

Item III.B.3

QUOTA SHARE REINSURANCE TREATY AGREEMENT

QUOTA SHARE REINSURANCE TREATY AGREEMENT dated January 31, 1984 among CIGNA CORPORATION, a Delaware corporation ("CIGNA"), CIGNA INTERNATIONAL CORPORATION, a Delaware corporation ("CIGNA International"), INSURANCE COMPANY OF NORTH AMERICA, a Pennsylvania insurance corporation ("INA"), on its own behalf and on behalf of each other INDEMNITEE (as hereinafter defined) that is not a signatory hereto, AETNA INSURANCE COMPANY, a Connecticut insurance corporation ("AETNA"), AFIA, an unincorporated association with its executive office located in New York, New York ("AFIA"), AFIA FINANCE CORPORATION, a Delaware corporation ("Finance"), HARTFORD FIRE INSURANCE COMPANY, a Connecticut insurance corporation ("Hartford"), THE HOME INSURANCE COMPANY, a New Hampshire insurance corporation ("Home"), FIREMAN'S FUND INSURANCE COMPANY, a California insurance corporation ("Fireman's"), ST. PAUL FIRE AND MARINE INSURANCE COMPANY, a Minnesota insurance corporation ("St. Paul") and THE AMERICAN INSURANCE COMPANY, a New Jersey insurance corporation ("American") (Aetna, Hartford, Home, Fireman's, St. Paul and American are hereinafter called individually a "REINSURER" and collectively the "REINSURERS").

WHEREAS, CIGNA, CIGNA International, INA, AFTA, Finance, Aetna, Hartford and Home are parties to Purchase Agreement No. 1 dated as of December 30, 1983, as amended ("Purchase Agreement No. 1"), and CIGNA, CIGNA International, INA, AFTA, Finance, Fireman's, St. Paul and American are parties to Purchase Agreement No. 2 dated as of December 30, 1983, as amended ("Purchase Agreement No. 2" and, together with Purchase Agreement No. 1, the "Purchase Agreements"; terms defined in the Purchase Agreements and not otherwise defined herein have the same meanings when used herein);

WHEREAS, the Purchase Agreements require the execution and delivery of this Agreement on the date hereof as a condition to certain obligations under the Purchase Agreement of CIGNA and INA, this date being the Closing Date and this Agreement being the London Reinsurance Agreement; and

WHEREAS, the reinsurance and indemnification provided for herein are for the benefit of each AFTA Entity (except Seller Branches) and each Purchaser, including INA, (collectively the "INDEMNITEES").

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the parties hereto do hereby agree as follows:

Article 1. Business and Territory Covered

Section 1.1 London Losses. The REINSURERS severally (and not jointly and severally) agree to reinsure and indemnify each INDEMNITEE, on the terms and conditions hereinafter contained, with respect to the quota share portion set forth opposite its name in Column 2 of Schedule A hereto of all London Losses paid after June 30, 1983 in excess of \$335 million in the aggregate up to a maximum paid development of such London Losses of \$600 million in the aggregate, the maximum aggregate liability of the REINSURERS pursuant to the reinsurance and indemnity contemplated by this Section 1.1 to be \$238,500,000, being 90% of the excess of \$600 million over \$335 million.

All loss settlements made by any INDEMNITEE, including ex gratia and compromised settlements, provided same are within the terms of this Agreement, shall be unconditionally binding upon the REINSURERS and amounts falling to the share of the REINSURERS shall be payable by them upon proof of loss and written demand as hereinafter provided.

Section 1.2 Nonrecoverable Reinsurance. The REINSURERS (other than Aetna) severally (and not jointly and severally) agree to reinsure and indemnify each INDEMNITEE, on the terms and conditions hereinafter contained, with respect to the quota share portion set forth opposite its

name in Column 3 of Schedule A hereto of all Nonrecoverable Reinsurance (as hereinafter defined) in excess of \$45,900,000, there being no maximum aggregate limitation on the liability of such REINSURERS pursuant to the reinsurance and indemnity contemplated by this Section 1.2.

Article 2. Net Losses; Certain Defined Terms

Section 2.1 London Losses. For purposes of this Agreement, (a) amounts of London Losses shall be determined net of (i) London Outward Reinsurance (as hereinafter defined) and (ii) any reinsurance premiums collected by any INDEMNITEE after June 30, 1983 for reinsurance effected on or before June 30, 1983 on the London Book which premiums were earned prior to July 1, 1983, less any premiums earned prior to July 1, 1983 on London Outward Reinsurance, and (b) losses incurred (under the underlying insurance contracts reinsured) after June 30, 1983 (whether or not reported) on reinsurance contracts in force on and terminating after June 30, 1983 are not London Losses, and (c) losses incurred on any reinsurance contract effected after or with an effective date after June 30, 1983 are not London Losses.

Section 2.2 London Outward Reinsurance. The term "London Outward Reinsurance" means reinsurance ceded by any AFIA Entity in respect of London Losses which reinsurance was effected by or on behalf of AFIA, or has an effective date, prior to July 1, 1983, whether or not collectible, recoverable, disputed, undisputed, commutated, cancelled,

terminated or nonrenewed, (to the extent the premium or other consideration therefor was paid or incurred by AFIA prior to July 1, 1983), including, but not limited to, any such reinsurance included in ceded reinsurance as of June 30, 1983 in Schedule F of the statutory annual statement of AFIA for the year ending June 30, 1983, other than Article XI Reinsurance and reinsurance by BAFCO or any other INDEMNITEE which is an AFIA Entity or an AFIA Affiliate.

Section 2.3 Nonrecoverable Reinsurance. (a) The term "Nonrecoverable Reinsurance" means reinsurance payments under London Outward Reinsurance on London Losses (which London Losses at the time in question shall have been paid):

(1) which reinsurance payments are at such time past due from a reinsurer as to which any of the following events shall have occurred and is at such time continuing:

(A) such reinsurer has filed a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganization in a proceeding under any applicable bankruptcy or insolvency laws or an answer admitting the material allegations of a petition filed against it in any such proceeding, or such reinsurer has by voluntary petition, answer or consent, sought relief under the provisions of any bankruptcy, insolvency or other similar law providing for the liquidation, reorganization or winding-up of corporations or other entities, or providing for an agreement, composition, extension or

adjustment with its creditors, or that has taken equivalent action under laws applicable to it;

(B) a receiver, trustee, liquidator or custodian of such reinsurer or of a substantial part of its property shall have been appointed by court order and such order shall have remained in effect for more than 90 days; or any of the property of such reinsurer shall have been sequestered by court order and such order shall have remained in effect for more than 90 days; or a petition shall have been filed with respect to such reinsurer under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, and shall not have been dismissed within 90 days after such filing; or equivalent action has been taken with respect to such reinsurer under laws applicable to it;

(C) such reinsurer is no longer in existence or has filed with the appropriate governmental authority in its jurisdiction of organization a certificate of dissolution or equivalent document, and in either case the liabilities of such reinsurer have not been specifically assumed in writing, or assumed by operation of law in a merger or consolidation, by another reinsurer; or

(D) such reinsurer has, for a period of not less than 90 days, been prohibited or enjoined from making such payment or similar payments because of government action; or

(ii) which reinsurance payments are at such time past due in accordance with the terms of any reinsurance agreement for a period of 180 days or more (including without limitation because such reinsurer alleges a breach of or denies the effectiveness of such London Outward Reinsurance or its applicability to such London Losses); or

(iii) which reinsurance payments would be due from a reinsurer but for a commutation agreement or other form of binding settlement agreement between such reinsurer and APTA (in its own behalf or on behalf of any of the Total Sellers) or any INDEMNITEE, whether entered into before, on or after the date hereof, provided, however, reinsurance payments referred to in this clause (iii) due from any reinsurer shall be computed net of any payments ("Commutation Payments") received by any INDEMNITEE after June 30, 1983 from such reinsurer (other than amounts that reduce Nonrecoverable Reinsurance pursuant to Section 2.3(b) or that are required to be shared pursuant to Section 6.2) as consideration for any such commutation or settlement agreement with such reinsurer with respect to London Outward Reinsurance, with the amount of any such Commutation Payment so received deemed to be increased for purposes of this proviso by the amount of interest that such Commutation Payment would bear from the date of its receipt to the date or dates on which the amount of such Commutation Payment is so netted at a simple interest rate equal to the ten-year U.S. Treasury bond (other

than "flower bonds") rate in effect as of the date such Commutation Payment is so received.

(b) Nonrecoverable Reinsurance will be reduced from time to time by an amount equal to any premiums or commissions London Outward Reinsurance ("Outward Reinsurance Premiums") recovered by any INDEMNITEE after June 30, 1983, by setoff (against AFIA payables) or otherwise, from reinsurers, brokers, insurance regulatory authorities or any other person (other than any INDEMNITEE which is an AFIA Company). Nonrecoverable Reinsurance will include any reasonable out-of-pocket expenses paid to persons not affiliated with CIGNA, including without limitation outside legal expenses, (but not other expenses) incurred by any INDEMNITEE in seeking, as contemplated by Article 6.1, to collect London Outward Reinsurance.

(c) For purposes of this Article 2.3, reinsurance payments shall not be considered past due if and to the extent an INDEMNITEE has security therefor that such INDEMNITEE is then able (and is not prevented from doing so by applicable contractual provisions, law or business custom) to utilize to obtain funds to make such payments, whether or not so utilized. Funds so obtained shall be applied (except to the extent such application is contrary to applicable contractual provisions, law or business

custom) first to the earliest unpaid reinsurance due, and then to the next earliest to the extent of any excess.

Article 3. Effective Date; Termination

This Agreement shall take effect from and including the date hereof and shall continue in force (a) with respect to London Losses specified in Section 1.1 hereof, until the maximum aggregate amount thereof to be paid by the REINSURERS pursuant to such Section shall have been paid, and (b) with respect to Nonrecoverable Reinsurance, indefinitely.

Article 4. Payment of Losses

Payments by the REINSURERS of their respective obligations respecting amounts covered by the reinsurance and indemnities contemplated by Sections 1.1 and 1.2 hereof shall be made as promptly as practicable after receipt by them of, and to the person or persons specified in, such written demands for such payment, accompanied or preceded by such proofs of loss as are customary with respect to excess quota share reinsurance, as INA shall make from time to time, provided, however, that no payments shall be required to be made by the REINSURERS pursuant to the reinsurance and indemnity contemplated by Section 1.2 hereof until the earlier of (i) July 1, 1987 or (ii) the date on which the aggregate of London Losses paid on and after July 1, 1983 is

in excess of \$135 million, at which time all amounts that would theretofore have been payable pursuant to such Section 1.2 but for this proviso shall, subject to receipt of a written demand from INA for payment as above provided, become payable.

Article 5. Currency

The INDEMNITEES will maintain their accounts with respect to the London Losses and Nonrecoverable Reinsurance in United States Dollars, converting losses paid, and Nonrecoverable Reinsurance which if paid would have been payable, in other currencies into United States Dollars as the losses are paid on a quarterly or more frequent basis.

Article 6. Collection of London Outward Reinsurance and Premiums

Section 6.1 Collection, etc. The INDEMNITEES will seek collection of reinsurance premiums payable to any INDEMNITEE with respect to reinsurance assumed as part of the London Book prior to June 30, 1983 and London Outward Reinsurance (including where appropriate by means of setting off amounts payable as premiums or commissions to reinsurers against London Outward Reinsurance) and recovery of Outward Reinsurance Premiums as and to the extent the INDEMNITEES shall determine to be appropriate, and the INDEMNITEES will be entitled, subject to the requirements of this Agreement,

to seek collection of, compromise, limit or release obligations or security with respect to, and otherwise deal with, the London Outward Reinsurance, including Nonrecoverable Reinsurance, as they shall determine. The INDEMNITEES shall act in good faith having due regard for the interests of the Total Sellers in taking any action contemplated by this Article 6 and so long as the INDEMNITEES act in good faith as aforesaid, none of such actions or similar actions in respect of the London Outward Reinsurance or Nonrecoverable Reinsurance will excuse or release the REINSURERS from any of their obligations under this Agreement.

Section 6.2 Sharing of Recoveries. To the extent that any of the INDEMNITEES recovers any amounts of Nonrecoverable Reinsurance, the amounts of such recoveries (after deducting reasonable out of pocket expenses paid to persons not affiliated with CIGNA, including without limitation outside legal expenses, but not other expenses, in respect of obtaining such recoveries) will be shared by the INDEMNITEES with the REINSURERS in proportion to their respective proportionate original payments of such Nonrecoverable Reinsurance made by way of the reinsurance and indemnity contemplated by Section 1.2.

Section 6.3 Consultation as to Limitation of Liability Agreements. The INDEMNITEES will use reasonable

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efforts to consult with the REINSURERS (other than Aetna) prior to any INDEMNITEE's entering into any agreement after the Closing with any reinsurer or group of reinsurers providing for the limitation or cutting off of liability of such reinsurer or reinsurers under London Outward Reinsurance (and which, under Article 2 hereof, would be netted against London Losses) as to which such INDEMNITEE is the reassured.

Article 7. Books and Reports

The INDEMNITEES shall prepare, maintain and preserve indefinitely and permit the REINSURERS 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 London Book, the London Losses, Nonrecoverable Reinsurance, London Outward Reinsurance, and this Agreement relating to the status of any liability the REINSURERS might have or come to have on account of the London Losses or Nonrecoverable Reinsurance. The INDEMNITEES shall prepare and deliver to the REINSURERS 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 the London Book in such detail and

covering such matters as the REINSURERS shall reasonably and timely request and shall allow the REINSURERS at their own expense to conduct or cause auditors of their choice to conduct an annual audit of such accounts and the London Book.

Article 8. Errors, Omissions, Etc.

Any inadvertent delays, omissions or errors made in connection with this Agreement shall not be held to relieve any of the parties hereto from any liability which would have attached to them hereunder if such delay, omission or error had not occurred, provided that rectification is made upon discovery. Further, in all things coming within the scope of the reinsurance the REINSURERS shall share to the extent of their interest the fortunes of the INDEMNITEES.

Article 9. Arbitration

As a condition precedent to enforcement of any right under this Agreement by judicial proceedings, if any dispute shall arise between any of the parties to this Agreement with reference to the interpretation of their rights hereunder, 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 arbitrators 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.

Article 10. Insolvency

In the event of the insolvency of an INDEMNITEE, this reinsurance shall be payable directly to such

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

Where two or more REINSURERS under this Agreement 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 this Agreement as though such expense had been incurred by the insolvent INDEMNITEE.

Each REINSURER undertakes to indemnify each INDEMNITEE, not only in form but in fact against London Losses under and to the extent provided in the terms and conditions of this Agreement.

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

Article 11. No BAFCO Reinsurance.

Rome and St. Paul confirm and agree that no amounts to be paid by them, respectively, under this Agreement are covered by any reinsurance agreement with BAFCO as reinsurer.

Article 12. Notices, Etc.

All notices, requests, consents, instructions, approvals and other communications provided for under this 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 CIGNA,

CIGNA Corporation
One Logan Square
Philadelphia, Pennsylvania 19103
Attention: Corporate Secretary
Telex: 834442

If to CIGNA International,

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

If to Aetna,

Aetna Insurance Company
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 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.

If to INA,

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

If to AFIA,

AFIA
110 William Street
New York, New York 10038
Attention: General Counsel

If to Finance,

AFIA Finance Corporation
110 William Street
New York, New York 10038
Attention: General Counsel

If to any other INDEMNITEE,

c/o INA

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

Article 13. INA Acting For Other INDEMNITEES.

INA alone shall manage all rights and duties under this Agreement on behalf of the other INDEMNITEES and shall irrevocably act as sole agent on their behalf in all respects related to this Agreement with any of its actions binding the other INDEMNITEES.

No INDEMNITEE other than INA shall take any action related to this Agreement without INA's prior written consent.

REINSURERS shall have the right to rely on any action taken by INA under this Agreement as an action binding all other INDEMNITEES and shall only recognize action of other INDEMNITEES to the extent the REINSURERS

have received a prior notice in writing consenting to such action from INA.

INA shall defend, indemnify and hold harmless the REINSURERS from and against any loss, cost or expense any REINSURER may incur as a result of any INDEMNITEE's taking any action inconsistent with the provisions of this Article 13.

Article 14. Modifications

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

Article 15. Successors and Assigns

This Agreement shall be binding upon and inure to the benefit of the parties hereto (including the INDEMNITEES) and their respective successors and assigns.

Article 16. Counterparts

For the convenience of the parties, any number of counterparts of this Agreement may be executed by any one or more parties hereto and each such executed counterpart shall be, and shall be deemed to be, an original, but all of them shall constitute, and shall be deemed to constitute, in the aggregate but one and the same instrument.

Article 17. Governing Law

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

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed as of the 31st day of January, 1984.

REINSURERS

AXMINSTER INSURANCE COMPANY

By [Signature]

HARTFORD FIRE INSURANCE COMPANY

By [Signature]

THE HOME INSURANCE COMPANY

By [Signature]

FIREMAN'S FUND INSURANCE COMPANY

By [Signature]

ST. PAUL FIRE AND MARINE INSURANCE COMPANY

By [Signature]

THE AMERICAN INSURANCE COMPANY

By Kevin M. Smeaton

INDEMNITEES

INSURANCE COMPANY OF NORTH AMERICA
(on its own behalf and on behalf
of those INDEMNITEES that are
not signatories hereto)

By [Signature]

AFIA

By [Signature]

AFIA FINANCE CORPORATION

By [Signature]

Schedule A to
Reinsurance Agreement

	<u>Column 1</u>	<u>Column 2</u>	<u>Column 3</u>
	<u>Number of Units</u>	<u>Share of Losses</u>	<u>Share of Nonrecoverable Reinsurance</u>
Aetna Insurance Company	5	9.36%	--
Hartford Fire Insurance Company	13	24.39%	15.12277%
The Home Insurance Company	13	24.39%	15.12277%
Fireman's Fund Insurance Company	5	9.36%	5.80357%
St. Paul Fire and Marine Insurance Company	7	13.14%	8.14732%
The American Insurance Company	<u>5</u>	<u>9.36%</u>	<u>5.80357%</u>
TOTALS	48	90.0%	50.00000%