

EXHIBIT
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INSURANCE AND REINSURANCE
ASSUMPTION AGREEMENT

This Assumption Agreement dated January 31, 1983, (hereinafter referred to as the "Assumption Agreement") between FIREMAN'S FUND INSURANCE COMPANY, a California corporation, ST. PAUL FIRE AND MARINE INSURANCE COMPANY, a Minnesota insurance corporation, THE AMERICAN INSURANCE COMPANY, a New Jersey insurance corporation, HARTFORD FIRE INSURANCE COMPANY, a Connecticut insurance corporation, THE HOME INSURANCE COMPANY, a New Hampshire insurance corporation and AETNA INSURANCE COMPANY, a Connecticut insurance corporation (hereinafter referred to collectively as the "Sellers"), and INSURANCE COMPANY OF NORTH AMERICA, a Pennsylvania insurance corporation (herein "INA") is executed and takes effect simultaneously with the Closing of the Purchase Agreement No. 1 and Purchase Agreement No. 2, each as amended (the "Purchase Agreements"), each dated and entered into on December 30, 1983.

1. Except as provided herein, terms used and entities referred to in this Assumption Agreement shall have the same definitions and identifications as in the Purchase Agreements.

2. In consideration of the transfer by the Total Sellers of the assets (including both ledger and non-ledger) shown on the statutory balance sheet of AFIA as of the closing date, and all other tangible assets owned directly by AFIA, or tangible assets in which AFIA has beneficial ownership, to the Purchasers, as designated by CIGNA, or any of them, INA hereby assumes as its direct obligation and agrees to pay on behalf of each Seller when payment thereof is due all insurance and reinsurance liabilities of each of the Assigning Sellers arising under or related to the business of AFIA described in Section 1.1(c)(ii) of the Purchase Agreements and included in AFIA Obligations (herein the "AFIA Liabilities") (it being understood that AFIA Liabilities do not include obligations arising as holders of stock or liabilities for income taxes). The parties confirm and agree that, since none of the AFIA Liabilities assumed hereby by INA has been written or accepted in the name of INA through or by AFIA, none of the AFIA Liabilities as so assumed shall be subject to the provisions of Article XI of the Constitution of AFIA.

3. INA shall (1) administer and service the AFIA Liabilities including their investigation, payment, settlement, defense and the processing and collection of any reinsurance related thereto, (2) have all authority to act in the name of a Seller as may be required to perform such administration and service, and (3) bear all costs and

expenses related to the AFIA Liabilities and their administration and service. INA shall comply in such administration with commercially reasonable standards in the insurance industry and the standards prescribed by, or by practice of, any governmental authority having jurisdiction and shall be responsible for all penalties and claims in tort actions or otherwise arising from the failure or alleged failure to comply with such standards.

4. INA shall prepare, maintain and preserve indefinitely and permit the Sellers reasonable access to appropriate financial and business records, books of account and documents (including insurance and reinsurance policies and correspondence and proofs of loss, premium collection records, and records of insurance and reinsurance claims and recoveries relating thereto) relating to the AFIA Liabilities, and this Agreement related to the status of any liability or regulatory obligation the Sellers might have or come to have on account of the AFIA Liabilities. INA shall prepare and deliver to each Seller as promptly as practicable but in any event within 75 days after the end of each six month period commencing with that ending June 30, 1984, an account for such period of such Seller's AFIA Liabilities in such detail and covering such matters as the Sellers shall reasonably and timely request and shall allow each Seller at its own expense to conduct or cause auditors

of its choice to conduct an annual audit of such account and the AFIA Liabilities.

5. Each of the Sellers shall cooperate with INA in the above administration of the AFIA Liabilities taking such actions as INA shall reasonably request in writing including instituting or joining in any action or proceeding related to the AFIA Liabilities. None of the Sellers shall make any payment of any AFIA Liability without the prior written approval of INA unless under order of a court of competent jurisdiction or an appropriate action of a proper regulatory body. Each of the Sellers shall give written notice of any process or written claim served upon such Seller in connection with the AFIA Liabilities as promptly as practicable.

6. Except as otherwise specifically provided in this paragraph 6, where an insurance or reinsurance contract included in AFIA Liabilities was issued in the name of a Seller, INA will make direct payment to the insured, or will make payment on behalf of the insured to third parties, as required by such contract regardless of whether this Assumption Agreement is a reinsurance of the Seller's original liability under such contract or is a retrocession of the Seller's liability under a reinsurance agreement reinsuring the liability of another Seller under such other Seller's contract. Where the original contract was not issued in the name of a Seller, INA shall make payment to

the reinsured or retrocedent in accordance with the reinsurance contract or retrocession contract out of which the Seller's liability arises. The provisions of this paragraph shall apply in the event of the continuing solvency of the Seller and also in the event of the insolvency of the Seller where INA with the consent of the direct insured or insureds has assumed policy obligations as provided in clause (b) of the last paragraph of this paragraph 6.

In the event of the insolvency of a Seller, this reinsurance shall be payable directly to such Seller, or to its liquidator, receiver, conservator or statutory successor on the basis of the liability of such Seller without diminution because of the insolvency of such Seller or because the liquidator, receiver, conservator or statutory successor of such Seller has failed to pay all or a portion of any claim. It is agreed, however, that the liquidator, receiver, conservator or statutory successor of a Seller shall give written notice to INA of the pendency of a claim against such Seller indicating the policy or bond reinsured which claim would involve a possible liability on the part of INA 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, INA 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 such Seller or its liquidator, receiver, conservator or statutory successor. The expense thus incurred by INA shall be chargeable, subject to the approval of the court, against such Seller as part of the expense of conservation or liquidation to the extent of the pro rata share of the benefit which may accrue to such Seller solely as a result of the defense undertaken by INA.

INA undertakes to indemnify each Seller, not only in form but in fact against the loss or liability arising out of the AFIA Liabilities.

As to all reinsurance made, ceded, renewed or otherwise becoming effective under this Assumption Agreement, the reinsurance shall be payable by INA to each Seller or to its liquidator, receiver, conservator or statutory successor, except as provided by Section 315 of the New York Insurance Law or except (a) where this Assumption Agreement specifically provides another payee of such reinsurance in the event of the insolvency of a Seller, and (b) where INA with the consent of the direct insured or insureds has assumed such policy obligations of such Seller as direct obligations of INA to the payees under such policies and in substitution for the obligations of such Seller to such payees.

7. As a condition precedent to enforcement of any rights under this Agreement by judicial proceedings, if any

dispute shall arise between any of the parties to this Agreement with reference to its interpretation or their rights under it, such dispute shall be submitted to arbitration upon the written request of any party to the dispute. Three arbitrators shall be selected by mutual agreement of all parties to the dispute. If within 30 days after request for arbitration the parties to the dispute have not agreed on the choice of all arbitrators, then the arbitrators not then agreed upon shall be selected by the Presiding Judge of the Supreme Court of New York in and for the County of New York. The arbitrators shall be disinterested retired or active executive officers of insurance or reinsurance companies authorized to transact business in the United States of America.

The arbitrators are relieved from all judicial formalities and may abstain from following strict rules of law. They shall interpret this Agreement as an honorable engagement and not merely as a legal obligation; they shall make their award with a view to the general purpose of this Agreement in a reasonable manner rather than in accordance with a literal interpretation of language. A majority decision by the arbitrators shall be final and binding on the parties to such arbitration. Judgment may be entered upon the final decision of the arbitrators in any court having jurisdiction. Each party to the arbitration shall jointly and equally bear with the other parties, the expense

of the arbiters and the arbitration. Such arbitration shall take place in New York, New York or such other location as the parties to the arbitration may agree.

8. The Assigning Sellers and INA shall without further consideration, at any time and from time to time at or after the execution and delivery of this Agreement execute and deliver all such further documents and instruments and take such other action as may be reasonably requested by any other party to this Agreement in order to effectuate the terms of this Agreement or the transactions contemplated by it. INA shall without further consideration, at any time from time to time, execute and deliver any documents or instruments or take such action as may be reasonably requested by any of the Assigning Sellers in order that appropriate recognition be given this Assumption Agreement on the statutory insurance accounting statements of such Assigning Seller.

9. All notices, requests, consent requests, instructions, approvals and other communications provided for under this Assumption Agreement shall be validly given, made, sent or served, if in writing and delivered personally or sent by telex or by registered or certified first class mail, return receipt requested, postage prepaid to the following address:

If to INA,

Insurance Company of North America
c/o CIGNA Corporation
One Logan Square
Philadelphia, Pennsylvania 19103
Attention: Corporate Secretary
Telex: 834442

If to Hartford,

Hartford Fire Insurance Company
Hartford Plaza
Hartford, Connecticut 06115
Attention: General Counsel
Telex: 99236

If to Home,

The Home Insurance Company
59 Maiden Lane
New York, New York 10038
Attention: General Counsel
Telex: 710 581 5629

If to Aetna,

Aetna Insurance Company
c/o CIGNA Corporation
One Logan Square
Philadelphia, Pennsylvania 19103
Attention: Corporate Secretary
Telex: 834442

If to Fireman's,

Fireman's Fund Insurance Company
777 San Marin Drive
Novato, California 94998
Attention: General Counsel
Telex: 910 482 9507

If to American,

The American Insurance Company
777 San Marin Drive
Novato, California 94998
Attention: General Counsel
Telex 910 482 9507

if to St. Paul,

St. Paul Fire and Marine Insurance Company
685 Washington Street
St. Paul, Minnesota
Attention: Corporate Secretary
Telex: 297082

Each party hereto may by written notice delivered to the other parties change its address for the purpose of any subsequent notice.

10. This Assumption Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York.

11. No party hereto shall assign its rights or obligations under this Agreement, in whole or in part, without the prior written consent of the other parties hereto; provided, however, that INA may assign its rights and obligations hereunder to any insurance company or companies which are subsidiaries of CIGNA and are reasonably acceptable to each of the Sellers and such assignee assumes in writing the obligations of INA hereunder; and provided, further, however, that no such assignment or assumption shall relieve INA of its obligations hereunder for which with the assignee it shall be jointly and severally liable.

12. Subject to paragraph 11 hereof, this Assumption Agreement shall be binding on and inure to the benefit of the parties hereto and their respective successors and assigns. Nothing in this Assumption Agreement, express or implied, is intended, or shall be

construed, to confer upon or give to any person, firm or corporation (other than the parties hereto and their permitted successors and assigns) any rights or remedies under or by reason of this Assumption Agreement, or any term, provision, condition, undertaking, warranty, representation, indemnity, covenant or agreement contained herein.

13. The terms, provisions and conditions of this Assumption Agreement may not be changed, modified, amended or waived in any manner except by an instrument in writing duly executed by all of the parties hereto.

14. This Assumption Agreement is entered into under the terms of the Purchase Agreements and in any situation where there is a conflict between the terms of this Assumption Agreement and the Purchase Agreements, the terms of the Purchase Agreements shall prevail.

IN WITNESS WHEREOF, the parties hereto have caused this Assumption Agreement to be executed in their respective names by their respective duly authorized officers on the date first above written.

FIREMAN'S FUND INSURANCE COMPANY

By David M. Brewster

ST. PAUL FIRE AND MARINE
INSURANCE COMPANY

By *W. H. ...*

THE AMERICAN INSURANCE COMPANY

By *David M. ...*

HARTFORD FIRE INSURANCE COMPANY

By *M. ...*

THE HOME INSURANCE COMPANY

By *...*

AETNA INSURANCE COMPANY

By *...*

INSURANCE COMPANY OF NORTH
AMERICA

By *...*