maximum Limit of Liability of the Reinsurer according to the said variation.

#### ARTICLE 23

##### OFFSET

The Company or the Reinsurer may offset any balance(s), whether on account of premium, claims or losses, Loss Adjustment Expense, as defined in Article 4, Definitions, salvages, or any other account(s) due from one party to the other under this Contract or any other contract heretofore or hereafter entered into between the Company and the Reinsurer. However, in the event of the insolvency of any party hereto, offset shall only be allowed in accordance with the offset entitlement statutes and/or regulations of the state having jurisdiction over the insolvency.

#### ARTICLE 24

##### CONFIDENTIALITY

All terms and conditions of this Contract and any material provided in the course of inspection shall be kept confidential by the Reinsurer as against third parties, unless the disclosure is required pursuant to the process of law or unless the disclosure is to the Reinsurer's retrocessionaires, financial auditors or governing regulatory bodies. Disclosing or using this information for any purpose beyond the scope of this Contract, or beyond the exceptions set forth above, is expressly forbidden without the prior consent of the Company.

#### ARTICLE 25

##### COMMUTATION UNDER SPECIAL CIRCUMSTANCES

Either party has the option, within 90 days written notice, to commute under the special circumstances of a change of management of the other party, or the other parties parent. Further, the Reinsurer has the option, within 90 days written notice, to commute under the special circumstances of a change of control of the Company, or the Company's parent.

Under such circumstances, the Cash Underwriting Balance, as defined below, shall be brought to zero with a premium payment to the Reinsurer by the Company, equal to the calculated balance if it is negative; or with a return premium to the Company by the Reinsurer equal to the calculated balance if it is positive. With the Reconciliation Payment, the Company shall assume the remaining liabilities, and the Reinsurer shall be relieved of further obligations under this Agreement.

For the Company, a change of management would constitute either Gordon Kreh's departure from the HSB Group, or a material change in his role within HSB. For the Reinsurer, a

change of management would constitute the departure from the Reinsurer or its Group of two out of three of the most senior executives of General Reinsurance Corporation.

Control shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of HSB of any of its affiliates or subsidiaries. A change in control includes but is not limited to any of the following transactions with a person other than HSB and its subsidiaries:

- (a) the sale or transfer of substantially all of HSB's assets;
- (b) the sale or transfer of the expirations or book of business of HSB or its subsidiaries;
- (c) the sale or transfer of ten percent or more of the voting securities of HSB including without limitation directly or indirectly holding, owning, controlling, holding with the power to vote or holding proxies representing ten percent or more of the voting securities of HSB;
- (d) the consolidation with or merger of HSB into another person.

The following Cash Underwriting Balance shall be calculated as the basis for the Reconciliation Payment:

- (1) Total reinsurance premium paid to the Reinsurer under this Agreement; less
- (2) Net Losses paid by the Reinsurer under this Agreement; less
- (3) 4.5% of the total reinsurance premium paid as reinsurance overhead.

IN WITNESS WHEREOF, the parties hereto have caused this Contract to be executed in

triplicate,

this 5<sup>th</sup> day of March, 1997,

**GENERAL REINSURANCE CORPORATION**

[Signature]  
Vice President

Attest: [Signature]

and this 23<sup>rd</sup> day of June, 1999,

**THE HARTFORD STEAM BOILER INSPECTION  
AND INSURANCE COMPANY  
THE HARTFORD STEAM BOILER INSPECTION  
AND INSURANCE COMPANY OF  
CONNECTICUT  
THE BOILER INSPECTION AND INSURANCE  
COMPANY OF CANADA  
THE ALLEN INSURANCE COMPANY, LTD.  
THE HARTFORD STEAM BOILER INSPECTION  
AND INSURANCE COMPANY OF TEXAS  
HSB ENGINEERING INSURANCE LIMITED**

[Signature]

Attest: [Signature]

and this \_\_\_\_\_ day of \_\_\_\_\_, 199

**GENERAL REINSURANCE CORPORATION**

\_\_\_\_\_  
Chief Agent for Canada

Attest: \_\_\_\_\_

**NUCLEAR INCIDENT EXCLUSION CLAUSE - PHYSICAL DAMAGE  
AND LIABILITY (BOILER AND MACHINERY POLICIES)  
REINSURANCE - USA**

(1) This Agreement does not cover any loss of liability accruing to the Company as a member of, or subscriber to, any association of insurers or reinsurers formed for the purpose of covering nuclear energy risks or as a direct or indirect reinsurer of any such member, subscriber or association.

(2) Without in any way restricting the operation of paragraph (1) of this Clause it is understood and agreed that for all purposes of this Agreement all original Boiler and Machinery Insurance or Reinsurance contracts of the Company shall be deemed to include the following provisions of this paragraph:

This Agreement does not apply to "loss", whether it be direct or indirect, proximate or remote

- (a) from an Accident caused directly or indirectly by nuclear reaction, nuclear radiation or radioactive contamination, all whether controlled or uncontrolled; or
- (b) from nuclear reaction, nuclear radiation or radioactive contamination, all whether controlled or uncontrolled, caused directly or indirectly by, contributed to or aggravated by an Accident.

(3) However, it is agreed that loss arising out of the use of Radioactive Isotopes in any form is not hereby excluded from reinsurance protection.

N.M.A. 1166

**NUCLEAR INCIDENT EXCLUSION CLAUSE - PHYSICAL DAMAGE  
AND LIABILITY (BOILER AND MACHINERY POLICIES) - REINSURANCE - CANADA**

(1) This Agreement does not cover any loss or liability accruing to the Company as a member of, or subscriber to, any association of insurers or reinsurers formed for the purpose of covering nuclear energy risks or as a direct or indirect reinsurer of any such member, subscriber or association.

(2) Without any way restricting the operation of paragraph (1) of this Clause it is understood and agreed that for all purposes of this Agreement all original Boiler and Machinery Insurance or Reinsurance contracts of the Company shall be deemed to include the following provisions of this paragraph:

This Policy does not apply to loss, whether it be direct or indirect, proximate or remote

- (a) from an Accident caused directly or indirectly by nuclear reaction, nuclear radiation or radioactive contamination, all whether controlled or uncontrolled; or
  - (b) from nuclear reaction, nuclear radiation or radioactive contamination, all whether controlled or uncontrolled, caused directly or indirectly by, contributed to or aggravated by an Accident.
- (3) However, it is agreed that loss arising out of the use of Radioactive Isotopes in any form is not hereby excluded from reinsurance protection.

(4) With out any way restricting the operation of paragraph (1) hercof, it is understood and agreed that policies issued by the Company effective on or before 31st December, 1958, shall be free from the application of the other provisions of this Clause until expiry date or 31st December, 1961, which ever first occurs, whereupon all the provisions of this Clause shall apply.

N.M.A. 1251

NUCLEAR INCIDENT EXCLUSION CLAUSE - PHYSICAL DAMAGE - REINSURANCE - USA

(1) This Agreement does not cover any loss or liability accruing to the Company directly or indirectly and whether as Insurer or Reinsurer, from any Pool of Insurers or Reinsurers formed for the purpose of covering Atomic or Nuclear Energy risks.

(2) Without in any way restricting the operation of paragraph (1) of this Clause, this Agreement does not cover any loss or liability accruing to the Company, directly or indirectly and whether as Insurer or Reinsurer, from any insurance against Physical Damage (including business interruption or consequential loss arising out of such Physical Damage) to:

- (i) Nuclear reactor power plants including all auxiliary property on the site, or
- (ii) Any other nuclear reactor installation, including laboratories handling radioactive materials in connection with reactor installations, and "critical facilities" as such, or
- (iii) Installations for fabricating complete fuel elements or for processing substantial quantities of "special nuclear material", and for reprocessing, salvaging, chemically separating, storing or disposing of "spent" nuclear fuel or waste materials, or
- (iv) Installations other than those listed in paragraph (2) (iii) above using substantial quantities of radioactive isotopes or other products of nuclear fission.

(3) Without in any way restricting the operations of paragraphs (1) and (2) hereof, this Agreement does not cover any loss or liability by radioactive contamination accruing to the Company, directly or indirectly, and whether as Insurer or Reinsurer, from any insurance on property which is on the same site as a nuclear reactor power plant or other nuclear installation and which normally would be insured therewith except that this paragraph (3) shall not operate:

- (a) where the Company does not have knowledge of such nuclear reactor power plant or nuclear installation, or
- (b) where said insurance contains a provision excluding coverage for damage to property caused by or resulting from radioactive contamination, however caused. However on and after 1st January 1960 this sub-paragraph (b) shall only apply provided the said radioactive contamination exclusion provision has been approved by the Governmental Authority having jurisdiction thereof.

(4) Without in any way restricting the operations of paragraphs (1),(2) and (3) hereof, this Agreement does not cover any loss or liability by radioactive contamination accruing to the Company, directly or indirectly, and whether as Insurer or Reinsurer, when such radioactive contamination is a named hazard specifically insured against.

(5) It is understood and agreed that this Clause shall not extend to risks using radioactive isotopes in any form where the nuclear exposure is not considered by the Company to be the primary hazard.

(6) The term "special nuclear material" shall have the meaning given it in the Atomic Energy Act of 1954 or by any law amendatory thereof.

(7) The Company to be sole judge of what constitutes:

- (a) substantial quantities, and
- (b) the extent of installation, plant or site.

Note: Without in any way restricting the operation of paragraph (1) hereof, it is understood and agreed that:

- (a) all policies issued by the Company on or before 31st December 1957 shall be free from the application of the other provisions of this Clause until expiry date or 31st December 1960 whichever first occurs whereupon all the provisions of this Clause shall apply.
- (b) with respect to any risk located in Canada policies issued by the Company on or before 31st December 1958 shall be free from the application of the other provisions of this Clause until expiry date or 31st December 1960 whichever first occurs whereupon all the provisions of this Clause shall apply.

N.M.A. 1119

**NUCLEAR INCIDENT EXCLUSION CLAUSE - PHYSICAL DAMAGE - REINSURANCE - CANADA**

- (1) This Agreement does not cover any loss or liability accruing to the Company directly or indirectly and whether as Insurer or Reinsurer, from any Pool of Insurers or Reinsurers formed for the purpose of covering Atomic or Nuclear Energy risks.
- (2) Without in any way restricting the operation of paragraph (1) of this Clause, this Agreement does not cover any loss or liability accruing to the Company, directly or indirectly and whether as Insurer or Reinsurer, from any insurance against Physical Damage (including business interruption or consequential loss arising out of such Physical Damage) to:
- (i) Nuclear reactor power plants including all auxiliary property on the site, or
  - (ii) Any other nuclear reactor installation, including laboratories handling radioactive materials in connection with reactor installations, and "critical facilities" as such, or
  - (iii) Installations for fabricating complete fuel elements or for processing substantial quantities of "prescribed substances", and for reprocessing, salvaging, chemically separating, storing or disposing of "spent" nuclear fuel or waste materials, or
  - (iv) Installations other than those listed in (2)(iii) above using substantial quantities of radioactive isotopes or other products of nuclear fission.
- (3) Without in any way restricting the operation of paragraphs (1) and (2) of this Clause, this Agreement does not cover any loss or liability by radioactive contamination accruing to the Company, directly or indirectly, and whether as Insurer or Reinsurer, from any insurance on property which is on the same site as a nuclear reactor power plant or other nuclear installation and which normally would be insured therewith, except that this paragraph (3) shall not operate:
- (a) where the Company does not have knowledge of such nuclear reactor power plant or nuclear installation, or
  - (b) where the said insurance contains a provision excluding coverage for damage to property caused by or resulting from radioactive contamination, however caused.
- (4) Without in any way restricting the operation of paragraphs (1), (2) and (3) of this Clause, this Agreement does not cover any loss or liability by radioactive contamination accruing to the Company, directly or indirectly, and whether as Insurer or Reinsurer, when such radioactive contamination is a named hazard specifically insured against.
- (5) This Clause shall not extend to risks using radioactive isotopes in any form where the nuclear exposure is not considered by the Company to be the primary hazard.
- (6) The term "prescribed substances" shall have the meaning given it by the Atomic Energy Control Act or by any law amendatory thereof.
- (7) The Company to be sole judge of what constitutes:
- (a) substantial quantities, and
  - (b) the extent of installation, plant or site.
- (8) Without in any way restricting the operation of paragraphs (1), (2), (3) and (4) of this Clause, this Agreement does not cover any loss or liability accruing to the Company, directly or indirectly, and whether as Insurer or Reinsurer, caused:
- (a) by any nuclear incident as defined in the Nuclear Liability Act or any other nuclear liability act, law or statute, or any law amendatory thereof or nuclear explosion, except for ensuing loss or damage which results directly from fire, lightning or explosion of natural, coal or manufactured gas;
  - (b) by contamination by radioactive material.

Note: Without in any way restricting the operation of paragraphs (1), (2), (3) and (4) of this Clause, paragraph (8) of this Clause shall only apply to all original contracts of the Company whether new, renewal or replacement which become effective on or after December 31, 1992.

N.M.A. 1980  
(19.02.93)

**NUCLEAR ENERGY RISKS EXCLUSION CLAUSE (REINSURANCE) (1994)**  
**(WORLDWIDE EXCLUDING U.S.A. & CANADA)**

This Agreement shall exclude Nuclear Energy Risks whether such risks are written directly and/or by way of reinsurance and/or via Pools and/or Associations.

For all purposes of this Agreement Nuclear Energy Risks shall be defined as all first party and/or third party insurances or reinsurances (other than Workers' Compensation and/or Employers' Liability) in respect of:

- (I) All Property on the site of a nuclear power station.  
Nuclear Reactors, reactor buildings and plant and equipment therein on any site other than a nuclear power station.
- (II) All Property, on any site (including but not limited to the sites referred to in (I) above) used or having been used for:
  - (a) The generation of nuclear energy, or
  - (b) The Production, Use or Storage of Nuclear Material.
- (III) Any other Property eligible for insurance by the relevant local Nuclear Pool and/or Association, but only to the extent of the requirements of that local Pool and/or Association.
- (IV) The supply of goods and services to any of the sites, described in (I) to (III) above, unless such insurances or reinsurances shall exclude the perils of irradiation and contamination by Nuclear Material.

Except as undernoted, Nuclear Energy Risks shall not include:

- (i) Any insurance or reinsurance in respect of the construction or erection or installation or replacement or repair or maintenance or decommissioning of Property as described in (I) to (III) above (including contractor's plant and equipment);
- (ii) Any Machinery Breakdown or other Engineering insurance or reinsurance not coming within the scope of (i) above;

Provided always that such insurance or reinsurance shall exclude the peril of irradiation and contamination by Nuclear Material.

However, the above exemption shall not extend to:

- (1) The provision of any insurance or reinsurance whatsoever in respect of:
  - (a) Nuclear Material;
  - (b) Any Property in the High Radioactivity Zone or Area of any Nuclear Installation as from the introduction of Nuclear Material or - for reactor installations - as from fuel loading or first criticality where so agreed with the relevant local Nuclear Insurance Pool and/or Association.
- (2) The provision of any insurance or reinsurance for the undernoted perils:
  - Fire, lightning, explosion;
  - Earthquake;
  - Aircraft and other aerial devices or articles dropped therefrom;
  - Irradiation and radioactive contamination;
  - Any other peril insured by the relevant local Nuclear Insurance Pool and/or Association;

in respect of any other Property not specified in (1) above which directly involves the Production, Use or Storage of Nuclear Material as from the introduction of Nuclear Material into such Property.

Definitions

"Nuclear Material" means:

- (i) Nuclear fuel, other than natural uranium and depleted uranium, capable of producing energy by a self-sustaining chain process of nuclear fission outside a Nuclear Reactor, either alone or in combination with some other material; and
- (ii) Radioactive Products or Waste.

"Radioactive Products or Waste" means any radioactive material produced in, or any material made radioactive by exposure to the radiation incidental to the production or utilization of nuclear fuel, but does not include radioisotopes which have reached the final stage of fabrication so as to be usable for any scientific, medical, agricultural, commercial or industrial purpose.

"Nuclear Installation" means:

- (i) Any Nuclear Reactor;
- (ii) Any factory using nuclear fuel for the production of Nuclear Material, or any factory for the processing of Nuclear Material, including any factory for the reprocessing of irradiated nuclear fuel; and
- (iii) Any facility where Nuclear Material is stored, other than storage incidental to the carriage of such material.

"Nuclear Reactor" means any structure containing nuclear fuel in such an arrangement that a self-sustained chain process of nuclear fission can occur therein without an additional source of neutrons.

"Production, Use or Storage of Nuclear Material" means the production, manufacture, enrichment, conditioning, processing, reprocessing, use, storage, handling and disposal of Nuclear Material.

"Property" shall mean all land, buildings, structures, plant, equipment, vehicles, contents (including but not limited to liquids and gases) and all materials of whatever description whether fixed or not.

"High Radioactivity Zone or Area" means:

- (i) For nuclear power stations and Nuclear Reactors, the vessel or structure which immediately contains the core (including its supports and shrouding) and all the contents thereof, the fuel elements, the control rods and the irradiated fuel store; and
- (ii) For non-reactor Nuclear Installations, any area where the level of radioactivity requires the provision of a biological shield.

GERMAN AND JAPANESE AMENDMENT

It is understood and agreed that in respect of German and Japanese business certain liabilities the type of which by market practice and custom have not been declared to the German and Japanese Nuclear Pool shall not fall within the scope of the above Nuclear Exclusion Clause.

NMA 1975a (3/10/94)