

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934

OCTOBER 31, 2002
Date of Report (Date of earliest event reported)

WHITE MOUNTAINS INSURANCE GROUP, LTD.
(Exact name of registrant as specified in its charter)

| | | |
|--|---------------------------------------|---|
| BERMUDA (State of other jurisdiction of incorporation or organization) | 1-8993 (Commission file number) | 94-2708455 (I.R.S. Employer Identification No.) |
|--|---------------------------------------|---|

28 GATES STREET, WHITE RIVER JUNCTION, VERMONT 05001
(Address of principal executive offices)

(802)295-4500
(Registrants telephone number, including area code)

ITEM 5. OTHER EVENTS.

On October 31, 2002, Fund American Companies, Inc. ("Fund American"), a wholly-owned subsidiary of White Mountains Insurance Group, Ltd. (the "Registrant"), completed an amendment (the "Amendment") to its existing credit facility (the "Bank Facility"). The Amendment included the issuance of a new \$143.8 million Tranche C term loan that was used to refinance a portion of the existing \$228.8 million Tranche A term loan. The new Tranche C term loan is an amortizing loan with a final maturity in March 2007. The Amendment reduces the amount of quarterly amortization payments Fund American must make over the next four years. The refinancing increases the applicable eurodollar rate margin on the new Tranche C term loan by 87.5 basis points over the existing Tranche A term loan eurodollar rate margin, and increases the applicable eurodollar rate margin on the existing and unchanged Tranche B term loan by 12.5 basis points. The remaining \$85.0 million outstanding under the Tranche A term loan will continue to bear interest at its current rate. In connection with the Amendment, certain financial and other covenants that currently govern the Bank Facility were relaxed or eliminated, thereby increasing the Company's operational and financial flexibility.

The Amended and Restated Credit Agreement and the Amended and Restated Guarantee and Collateral Agreement are attached hereto as Exhibits 99(a) and 99(b), respectively, and are incorporated by reference herein in their entirety.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(c) Exhibits. The following exhibits are filed herewith:

Exhibit No.
Description -

99(a) Amended
and Restated
Credit
Agreement
dated as of
October 30,
2002, among
Fund American
Enterprises
Holdings,
Inc., Fund
American
Companies,
Inc., as

Borrower,
Lehman
Brothers,
Inc., as
Arranger,
Fleet
National
Bank, as
Syndication
Agent, Bank
of America,
N.A. and Bank
One, N.A., as
Co-
Documentation
Agents,
Lehman
Commercial
Paper Inc.
(as
Administration
Agent) and
the several
lenders from
time to time
thereto.
99(b) Amended
and Restated
Guarantee and
Collateral
Agreement,
made by Fund
American
Enterprises
Holdings,
Inc., Fund
American
Companies,
Inc. and
certain of
its
subsidiaries
in favor of
Lehman
Commercial
Paper Inc. as
Administrative
Agent.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WHITE MOUNTAINS INSURANCE GROUP, LTD.

Dated: November 13, 2002

By: /s/ J. Brian Palmer

J. Brian Palmer
Chief Accounting Officer

=====

\$797,750,000

AMENDED AND RESTATED CREDIT AGREEMENT,

dated as of October 30, 2002,

among

FUND AMERICAN ENTERPRISES HOLDINGS, INC. (f/k/a TACK HOLDING CORP.),

FUND AMERICAN COMPANIES, INC. (f/k/a TACK ACQUISITION CORP.),

as Borrower,

The Several Lenders
from Time to Time Parties Hereto,

LEHMAN BROTHERS INC.,
as Arranger,

FLEET NATIONAL BANK,
as Syndication Agent,

BANK OF AMERICA, N.A. and BANK ONE, NA,
as Co-Documentation Agents,

and

LEHMAN COMMERCIAL PAPER INC.,
as Administrative Agent

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EXHIBITS:

| | |
|-----|---|
| A | Form of Amended and Restated Guarantee and Collateral Agreement |
| B | Form of Compliance Certificate |
| C | Form of Closing Certificate |
| D | [Reserved] |
| E | Form of Assignment and Acceptance |
| F-1 | Form of Legal Opinion of Cravath Swaine & Moore |
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| G-1 | Form of Term Note |
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| H | Form of Prepayment Option Notice |
| I | Form of Exemption Certificate |
| J-1 | Form of Lender Addendum |
| J-2 | Form of Lender Addendum |
| K | [Reserved] |
| L | [Reserved] |

ACQUISITION CORP.), a Delaware corporation (the "BORROWER"), the several banks and other financial institutions or entities from time to time parties to this Agreement (the "LENDERS"), LEHMAN BROTHERS INC., as sole advisor, sole lead arranger and sole bookrunner (in such capacity, the "ARRANGER"), FLEET NATIONAL BANK, as syndication agent (in such capacity, the "SYNDICATION AGENT"), BANK OF AMERICA, N.A. and BANK ONE, NA, as co-documentation agents (in such capacity, the "CO-DOCUMENTATION AGENTS"), and LEHMAN COMMERCIAL PAPER INC., as administrative agent (in such capacity, the "ADMINISTRATIVE AGENT").

W I T N E S S E T H:
- - - - -

WHEREAS White Mountains Insurance Group, Ltd., a company existing under the laws of Bermuda ("WHITE MOUNTAINS"), the Parent, the Borrower, the Lenders, the Arranger, the Syndication Agent, Bank of America, N.A. and the Administrative Agent entered into the Credit Agreement, dated as of March 16, 2001 (as amended, supplemented or otherwise modified through the date hereof, the "EXISTING CREDIT AGREEMENT");

WHEREAS, the parties hereto have agreed to amend and restate the Existing Credit Agreement as provided in this Agreement, which Agreement shall become effective upon the satisfaction of certain conditions precedent set forth in Section 5.1; and

WHEREAS, it is the intent of the parties hereto that this Agreement not constitute a novation of the obligations and liabilities existing under the Existing Credit Agreement or evidence repayment (except as contemplated herein) of any of such obligations and liabilities and that this Agreement amend and restate in its entirety the Existing Credit Agreement;

NOW, THEREFORE, in consideration of the premises and the agreements herein set forth, the parties hereto hereby agree that on the Restatement Effective Date (as defined below) the Existing Credit Agreement shall be amended and restated in its entirety as follows:

SECTION 1 DEFINITIONS

1.1 DEFINED TERMS. As used in this Agreement, the terms listed in this Section 1.1 shall have the respective meanings set forth in this Section 1.1.

"ACQUISITION": the acquisition by the Borrower of all of the capital stock of CGU on June 1, 2001.

"ADMINISTRATIVE AGENT": as defined in the preamble hereto.

"AFFILIATE": as to any Person, any other Person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" of a Person means the power, directly or indirectly,

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either to (a) vote 10% or more of the securities having ordinary voting power for the election of directors (or persons performing similar functions) of such Person or (b) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

"AGGREGATE EXPOSURE": with respect to any Lender at any time, an amount equal to the sum of (a) the aggregate then unpaid principal amount of such Lender's Term Loans and (b) the amount of such Lender's Revolving Credit Commitment then in effect or, if the Revolving Credit Commitments have been terminated, the amount of such Lender's Revolving Extensions of Credit then outstanding.

"AGGREGATE EXPOSURE PERCENTAGE": with respect to any Lender at any time, the ratio (expressed as a percentage) of such Lender's Aggregate Exposure at such time to the sum of the Aggregate Exposures of all Lenders at such time.

"AGREEMENT": this Amended and Restated Credit Agreement, as amended, supplemented or otherwise modified from time to time.

"ANNUAL STATEMENT": the annual statutory financial statement of any Insurance Subsidiary required to be filed with the Department of its jurisdiction of incorporation or organization, which statement shall be in the form required by such Insurance Subsidiary's jurisdiction of incorporation or organization or, if no specific form is so required, in the form of financial statements permitted by such Department to be used

| | | | | | |
|---|---|--------|--------|--------|--------|
| 3 | BBB- and Baa3 | 2.125% | 3.00% | 1.125% | 2.00% |
| 4 | BBB- or Baa3 and BB+ or Ba1 | 2.375% | 3.25% | 1.375% | 2.25% |
| 5 | BB+ and Ba1 | 2.50% | 3.375% | 1.50% | 2.375% |
| 6 | LESS THAN OR EQUAL TO BB and Ba2 | 2.75% | 3.625% | 1.75% | 2.625% |

Changes in the Applicable Margin shall become effective on the date on which S&P and/or Moody's changes the rating it has issued for the Facilities. In the event of split ratings, the lower rating shall apply, PROVIDED that if the ratings are split by two or more levels, the rating level next higher than the lower of the two ratings will apply. Level 4 applies when there is either a BBB- or a Baa3 rating and a BB+ and/or a Ba1 rating. In the event that, at any time, the Facilities are not rated by one of such rating agencies, the rating of such rating agency shall be deemed to be the rating level next lower than the rating issued by the other of such rating agencies. In the event that, at any time, the Facilities are rated by neither such rating agency, the Applicable Margin shall be as for Level 6.

"APPLICATION": an application, in such form as the Issuing Lender may specify from time to time, requesting the Issuing Lender to issue a Letter of Credit.

"ARRANGER": as defined in the preamble hereto.

"ASSET SALE": any Disposition of Property or series of related Dispositions of Property which yields gross proceeds to the Parent, the Borrower or any Subsidiary Guarantor (valued at the initial principal amount thereof in the case of non-cash proceeds consisting of notes or other debt securities and valued at fair market value in the case of other non-cash proceeds) in excess of \$5,000,000. Notwithstanding the foregoing, none of the following shall constitute an Asset Sale:

(a) the Disposition of obsolete, condemned, surplus or worn out property in the ordinary course of business;

(b) the sale of inventory in the ordinary course of business; the license of Intellectual Property in the ordinary course of business; leases or subleases not materially interfering with the ordinary conduct of business;

(c) any Disposition by a Subsidiary of any or all of its assets to the Borrower or any Subsidiary Guarantor;

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(d) the sale or issuance or contribution of any Subsidiary's Capital Stock to the Parent, the Borrower or any Subsidiary Guarantor;

(e) the sale or issuance or contribution of any Insurance Subsidiary's Capital Stock to any other Insurance Subsidiary;

(f) for the avoidance of doubt, any Disposition of Property by an Insurance Subsidiary;

(g) Dispositions of Investments made and permitted pursuant to Section 7.7; and

(h) sale and leaseback transactions yielding proceeds in an aggregate amount up to \$10,000,000.

"ASSIGNEE": as defined in Section 10.6(c).

"ASSIGNOR": as defined in Section 10.6(c).

"AVAILABLE REVOLVING CREDIT COMMITMENT": with respect to any Revolving Credit Lender at any time, an amount equal to the excess, if any, of (a) such Lender's Revolving Credit Commitment then in effect OVER (b) such Lender's Revolving Extensions of Credit then outstanding; PROVIDED, that in calculating any Lender's Revolving Extensions of Credit for the purpose of determining such Lender's Available Revolving Credit Commitment pursuant to Section 2.9(a), the aggregate principal amount of Swing Line Loans then outstanding shall be deemed to be zero.

"AVIVA": AVIVA plc, a company incorporated under the laws of England and Wales (formerly CGNU plc).

"BASE RATE": for any day, a rate of interest per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. For purposes hereof: "PRIME RATE" shall mean the prime lending rate as set forth on the British Banking Association Telerate page 5 (or such other comparable page as may, in the opinion of the Administrative Agent, replace such page for the purpose of displaying such rate), as in effect from time to time. The Prime Rate is a reference rate and does not necessarily represent the lowest or best rate actually available. The Administrative Agent or any Lender may make commercial loans or other loans at rates of interest at, above or below the Prime Rate. Any change in the Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective as of the opening of business on the effective day of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"BASE RATE LOANS": Loans for which the applicable rate of interest is based upon the Base Rate.

"BENEFITTED LENDER": as defined in Section 10.7.

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"BERKSHIRE HATHAWAY": Berkshire Hathaway Inc., or an affiliate.

"BERKSHIRE PREFERRED STOCK": the \$300,000,000 aggregate liquidation preference amount of non-voting preferred stock issued by the Borrower to Berkshire Hathaway pursuant to the Certificate of Designation of Series A Preferred Stock of the Borrower, dated as of May 30, 2001, as amended, supplemented or otherwise modified from time to time.

"BOARD": the Board of Governors of the Federal Reserve System of the United States (or any successor).

"BORROWER": as defined in the preamble hereto.

"BORROWING DATE": any Business Day specified by the Borrower as a date on which the Borrower requests the relevant Lenders to make Loans hereunder.

"BUSINESS DAY": means (i) with respect to any borrowing, payment or rate selection of Eurodollar Loans, a day (other than a Saturday or Sunday) on which banks generally are open in New York City for the conduct of substantially all of their commercial lending activities, interbank wire transfers can be made on the Fedwire system and dealings in Dollars are carried on in the London interbank market and (ii) for all other purposes, a day (other than a Saturday or Sunday) on which banks generally are open in New York for the conduct of substantially all of the commercial lending activities, and interbank wire transfers can be made on the Fedwire system.

"CAPITAL LEASE OBLIGATIONS": with respect to any Person, the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP; and, for the purposes of this Agreement, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP.

"CAPITAL AND SURPLUS": as to any Insurance Subsidiary, as of any date, the total amount shown on line 32, page 3, column 1 of the Annual Statement of such Insurance Subsidiary, or an amount determined in a

consistent manner for any date other than one as of which an Annual Statement is prepared (or any successor line, page or column that contains the same information).

"CAPITAL STOCK": any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing.

"CASH EQUIVALENTS": (a) marketable direct obligations issued by, or unconditionally guaranteed by, the United States Government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition; (b) certificates of deposit, time deposits,

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eurodollar time deposits or overnight bank deposits having maturities of six months or less from the date of acquisition issued by any Lender or by any commercial bank organized under the laws of the United States of America or any state thereof having combined capital and surplus of not less than \$500,000,000; (c) commercial paper of an issuer rated at least A-2 by Standard & Poor's Ratings Services ("S&P") or P-2 by Moody's Investors Service, Inc. ("MOODY'S"), or carrying an equivalent rating by a nationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of commercial paper issuers generally, and maturing within six months from the date of acquisition; (d) repurchase obligations of any Lender or of any commercial bank satisfying the requirements of clause (b) of this definition, having a term of not more than 30 days with respect to securities issued or fully guaranteed or insured by the United States government; (e) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A by S&P or A by Moody's; (f) securities with maturities of six months or less from the date of acquisition backed by standby letters of credit issued by any Lender or any commercial bank satisfying the requirements of clause (b) of this definition; and (g) shares of money market mutual or similar funds which invest primarily in assets satisfying the requirements of clauses (a) through (f) of this definition.

"CASH FLOW": of the Borrower for any period, the sum, without duplication, of (a) dividends actually paid to the Borrower or any Subsidiary Guarantor by any Subsidiary in cash or Cash Equivalents during such period plus (b) additional amounts that would be permitted to be paid to the Borrower or any Subsidiary Guarantor during such period by any Wholly Owned Subsidiary of the Borrower that is a first tier Insurance Subsidiary without prior approval by any Governmental Authority in accordance with the terms of any order, statute, rule or governmental regulation pertaining to such first-tier Insurance Subsidiary plus or minus (c) net cash tax receipts/payments of the Borrower during such period pursuant to the Tax Sharing Agreement (other than any taxes or credits in respect of asset sales).

"CASH INTEREST EXPENSE": of any Person for any period, total cash interest expense (including that attributable to Capital Lease Obligations) of such Person for such period with respect to all outstanding Indebtedness of such Person (including, without limitation, all commissions, discounts and other fees and charges owed by such Person with respect to letters of credit and bankers' acceptance financing and net costs of such Person under Hedge Agreements in respect of interest rates to the extent such net costs are allocable to such period in accordance with GAAP).

"CGU": CGU Corporation, a Delaware corporation.

"CLOSING DATE": June 1, 2001.

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"CODE": the Internal Revenue Code of 1986, as amended from time to time.

"COLLATERAL": all Property of the Loan Parties, now owned or hereafter acquired, upon which a Lien is purported to be created by any Security Document.

"COMMITMENT": with respect to any Lender, each of the Tranche A Term Loan Commitment, the Tranche B Term Loan Commitment, the Tranche C Term Loan Commitment and the Revolving Credit Commitment of such Lender.

"COMMITMENT FEE RATE": the rate per annum set forth below which corresponds with the most current rating of the Facilities issued by S&P and/or Moody's respectively.

| Level | Rating | Commitment Fee |
|-------|--|----------------|
| 1 | GREATER THAN OR EQUAL TO BBB+ and Baa1 | 0.25% |
| 2 | BBB and Baa2 | 0.25% |
| 3 | BBB- and Baa3 | 0.375% |
| 4 | BBB- or Baa3 and BB+ or Ba1 | 0.375% |
| 5 | BB+ and Ba1 | 0.375% |
| 6 | LESS THAN OR EQUAL TO BB and Ba2 | 0.375% |

Changes in the Commitment Fee Rate shall become effective on the date on which S&P and/or Moody's changes the rating it has issued for the Facilities. In the event of split ratings, the lower rating shall apply, PROVIDED that if the ratings are split by two or more levels, the rating level next higher than the lower of the two ratings will apply. Level 4 applies when there is either a BBB- or a Baa3 rating and a BB+ and/or a Ba1 rating. In the event that, at any time, the Facilities are not rated by one of such rating agencies, the rating of such rating agency shall be deemed to be the rating level next lower than the rating issued by the other of such rating agencies. In the event that, at any time, the Facilities are rated by neither such rating agency, the Commitment Fee Rate shall be as for Level 6.

"COMMONLY CONTROLLED ENTITY": an entity, whether or not incorporated, that is under common control with the Borrower within the meaning of Section 4001 of ERISA or that is treated as a single employer with the Borrower under Section 414 of the Code.

"COMPLIANCE CERTIFICATE": a certificate duly executed by a Responsible Officer of the Borrower substantially in the form of Exhibit B.

"CONFIDENTIAL INFORMATION MEMORANDUM": the Confidential Information Memorandum dated October 2002 and furnished to the Lenders in connection with this Agreement and the syndication of the Tranche C Term Loan Facility.

"CONSOLIDATED NET INCOME": of any Person for any period, the consolidated net income (or loss) of such Person and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP; PROVIDED, that in calculating Consolidated Net Income of the Borrower and

its consolidated Subsidiaries for any period, there shall be excluded the income (or deficit) of any Person accrued prior to the date it becomes a Subsidiary of the Borrower or is merged into or consolidated with the Borrower or any of its Subsidiaries.

"CONSOLIDATED NET WORTH": at any date, the sum of all amounts that would, in conformity with GAAP, but excluding the effects of SFAS 115, be included on a consolidated balance sheet of the Borrower and its Subsidiaries under stockholders' equity at such date. Consolidated Net Worth shall in any event include the amount of the Berkshire Preferred Stock so long as it is outstanding.

"CONTRACTUAL OBLIGATION": as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its Property is bound.

"CONTROL INVESTMENT AFFILIATE": as to any Person, any other Person that (a) directly or indirectly, is in control of, is controlled by, or is under common control with, such Person and (b) is organized by such Person primarily for the purpose of making equity or debt investments in one or more companies. For purposes of this definition, "control" of a Person means the power, directly or indirectly, to direct or cause the direction of the management and policies of such Person, whether by contract or otherwise. Control Investment Affiliates of any Lender shall include any Related Fund of such Lender.

"DEFAULT": any of the events specified in Section 8, whether or not any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

"DEFAULTING LENDER": any Lender that defaults in its obligation to make any Loan hereunder, so long as such default is continuing.

"DEPARTMENT": with respect to any Insurance Subsidiary, the insurance commissioner or other Governmental Authority of such Insurance Subsidiary's state of domicile with which such Insurance Subsidiary is required to file its Annual Statement.

"DERIVATIVES COUNTERPARTY": as defined in Section 7.6.

"DISPOSITION": with respect to any Property, any sale, lease, sale and leaseback, assignment, conveyance, transfer or other disposition thereof; and the terms "DISPOSE" and "DISPOSED OF" shall have correlative meanings.

"DOLLARS" and "\$": lawful currency of the United States of America.

"DOMESTIC SUBSIDIARY": any Subsidiary of the Borrower organized under the laws of any jurisdiction within the United States of America.

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"ENVIRONMENTAL LAWS": any and all laws, rules, orders, regulations, statutes, ordinances, guidelines, codes, decrees, or other legally enforceable requirements (including, without limitation, common law) of any international authority, foreign government, the United States, or any state, local, municipal or other governmental authority, regulating, relating to or imposing liability or standards of conduct concerning protection of the environment or of human health, as has been, is now, or may at any time hereafter be, in effect.

"ENVIRONMENTAL PERMITS": any and all permits, licenses, approvals, registrations, notifications, exemptions and other authorizations required under any Environmental Law.

"ERISA": the Employee Retirement Income Security Act of 1974, as amended from time to time.

"EUROCURRENCY RESERVE REQUIREMENTS": for any day, the aggregate (without duplication) of the maximum rates (expressed as a decimal fraction) of reserve requirements in effect on such day (including, without limitation, basic, supplemental, marginal and emergency reserves) under any regulations of the Board or other Governmental Authority having jurisdiction with respect thereto dealing with reserve requirements prescribed for eurocurrency funding (currently referred to as Eurocurrency

Liabilities" in Regulation D of the Board) maintained by a member bank of the Federal Reserve System.

"EURODOLLAR RATE": with respect to each day during each Interest Period, the rate per annum determined on the basis of the rate for deposits in Dollars for a period equal to such Interest Period commencing on the first day of such Interest Period appearing on Page 3750 of the Telerate screen as of 11:00 A.M., London time, two Business Days prior to the beginning of such Interest Period. In the event that such rate does not appear on Page 3750 of the Telerate screen (or otherwise on such screen), the "EURODOLLAR RATE" for purposes of this definition shall be determined by reference to such other comparable publicly available service for displaying eurodollar rates as may be selected by the Administrative Agent.

"EURODOLLAR LOANS": Loans for which the applicable rate of interest is based upon the Eurodollar Rate.

"EURODOLLAR TRANCHE": the collective reference to Eurodollar Loans under any Facility the then current Interest Periods with respect to all of which begin on the same date and end on the same later date (whether or not such Loans shall originally have been made on the same day).

"EVENT OF DEFAULT": any of the events specified in Section 8, PROVIDED that any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

"EXCLUDED FOREIGN SUBSIDIARIES": any Foreign Subsidiary in respect of which either (i) the pledge of all of the Capital Stock of such Subsidiary as Collateral or

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(ii) the guaranteeing by such Subsidiary of the Obligations, would, in the good faith judgment of the Borrower, result in materially adverse tax consequences to the Borrower.

"EXISTING CREDIT AGREEMENT": as defined in the recitals hereto.

"FACILITY": each of (a) the Tranche A Term Loans outstanding (the "TRANCHE A TERM LOAN FACILITY"), (b) the Tranche B Term Loans outstanding (the "TRANCHE B TERM LOAN FACILITY"), (c) the Tranche C Term Loan Commitments and the Tranche C Term Loans made thereunder (the "TRANCHE C TERM LOAN FACILITY") and (d) the Revolving Credit Commitments and the extensions of credit made thereunder (the "REVOLVING CREDIT FACILITY").

"FEDERAL FUNDS EFFECTIVE RATE": for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it.

"FOLKSAMERICA": Folksamerica Holding Company, Inc., a New York corporation.

"FOREIGN SUBSIDIARY": any Subsidiary of the Borrower that is not a Domestic Subsidiary.

"FUNDING OFFICE": the office specified from time to time by the Administrative Agent as its funding office by notice to the Borrower and the Lenders.

"GAAP": generally accepted accounting principles in the United States of America as in effect from time to time, except that for purposes of Section 7.1, GAAP shall be determined on the basis of such principles in effect on the date hereof.

"GOVERNMENTAL AUTHORITY": any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing, including any board of insurance, insurance department or insurance commissioner.

"GUARANTEE AND COLLATERAL AGREEMENT": the Amended and Restated Guarantee and Collateral Agreement, substantially in the form of Exhibit A, to be executed and delivered on the Restatement Effective Date, as the same may be amended, supplemented or otherwise modified from time to time.

"GUARANTEE OBLIGATION": as to any Person (the "GUARANTEEING PERSON"), any obligation of (a) the guaranteeing person or (b) another Person (including, without limitation, any bank under any letter of credit) to induce the creation of which the

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guaranteeing person has issued a reimbursement, counterindemnity or similar obligation, in either case guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations (the "PRIMARY OBLIGATIONS") of any other third Person (the "PRIMARY OBLIGOR") in any manner, whether directly or indirectly, including, without limitation, any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any Property constituting direct or indirect security therefor, (ii) to advance or supply funds (1) for the purchase or payment of any such primary obligation or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase Property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; PROVIDED, HOWEVER, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation of any guaranteeing person shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (b) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee Obligation, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith.

"GUARANTORS": the collective reference to the Parent and the Subsidiary Guarantors.

"HEDGE AGREEMENTS": all interest rate swaps, caps or collar agreements or similar arrangements entered into by the Borrower or its Subsidiaries providing for protection against fluctuations in interest rates or currency exchange rates or otherwise providing for the exchange of nominal interest obligations, either generally or under specific contingencies.

"INDEBTEDNESS": of any Person at any date, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of Property or services (other than trade payables incurred in the ordinary course of such Person's business), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to Property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such Property), (e) all Capital Lease Obligations of such Person, (f) all obligations of such Person, contingent or otherwise, as an account party or applicant under acceptance, letter of credit or similar facilities, (g) all obligations of such Person, contingent or otherwise, to purchase, redeem, retire or otherwise acquire for value any Capital Stock of such Person, (h) all Guarantee Obligations of such Person in respect of

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obligations of the kind referred to in clauses (a) through (g) above, (i) all obligations of the kind referred to in clauses (a) through (h) above secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any Lien on Property (including, without limitation, accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the

payment of such obligation and (j) for the purposes of Section 8(e) only, all obligations of such Person in respect of Hedge Agreements. Indebtedness shall not in any event include the Berkshire Preferred Stock.

"INDEMNIFIED LIABILITIES": as defined in Section 10.5.

"INDEMNITEE": as defined in Section 10.5.

"INSOLVENCY": with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA.

"INSOLVENT": pertaining to a condition of Insolvency.

"INSURANCE REGULATIONS": any law, regulation, rule, directive or order applicable to an insurance company.

"INSURANCE REGULATOR": any Person charged with the administration, oversight or enforcement of any Insurance Regulation.

"INSURANCE SUBSIDIARY": any Subsidiary which is required to be licensed by any Department as an insurer or reinsurer and each direct or indirect Subsidiary of such Subsidiary.

"INTELLECTUAL PROPERTY": the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including, without limitation, copyrights, copyright licenses, patents, patent licenses, trademarks, trademark licenses, technology, know-how and processes, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

"INTEREST COVERAGE RATIO": for any period, the ratio of Cash Flow of the Borrower for such period to Cash Interest Expense of the Borrower for such period.

"INTEREST PAYMENT DATE": (a) as to any Base Rate Loan, the last day of each March, June, September and December to occur while such Loan is outstanding and the final maturity date of such Loan, (b) as to any Eurodollar Loan having an Interest Period of three months or shorter, the last day of such Interest Period, (c) as to any Eurodollar Loan having an Interest Period longer than three months, each day that is three months, or a whole multiple thereof, after the first day of such Interest Period and the last day of such Interest Period and (d) as to any Loan (other than any Revolving Credit Loan that is a Base Rate Loan and any Swing Line Loan), the date of any repayment or prepayment made in respect thereof.

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"INTEREST PERIOD": as to any Eurodollar Loan, (a) initially, the period commencing on the borrowing or conversion date, as the case may be, with respect to such Eurodollar Loan and ending one, two, three or six months (or, if consented to by each relevant Lender, nine or twelve months) thereafter, as selected by the Borrower in its notice of borrowing or notice of conversion, as the case may be, given with respect thereto; and (b) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Eurodollar Loan and ending one, two, three or six months (or, if consented to by each relevant Lender, nine or twelve months) thereafter, as selected by the Borrower by irrevocable notice to the Administrative Agent not less than three Business Days prior to the last day of the then current Interest Period with respect thereto; PROVIDED that, all of the foregoing provisions relating to Interest Periods are subject to the following:

(i) if any Interest Period would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(ii) any Interest Period in respect of Revolving Credit Loans that would otherwise extend beyond the Revolving Credit Termination Date shall end on the Revolving Credit Termination Date, and any other Interest Period in respect of Term Loans under any Term Loan Facility that would otherwise extend beyond the date final payment is due under such Term Loan Facility shall end on such due date; and

(iii) any Interest Period that begins on the last Business Day of

a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period.

"INVESTMENTS": as defined in Section 7.7.

"ISSUING LENDER": Fleet National Bank and any other Revolving Credit Lender from time to time designated by the Borrower as an Issuing Lender with the consent of such Revolving Credit Lender and the Administrative Agent.

"L/C COMMITMENT": \$25,000,000.

"L/C FEE PAYMENT DATE": the last day of each March, June, September and December and the last day of the Revolving Credit Commitment Period.

"L/C OBLIGATIONS": at any time, an amount equal to the sum of (a) the aggregate then undrawn and unexpired amount of the then outstanding Letters of Credit and (b) the aggregate amount of drawings under Letters of Credit that have not then been reimbursed pursuant to Section 3.5.

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"L/C PARTICIPANTS": with respect to any Letter of Credit, the collective reference to all the Revolving Credit Lenders other than the Issuing Lender that issued such Letter of Credit.

"LEHMAN ENTITY": any of Lehman Commercial Paper Inc. or any of its affiliates (including Syndicated Loan Funding Trust).

"LENDER ADDENDUM": (a) with respect to any Tranche C Term Loan Lender, a Lender Addendum substantially in the form of Exhibit J-2 and (b) with respect to any other Lender, a Lender Addendum substantially in the form of Exhibit J-1, in each case to be executed and delivered by such Lender on the Restatement Effective Date as provided in Section 10.17.

"LENDERS": as defined in the preamble hereto.

"LETTERS OF CREDIT": as defined in Section 3.1(a).

"LEVERAGE RATIO": as at the last day of each fiscal quarter of the Borrower, the ratio of (a) Total Debt on such day to (b) the sum of (i) Total Debt on such day plus (ii) Consolidated Net Worth on such day.

"LICENSE": any license, certificate of authority, permit or other authorization which is required to be obtained from any Governmental Authority in connection with the operation, ownership or transaction of insurance or reinsurance business.

"LIEN": any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement and any capital lease having substantially the same economic effect as any of the foregoing).

"LOAN": any loan made by any Lender pursuant to this Agreement.

"LOAN DOCUMENTS": this Agreement, the Security Documents, the Applications and the Notes.

"LOAN PARTIES": the Parent, the Borrower, and each Subsidiary of the Borrower that is a party to a Loan Document.

"MAJORITY FACILITY LENDERS": with respect to any Facility, the holders of more than 50% of the aggregate unpaid principal amount of the Term Loans or the Total Revolving Extensions of Credit, as the case may be, outstanding under such Facility (or, in the case of the Revolving Credit Facility, prior to any termination of the Revolving Credit Commitments, the holders of more than 50% of the Total Revolving Credit Commitments).

"MAJORITY REVOLVING CREDIT FACILITY LENDERS": the Majority Facility Lenders in respect of the Revolving Credit Facility.

"MANDATORY PREPAYMENT AMOUNT": as defined in Section 2.18(d).

"MATERIAL ADVERSE EFFECT": a material adverse effect on (i) the business, assets, property or financial condition of the Borrower and its Subsidiaries taken as a whole, or (ii) the validity or enforceability of this Agreement or any of the other Loan Documents or the rights and remedies of the Administrative Agent and the Lenders hereunder or thereunder.

"MATERIAL INSURANCE SUBSIDIARY": an Insurance Subsidiary having Capital and Surplus of \$50,000,000 or more.

"MATERIALS OF ENVIRONMENTAL CONCERN": any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products, polychlorinated biphenyls, urea-formaldehyde insulation, asbestos, pollutants, contaminants, radioactivity, and any other substances or forces of any kind, whether or not any such substance or force is defined as hazardous or toxic under any Environmental Law, that is in relevant form or concentration regulated pursuant to or could reasonably be expected to give rise to liability under any Environmental Law.

"MOODY'S": Moody's Investors Service, Inc. (or any successor thereto).

"MULTIEMPLOYER PLAN": a Plan that is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"NAIC": the National Association of Insurance Commissioners or any successor thereto, or in the absence of the National Association of Insurance Commissioners or such successor, any other association, agency or other organization performing advisory, coordination or other like functions among insurance departments, insurance commissioners and similar Governmental Authorities of the various states of the United States towards the promotion of uniformity in the practices of such Governmental Authorities.

"NET PROCEEDS": (a) in connection with any Asset Sale or any Recovery Event, the proceeds thereof in the form of cash and Cash Equivalents (including any such proceeds received by way of deferred payment of principal pursuant to a note or installment receivable or purchase price adjustment receivable or otherwise, but only as and when received) of such Asset Sale or Recovery Event, net of (i) attorneys' fees, accountants' fees, investment banking fees, amounts required to be applied to the repayment of Indebtedness secured by a Lien expressly permitted hereunder on any asset which is the subject of such Asset Sale or Recovery Event (other than any Lien pursuant to a Security Document) and other customary fees and expenses actually incurred in connection therewith, (ii) taxes paid or reasonably estimated to be payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements) and (iii) appropriate amounts to be provided by the Parent, the Borrower or any Subsidiary, as the case may be, as a reserve required in accordance with

GAAP against any liabilities associated with such Asset Sale and retained by the Parent, the Borrower or any Subsidiary, as the case may be, after such Asset Sale, including, without limitation, reserves for pension and other post-employment benefit liabilities and liabilities under any indemnification obligations associated with such Asset Sale; and (b) in connection with any issuance or sale of equity securities, the cash proceeds received from such issuance, and cash received in respect of any non-cash proceeds received from such issuance, net of attorneys' fees, investment banking fees, accountants' fees, underwriting discounts and commissions and other customary fees and expenses actually incurred in connection therewith.

"NON-EXCLUDED TAXES": as defined in Section 2.20(a).

"NON-INSURANCE SUBSIDIARY": any Subsidiary other than an Insurance Subsidiary.

"NON-U.S. LENDER": as defined in Section 2.20(d).

"NOTE": any promissory note evidencing any Loan.

"OPTIONAL PREPAYMENT AMOUNT": as defined in Section 2.18(d).

"OTHER TAXES": any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

"PARTICIPANT": as defined in Section 10.6(b).

"PAYMENT OFFICE": the office specified from time to time by the Administrative Agent as its payment office by notice to the Borrower and the Lenders.

"PBGC": the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA (or any successor).

"PERSON": an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"PLAN": at a particular time, any employee benefit plan that is covered by ERISA and in respect of which the Borrower or a Commonly Controlled Entity is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"PREPAYMENT OPTION NOTICE": as defined in Section 2.18(d).

"PROJECTIONS": as defined in Section 6.2(c).

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"PROPERTY": any right or interest in or to property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible, including, without limitation, Capital Stock.

"QUARTERLY STATEMENT": the quarterly statutory financial statement of any Insurance Subsidiary required to be filed with the Department of its jurisdiction of incorporation, which statement shall be in the form required by such Insurance Subsidiary's jurisdiction of incorporation or, if no specific form is so required, in the form of financial statements permitted by such Department to be used for filing quarterly statutory financial statements and shall contain the type of information permitted or required by such Department to be disclosed therein, together with all exhibits or schedules filed therewith.

"RECOVERY EVENT": any settlement of or payment in respect of any property or casualty insurance claim or any condemnation proceeding relating to any asset of the Parent, the Borrower or any of its Subsidiaries. It is understood and agreed that "Recovery Event" shall not include any claim paid pursuant to a policy issued as part of the insurance business of the Borrower and its Insurance Subsidiaries or in settlement of any such claim.

"REFUNDED SWING LINE LOANS": as defined in Section 2.7.

"REFUNDING DATE": as defined in Section 2.7.

"REGISTER": as defined in Section 10.6(d).

"REGULATION U": Regulation U of the Board as in effect from time to time.

"REIMBURSEMENT OBLIGATION": the obligation of the Borrower to reimburse each Issuing Lender pursuant to Section 3.5 for amounts drawn under Letters of Credit issued by such Issuing Lender for the account of the Borrower.

"REINVESTMENT DEFERRED AMOUNT": with respect to any Reinvestment Event, the aggregate Net Proceeds received by the Parent, the Borrower or any of its Subsidiaries in connection therewith that are not applied to prepay the Term Loans or reduce the Revolving Credit Commitments pursuant to Section 2.12(b) as a result of the delivery of a Reinvestment Notice.

"REINVESTMENT EVENT": any Asset Sale or Recovery Event in respect of which the Borrower has delivered a Reinvestment Notice.

"REINVESTMENT NOTICE": a written notice executed by a Responsible Officer of the Borrower stating that no Default or Event of Default has occurred and is continuing and that the Borrower (directly or indirectly through a Subsidiary) intends and expects to use all or a specified portion of the Net Proceeds of an Asset Sale or Recovery Event to acquire assets useful in its business.

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"REINVESTMENT PREPAYMENT AMOUNT": with respect to any Reinvestment Event, the Reinvestment Deferred Amount relating thereto LESS any amount expended prior to the relevant Reinvestment Prepayment Date to acquire assets useful in the Borrower's business.

"REINVESTMENT PREPAYMENT DATE": with respect to any Reinvestment Event, the earlier of (a) the date occurring twelve months after such Reinvestment Event and (b) the date on which the Borrower shall have determined not to, or shall have otherwise ceased to, acquire assets useful in the Borrower's business with all or any portion of the relevant Reinvestment Deferred Amount.

"RELATED FUND": with respect to any Lender that is a fund that invests in commercial loans, any other fund that invests in commercial loans and is managed or advised by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

"REORGANIZATION": with respect to any Multiemployer Plan, the condition that such plan is in reorganization within the meaning of Section 4241 of ERISA.

"REPORTABLE EVENT": any of the events set forth in Section 4043(c) of ERISA, other than those events as to which the thirty day notice period is waived.

"REQUIRED LENDERS": at any time, the holders of more than 50% of the sum of (a) the aggregate unpaid principal amount of the Term Loans then outstanding and (b) the Total Revolving Credit Commitments then in effect or, if the Revolving Credit Commitments have been terminated, the Total Revolving Extensions of Credit then outstanding. The Term Loans outstanding and the Total Revolving Credit Commitments in effect (or, when applicable, Total Revolving Extensions of Credit outstanding) of any Defaulting Lender shall be excluded for purposes of any vote of Required Lenders.

"REQUIRED PREPAYMENT LENDERS": the Majority Facility Lenders in respect of each Facility.

"REQUIREMENT OF LAW": as to any Person, the Certificate of Incorporation and By-Laws or other organizational or governing documents of such Person (excluding, in the case of Section 2.19(a)(i), any of the foregoing relating to the Administrative Agent or any Lender), and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its Property or to which such Person or any of its Property is subject.

"RESPONSIBLE OFFICER": the chief executive officer, president, chief financial officer, Vice President and Director of Finance (or equivalent responsible party), chief accounting officer or treasurer of the Borrower or any Insurance Subsidiary, as the context requires, but in any event, with respect to financial matters, the chief financial officer or Vice President and Director of Finance (or equivalent responsible party) of the Borrower or any such Insurance Subsidiary.

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"RESTATEMENT EFFECTIVE DATE": the date on which the conditions precedent set forth in Section 5.1 shall have been satisfied, which date shall not be later than November 15, 2002.

"RESTRICTED PAYMENTS": as defined in Section 7.6.

"REVOLVING CREDIT COMMITMENT": as to any Lender, the

obligation of such Lender, if any, to make Revolving Credit Loans and participate in Swing Line Loans and Letters of Credit, in an aggregate principal and/or face amount not to exceed the amount set forth under the heading "Revolving Credit Commitment" opposite such Lender's name on Schedule 1 to the lender addendum delivered by such Lender pursuant to the Existing Credit Agreement, or, as the case may be, in the Assignment and Acceptance pursuant to which such Lender became a party hereto, as the same may be changed from time to time pursuant to the terms hereof. The aggregate amount of the Total Revolving Credit Commitments on the date of this Agreement is \$175,000,000.

"REVOLVING CREDIT COMMITMENT PERIOD": the period from and including the Closing Date to the Revolving Credit Termination Date.

"REVOLVING CREDIT LENDER": each Lender that has a Revolving Credit Commitment or that is the holder of Revolving Credit Loans.

"REVOLVING CREDIT LOANS": as defined in Section 2.4.

"REVOLVING CREDIT PERCENTAGE": as to any Revolving Credit Lender at any time, the percentage which such Lender's Revolving Credit Commitment then constitutes of the Total Revolving Credit Commitments (or, at any time after the Revolving Credit Commitments shall have expired or terminated, the percentage which the aggregate amount of such Lender's Revolving Extensions of Credit then outstanding constitutes the amount of the Total Revolving Extensions of Credit then outstanding).

"REVOLVING CREDIT TERMINATION DATE": the fifth anniversary of the Closing Date.

"REVOLVING EXTENSIONS OF CREDIT": as to any Revolving Credit Lender at any time, an amount equal to the sum of (a) the aggregate principal amount of all Revolving Credit Loans made by such Lender then outstanding, (b) the principal amount equal to such Lender's Revolving Credit Percentage of the L/C Obligations then outstanding and (c) the principal amount equal to such Lender's Revolving Credit Percentage of the aggregate principal amount of Swing Line Loans then outstanding.

"RISK BASED CAPITAL RATIO": with respect to any Insurance Subsidiary on any date of determination thereof, the ratio (expressed as a percentage) of (a) the Total Adjusted Capital (as defined by the NAIC) of such Insurance Subsidiary to (b) the Authorized Control Level Risk Based Capital (as defined by the NAIC) of such Insurance Subsidiary. It is understood and agreed that the Risk Based Capital Ratio shall not be applied to Potomac Insurance Company of Pennsylvania.

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"S&P": Standard & Poor's Rating Services (or any successor thereto).

"SAP": with respect to any Insurance Subsidiary, the statutory accounting practices prescribed or permitted by the Department in the jurisdiction of such Insurance Subsidiary for the preparation of annual statements and other financial reports by insurance companies of the same type as such Insurance Subsidiary, which are applicable to the circumstances as of the date of determination.

"SEC": the Securities and Exchange Commission (or successors thereto or an analogous Governmental Authority).

"SECURITY DOCUMENTS": the collective reference to the Guarantee and Collateral Agreement and all other security documents heretofore or hereafter delivered to the Administrative Agent granting a Lien on any Property of any Person to secure the obligations and liabilities of any Loan Party under any Loan Document.

"SFAS": Statements of Financial Accounting Standards adopted by the Financial Accounting Standards Board.

"SINGLE EMPLOYER PLAN": any Plan that is covered by Title IV of ERISA, but which is not a Multiemployer Plan.

"SOLVENT": with respect to any Person, as of any date of determination, (a) the amount of the "present fair saleable value" of the assets of such Person will, as of such date, exceed the amount of all "liabilities of such Person, contingent or otherwise" after giving effect to the expected value of rights of indemnity, contribution and subrogation, as of such date, as such quoted terms are determined in accordance with

applicable federal and state laws governing determinations of the insolvency of debtors, (b) the present fair saleable value of the assets of such Person will, as of such date, be greater than the amount that will be required to pay the liability of such Person on its debts as such debts become absolute and matured after giving effect to the expected value of rights of indemnity, contribution and subrogation, (c) such Person will not have, as of such date, an unreasonably small amount of capital with which to conduct its business, and (d) such Person will be able to pay its debts as they mature after giving effect to the expected value of rights of indemnity, contribution and subrogation. For purposes of this definition, (i) "debt" means liability on a "claim", and (ii) "claim" means any (x) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured or (y) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured or unmatured, disputed, undisputed, secured or unsecured.

"SPECIFIED HEDGE AGREEMENT": any Hedge Agreement entered into by (a) the Borrower or any of its Subsidiaries and (b) any Lender or any affiliate thereof, as counterparty.

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"SUBORDINATED SELLER NOTE": the promissory note in the principal amount of \$260,000,000, dated June 1, 2001, issued by the Parent to Subsidiaries of AVIVA.

"SUBSIDIARY": as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

"SUBSIDIARY GUARANTOR": each Subsidiary of the Borrower other than A.W.G. Dewar, Inc., any Insurance Subsidiary and any Excluded Foreign Subsidiary.

"SURPLUS DEBENTURES": as to any Insurance Subsidiary, debt securities of such Insurance Subsidiary the proceeds of which are permitted to be included, in whole or in part, as Capital and Surplus of such Insurance Subsidiary as approved and permitted by the applicable Department.

"SWING LINE COMMITMENT": the obligation of the Swing Line Lender to make Swing Line Loans pursuant to Section 2.6 in an aggregate principal amount at any one time outstanding not to exceed \$10,000,000.

"SWING LINE LENDER": Lehman Commercial Paper Inc., in its capacity as the Lender of Swing Line Loans.

"SWING LINE LOANS": as defined in Section 2.6.

"SWING LINE PARTICIPATION AMOUNT": as defined in Section 2.7.

"TAX SHARING AGREEMENT": as defined in Section 6.12.

"TERM LOAN FACILITIES": the collective reference to the Tranche A Term Loan Facility, the Tranche B Term Loan Facility and the Tranche C Term Loan Facility.

"TERM LOAN LENDERS": the collective reference to the Tranche A Term Loan Lenders, the Tranche B Term Loan Lenders and the Tranche C Term Loan Lenders.

"TERM LOANS": the collective reference to the Tranche A Term Loans, the Tranche B Term Loans and the Tranche C Term Loans.

"THIRD PARTY PREFERRED STOCK": \$20,000,000 aggregate amount of preferred stock issued by the Parent and sold to Zenith Insurance Company in connection with the transactions contemplated under the Existing

"TOTAL DEBT": at any date, the aggregate principal amount of all Indebtedness of the Borrower at such date, determined on a stand alone basis in accordance with GAAP.

"TOTAL REVOLVING CREDIT COMMITMENTS": at any time, the aggregate amount of the Revolving Credit Commitments then in effect.

"TOTAL REVOLVING EXTENSIONS OF CREDIT": at any time, the aggregate amount of the Revolving Extensions of Credit of the Revolving Credit Lenders outstanding at such time.

"TRANCHE A TERM LOAN": a Tranche A Term Loan made pursuant to Section 2.1 of the Existing Credit Agreement. The aggregate principal amount of Tranche A Term Loans outstanding on the Restatement Effective Date is \$228,750,000 (prior to giving effect to any conversion thereof into Tranche C Term Loans pursuant to Section 2.1(b) or any prepayment thereof with the proceeds of the Tranche C Term Loans).

"TRANCHE A TERM LOAN FACILITY": as defined in the definition of "Facility" in this Section 1.1.

"TRANCHE A TERM LOAN LENDER": each Lender that is the holder of a Tranche A Term Loan.

"TRANCHE A TERM LOAN PERCENTAGE": as to any Lender at any time, the percentage which the aggregate principal amount of such Lender's Tranche A Term Loans then outstanding constitutes of the aggregate principal amount of the Tranche A Term Loans then outstanding.

"TRANCHE B TERM LOAN": a Tranche B Term Loan made pursuant to Section 2.1 of the Existing Credit Agreement. The aggregate principal amount of Tranche B Term Loans outstanding as of the Restatement Effective Date is \$394,000,000 (prior to giving effect to any prepayment thereof with the proceeds of the Tranche C Term Loans).

"TRANCHE B TERM LOAN FACILITY": as defined in the definition of "Facility" in this Section 1.1.

"TRANCHE B TERM LOAN LENDER": each Lender that is the holder of a Tranche B Term Loan.

"TRANCHE B TERM LOAN PERCENTAGE": as to any Lender at any time, the percentage which the aggregate principal amount of such Lender's Tranche B Term Loans then outstanding constitutes of the aggregate principal amount of the Tranche B Term Loans then outstanding.

"TRANCHE C TERM LOAN": a Loan made pursuant to Section 2.1(a) or converted from a Tranche A Term Loan pursuant to Section 2.1(b).

"TRANCHE C TERM LOAN COMMITMENT": as to any Lender, the obligation of such Lender, if any, to make a Tranche C Term Loan to the Borrower hereunder (or to convert all or part of such Lender's Tranche A Term Loans into a Tranche C Term Loan hereunder) in a principal amount not to exceed the amount set forth under the heading "Tranche C Term Loan Commitment" opposite such Lender's name on Schedule 1 to the Lender Addendum delivered by such Lender, or, as the case may be, in the Assignment and Acceptance pursuant to which such Lender became a party hereto, as the same may be changed from time to time pursuant to the terms hereof. The aggregate amount of the Tranche C Term Loan Commitments on the date of this Agreement is \$143,817,452.34.

"TRANCHE C TERM LOAN FACILITY": as defined in the definition of "Facility" in this Section 1.1.

"TRANCHE C TERM LOAN LENDER": each Lender that has a Tranche C Term Loan Commitment or is the holder of a Tranche C Term Loan.

"TRANCHE C TERM LOAN PERCENTAGE": as to any Lender at any time, the percentage which the aggregate principal amount of such Lender's Tranche C Term Loans then outstanding constitutes of the aggregate principal amount of the Tranche C Term Loans then outstanding.

"TRANSFEE": as defined in Section 10.14.

"TYPE": as to any Loan, its nature as a Base Rate Loan or a Eurodollar Loan.

"UCC": as defined in Section 3.6.

"UCP": as defined in Section 3.6.

"WARRANT AGREEMENT": the Warrant Agreement dated as of May 30, 2001, among White Mountains, the Borrower and Berkshire Hathaway, as supplemented or otherwise modified from time to time.

"WHITE MOUNTAINS": as defined in the recitals hereto.

"WHOLLY OWNED SUBSIDIARY": as to any Person, any other Person all of the Capital Stock of which (other than directors' qualifying shares required by law) is owned by such Person directly and/or through other Wholly Owned Subsidiaries.

"WHOLLY OWNED SUBSIDIARY GUARANTOR": any Subsidiary Guarantor that is a Wholly Owned Subsidiary of the Borrower.

1.2 OTHER DEFINITIONAL PROVISIONS. Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the other Loan Documents or any certificate or other document made or delivered pursuant hereto or thereto.

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(a) As used herein and in the other Loan Documents, and any certificate or other document made or delivered pursuant hereto or thereto, accounting terms relating to the Parent, the Borrower and its Subsidiaries not defined in Section 1.1 and accounting terms partly defined in Section 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP or SAP, as the case may be.

(b) References herein to particular pages, columns, lines or sections of any Person's Annual Statement shall be deemed, where appropriate, to be references to the corresponding page, column, line or section of such Person's Quarterly Statement, or if no such corresponding page, column, line or section exists or if any report form changes, then to the corresponding item referenced thereby. In the event the pages, columns, lines or sections of the Annual Statement referenced herein are changed or renumbered from the pages, columns, lines and sections applicable to the Annual Statement of CGU for 1999, all such references shall be deemed references to such page, column, line or section as so renumbered or changed.

(c) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

SECTION 2 AMOUNT AND TERMS OF COMMITMENTS

2.1 TERM LOAN COMMITMENTS. (a) Subject to the terms and conditions hereof, each Tranche C Term Loan Lender severally agrees to make a Tranche C Term Loan to the Borrower (or, pursuant to Section 2.1(b), to convert all or part of such Lender's Tranche A Term Loans into a Tranche C Term Loan hereunder) on the Restatement Effective Date in an aggregate amount for such Tranche C Term Loan Lender not to exceed the amount of the Tranche C Term Loan Commitment of such Lender. The Term Loans may from time to time be Eurodollar Loans or Base Rate Loans, as determined by the Borrower and notified to the Administrative Agent in accordance with Sections 2.2 and 2.13.

(b) Any Tranche A Term Loan Lender that is also a Tranche C Term Loan Lender may elect, pursuant to the Lender Addendum executed by such Tranche A Term Loan Lender, to satisfy all or a portion of its obligation under paragraph (a) above by converting all or part of the outstanding principal amount of such Lender's Tranche A Term Loans into a principal amount of Tranche C Term Loans hereunder equal to the principal amount so converted (for the avoidance of doubt, the amount of Tranche A Term Loans so converted into Tranche C Term Loans is not an extension of new credit to the Borrower that is a modification to and conversion of such Tranche A Term Loans). On the Restatement

Effective Date, immediately prior to the making of the Tranche C Term Loans to be funded pursuant to Section 2.1(a), such Tranche A Term Loans shall be converted for all purposes of this Agreement into Tranche C Term Loans hereunder, and the Administrative Agent shall record in the Register the aggregate amount of Tranche A Term Loans converted into Tranche C Term Loans.

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(c) Subject to Section 2.18(d) and Section 2.1(b), all Tranche A Term Loans and Tranche B Term Loans outstanding under (and as defined in) the Existing Credit Agreement on the Restatement Effective Date shall remain outstanding hereunder and shall constitute Tranche A Term Loans and Tranche B Term Loans, respectively, on the terms set forth herein.

2.2 PROCEDURE FOR TERM LOAN BORROWING. The Borrower shall give the Administrative Agent irrevocable notice (which notice must be received by the Administrative Agent prior to 10:00 A.M., New York City time, one Business Day prior to the anticipated Restatement Effective Date) requesting that the Tranche C Term Loan Lenders make the Tranche C Term Loans on the Restatement Effective Date and specifying the amount to be borrowed. The Tranche C Term Loans made on the Restatement Effective Date shall initially be Base Rate Loans and, notwithstanding anything to the contrary herein, such Loans may not be converted into Eurodollar Loans at any time prior to three days after the Restatement Effective Date. Upon receipt of such notice the Administrative Agent shall promptly notify each Tranche C Term Loan Lender thereof. Not later than 12:00 Noon, New York City time, on the Restatement Effective Date each Tranche C Term Loan Lender shall make available to the Administrative Agent at the Funding Office an amount in immediately available funds equal to the Tranche C Term Loan to be made by such Lender. The Administrative Agent shall make available to the Borrower the aggregate of the amounts made available to the Administrative Agent by the Tranche C Term Loan Lenders, in like funds as received by the Administrative Agent.

2.3 REPAYMENT OF TERM LOANS. (a) The Tranche A Term Loan of each Tranche A Lender shall mature in 17 consecutive quarterly installments, commencing on March 31, 2002, each of which shall be in an amount equal to such Lender's Tranche A Term Loan Percentage multiplied by the percentage set forth below opposite such installment of the aggregate principal amount of Tranche A Term Loans made on the Closing Date (adjusted, in the case of each installment payable after the Restatement Effective Date, to reflect the conversion of Tranche A Term Loans to Tranche C Term Loans pursuant to Section 2.1(b)):

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Installment
Percentage

-- March
31, 2002
15.00%
Paid June
30, 2002
4.375%
Paid
September
30, 2002
4.375%
Paid
December
31, 2002
4.375%
March 31,
2003
4.375%
June 30,
2003 5.00%
September
30, 2003
5.00%
December
31, 2003
5.00%
March 31,
2004 5.00%
June 30,
2004

5.625%
 September
 30, 2004
 5.625%
 December
 31, 2004
 5.625%
 March 31,
 2005
 5.625%
 June 30,
 2005 6.25%
 September
 30, 2005
 6.25%
 December
 31, 2005
 6.25%
 March 31,
 2006 6.25%

(b) The Tranche B Term Loan of each Tranche B Lender shall mature in 21 consecutive quarterly installments, commencing on March 31, 2002, each of which shall be in an amount equal to such Lender's Tranche B Term Loan Percentage multiplied by the percentage set forth below opposite such installment of the aggregate principal amount of Tranche B Term Loans made on the Closing Date:

| Installment | Percentage |
|-----------------------|------------|
| ----- | ----- |
| March 31, 2002 | 1.00% |
| Paid June 30, 2002 | 0.25% Paid |
| September 30, 2002 | 0.25% Paid |
| December 31, 2002 | 0.25% |
| March 31, 2003 | 0.25% |
| June 30, 2003 | 0.25% |
| September 30, 2003 | 0.25% |
| December 31, 2003 | 0.25% |
| March 31, 2004 | 0.25% |
| June 30, 2004 | 0.25% |
| September 30, 2004 | 0.25% |
| December 31, 2004 | 0.25% |
| March 31, 2005 | 0.25% |
| June 30, 2005 | 0.25% |
| September 30, 2005 | 0.25% |
| December 31, 2005 | 0.25% |
| March 31, 2006 | 0.25% |

| | |
|--------------------|--------|
| June 30, 2006 | 0.25% |
| September 30, 2006 | 0.25% |
| December 31, 2006 | 0.25% |
| March 31, 2007 | 94.25% |

(c) The Tranche C Term Loan of each Tranche C Lender shall mature in 18 consecutive quarterly installments, commencing on December 31, 2002, each of which shall be in an amount equal to such Lender's Tranche C Term Loan Percentage multiplied by the percentage set forth below opposite such installment of the aggregate principal amount of Tranche C Term Loans made on the Restatement Effective Date:

Installment
Percentage

| | |
|-----------|--------|
| ----- | |
| ----- | |
| ----- | |
| December | |
| 31, 2002 | 0.25% |
| March 31, | |
| 2003 | 0.25% |
| June 30, | |
| 2003 | 0.25% |
| September | |
| 30, 2003 | 0.25% |
| December | |
| 31, 2003 | 0.25% |
| March 31, | |
| 2004 | 0.25% |
| June 30, | |
| 2004 | 0.25% |
| September | |
| 30, 2004 | 0.25% |
| December | |
| 31, 2004 | 0.25% |
| March 31, | |
| 2005 | 0.25% |
| June 30, | |
| 2005 | 0.25% |
| September | |
| 30, 2005 | 0.25% |
| December | |
| 31, 2005 | 0.25% |
| March 31, | |
| 2006 | 0.25% |
| June 30, | |
| 2006 | 0.25% |
| September | |
| 30, 2006 | 0.25% |
| December | |
| 31, 2006 | 0.25% |
| March 31, | |
| 2007 | 95.75% |

2.4 REVOLVING CREDIT COMMITMENTS. (a) Subject to the terms and conditions hereof, the Revolving Credit Lenders severally agree to make revolving credit loans ("REVOLVING CREDIT LOANS") to the Borrower from time to time during the Revolving Credit Commitment Period in an aggregate principal amount at any one time outstanding for each Revolving Credit Lender which, when added to such Lender's Revolving Credit Percentage of the sum of (i) the L/C Obligations then outstanding and (ii) the aggregate principal amount of the Swing Line Loans then outstanding, does not exceed the amount of such Lender's Revolving Credit Commitment. During the Revolving Credit Commitment Period the Borrower may use the Revolving Credit Commitments by borrowing, prepaying the Revolving Credit Loans in whole or in part, and reborrowing, all in accordance

with the terms and conditions hereof. The Revolving Credit Loans may from time to time be Eurodollar Loans or Base Rate Loans, as determined by the Borrower and notified to the Administrative Agent in accordance with Sections 2.5 and 2.13, provided that no Revolving Credit Loan shall be made as a Eurodollar

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Loan after the day that is one month prior to the Revolving Credit Termination Date. All Revolving Credit Loans outstanding under (and as defined in) the Existing Credit Agreement on the Restatement Effective Date shall remain outstanding hereunder and shall constitute Revolving Credit Loans on the terms set forth herein.

(b) The Borrower shall repay all outstanding Revolving Credit Loans made to the Borrower on the Revolving Credit Termination Date.

2.5 PROCEDURE FOR REVOLVING CREDIT BORROWING. The Borrower may borrow under the Revolving Credit Commitments on any Business Day during the Revolving Credit Commitment Period, PROVIDED that the Borrower shall give the Administrative Agent irrevocable notice (which notice must be received by the Administrative Agent prior to 12:00 Noon, New York City time, (a) three Business Days prior to the requested Borrowing Date, in the case of Eurodollar Loans, or (b) one Business Day prior to the requested Borrowing Date, in the case of Base Rate Loans), specifying (i) the amount and Type of Revolving Credit Loans to be borrowed, (ii) the requested Borrowing Date and (iii) in the case of Eurodollar Loans, the length of the initial Interest Period therefor. Each borrowing of Revolving Credit Loans under the Revolving Credit Commitments shall be in an amount equal to (x) in the case of Base Rate Loans, \$1,000,000 or a whole multiple thereof (or, if the then aggregate Available Revolving Credit Commitments are less than \$1,000,000, such lesser amount) and (y) in the case of Eurodollar Loans, \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof; PROVIDED, that the Swing Line Lender may request, on behalf of the Borrower, borrowings of Base Rate Loans under the Revolving Credit Commitments in other amounts pursuant to Section 2.7. Upon receipt of any such notice from the Borrower, the Administrative Agent shall promptly notify each Revolving Credit Lender thereof. Each Revolving Credit Lender will make its Revolving Credit Percentage of the amount of each borrowing of Revolving Credit Loans available to the Administrative Agent for the account of the Borrower at the Funding Office prior to 12:00 Noon, New York City time, on the Borrowing Date requested by the Borrower in funds immediately available to the Administrative Agent. Such borrowing will then be made available to the Borrower by the Administrative Agent in like funds as received by the Administrative Agent.

2.6 SWING LINE COMMITMENT. (a) Subject to the terms and conditions hereof, the Swing Line Lender agrees that, during the Revolving Credit Commitment Period, it will make available to the Borrower in the form of swing line loans ("SWING LINE LOANS") a portion of the credit otherwise available to the Borrower under the Revolving Credit Commitments; PROVIDED that (i) the aggregate principal amount of Swing Line Loans outstanding at any time shall not exceed the Swing Line Commitment then in effect (notwithstanding that the Swing Line Loans outstanding at any time, when aggregated with the Swing Line Lender's other outstanding Revolving Credit Loans hereunder, may exceed the Swing Line Commitment then in effect or such Swing Line Lender's Revolving Credit Commitment then in effect) and (ii) the Borrower shall not request, and the Swing Line Lender shall not make, any Swing Line Loan if, after giving effect to the making of such Swing Line Loan, the aggregate amount of the Available Revolving Credit Commitments would be less than zero. During the Revolving Credit Commitment Period, the Borrower may use the Swing Line Commitment by borrowing, repaying and reborrowing, all in accordance with the terms and conditions hereof. Swing Line Loans shall be Base Rate Loans only.

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(b) The Borrower shall repay all outstanding Swing Line Loans on the Revolving Credit Termination Date. Each payment in respect of Swing Line Loans shall be made to the Swing Line Lender.

2.7 PROCEDURE FOR SWING LINE BORROWING; REFUNDING OF SWING LINE LOANS. (a) The Borrower may borrow under the Swing Line Commitment on any Business Day during the Revolving Credit Commitment Period, PROVIDED, the Borrower shall give the Swing Line Lender irrevocable telephonic notice confirmed promptly in writing (which telephonic notice must be received by the Swing Line Lender not later than 1:00 P.M., New York City time, on the proposed Borrowing Date), specifying (i) the amount to be borrowed and (ii) the requested Borrowing Date. Each borrowing under the Swing Line Commitment shall be in an amount equal to \$500,000 or a whole multiple of \$100,000 in excess thereof. Not later than 3:00 P.M., New York City time, on the Borrowing Date specified in the

borrowing notice in respect of any Swing Line Loan, the Swing Line Lender shall make available to the Administrative Agent at the Funding Office an amount in immediately available funds equal to the amount of such Swing Line Loan. The Administrative Agent shall make the proceeds of such Swing Line Loan available to the Borrower on such Borrowing Date in like funds as received by the Administrative Agent.

(b) The Swing Line Lender, at any time and from time to time in its sole and absolute discretion may, on behalf of the Borrower (which hereby irrevocably directs the Swing Line Lender to act on its behalf), on one Business Day's notice given by the Swing Line Lender no later than 12:00 Noon, New York City time, request each Revolving Credit Lender to make, and each Revolving Credit Lender hereby agrees to make, a Revolving Credit Loan, in an amount equal to such Revolving Credit Lender's Revolving Credit Percentage of the aggregate amount of the Swing Line Loans (the "REFUNDED SWING LINE LOANS") outstanding on the date of such notice, to repay the Swing Line Lender. Each Revolving Credit Lender shall make the amount of such Revolving Credit Loan available to the Administrative Agent at the Funding Office in immediately available funds, not later than 10:00 A.M., New York City time, one Business Day after the date of such notice. The proceeds of such Revolving Credit Loans shall be made immediately available by the Administrative Agent to the Swing Line Lender for application by the Swing Line Lender to the repayment of the Refunded Swing Line Loans. Upon the written request of any Revolving Credit Lender, the Administrative Agent will, within three Business Days of such request, inform such Revolving Credit Lender of the aggregate amount of Swing Line Loans outstanding on the date of such request.

(c) If prior to the time a Revolving Credit Loan would have otherwise been made pursuant to Section 2.7(b), one of the events described in Section 8(f) shall have occurred and be continuing with respect to the Borrower, or if for any other reason, as determined by the Swing Line Lender in its sole discretion, Revolving Credit Loans may not be made as contemplated by Section 2.7(b), each Revolving Credit Lender shall, on the date such Revolving Credit Loan was to have been made pursuant to the notice referred to in Section 2.7(b) (the "REFUNDING DATE"), purchase for cash an undivided participating interest in the then outstanding Swing Line Loans by paying to the Swing Line Lender an amount (the "SWING LINE PARTICIPATION AMOUNT") equal to (i) such Revolving Credit Lender's Revolving Credit Percentage TIMES (ii) the sum of the aggregate principal amount of Swing Line Loans then outstanding which were to have been repaid with such Revolving Credit Loans.

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(d) Whenever, at any time after the Swing Line Lender has received from any Revolving Credit Lender such Lender's Swing Line Participation Amount, the Swing Line Lender receives any payment on account of the Swing Line Loans, the Swing Line Lender will distribute to such Lender its Swing Line Participation Amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participating interest was outstanding and funded and, in the case of principal and interest payments, to reflect such Lender's PRO RATA portion of such payment if such payment is not sufficient to pay the principal of and interest on all Swing Line Loans then due); PROVIDED, HOWEVER, that in the event that such payment received by the Swing Line Lender is required to be returned, such Revolving Credit Lender will return to the Swing Line Lender any portion thereof previously distributed to it by the Swing Line Lender.

(e) Each Revolving Credit Lender's obligation to make the Loans referred to in Section 2.7(b) and to purchase participating interests pursuant to Section 2.7(c) shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any setoff, counterclaim, recoupment, defense or other right which such Revolving Credit Lender or the Borrower may have against the Swing Line Lender, the Borrower or any other Person for any reason whatsoever; (ii) the occurrence or continuance of a Default or an Event of Default or the failure to satisfy any of the other conditions specified in Section 5; (iii) any adverse change in the condition (financial or otherwise) of the Borrower; (iv) any breach of this Agreement or any other Loan Document by the Borrower, any other Loan Party or any other Revolving Credit Lender; or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

2.8 REPAYMENT OF LOANS; EVIDENCE OF DEBT. (a) The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of the appropriate Revolving Credit Lender the then unpaid principal amount of each Revolving Credit Loan of such Revolving Credit Lender made to the Borrower on the Revolving Credit Termination Date (or on such earlier date on which the Loans become due and payable pursuant to Section 8). The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of the appropriate Revolving Credit Lender or Term Loan Lender, as the case may be,

(i) the then unpaid principal amount of each Swing Line Loan of such Swing Line Lender on the Revolving Credit Termination Date (or on such earlier date on which the Loans become due and payable pursuant to Section 8) and (ii) the principal amount of each Term Loan of such Term Loan Lender in installments according to the amortization schedule set forth in Section 2.3 (or on such earlier date on which the Loans become due and payable pursuant to Section 8). The Borrower hereby further agrees to pay interest to the Administrative Agent for the account of the appropriate Lender on the unpaid principal amount of the Loans made to it from time to time outstanding from the date hereof until payment in full thereof at the rates per annum, and on the dates, set forth in Section 2.15.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of the Borrower to such Lender resulting from each Loan of such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement.

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(c) The Administrative Agent, on behalf of the Borrower, shall maintain the Register pursuant to Section 10.6(d), and a subaccount therein for each Lender, in which shall be recorded (i) the amount of each Loan made hereunder and any Note evidencing such Loan, the Type of such Loan and each Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) both the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(d) The entries made in the Register and the accounts of each Lender maintained pursuant to Section 2.8(b) shall, to the extent permitted by applicable law, be PRIMA FACIE evidence of the existence and amounts of the obligations of the Borrower therein recorded; PROVIDED, HOWEVER, that the failure of any Lender or the Administrative Agent to maintain the Register or any such account, or any error therein, shall not in any manner affect the obligation of the Borrower to repay (with applicable interest) the Loans made to the Borrower by such Lender in accordance with the terms of this Agreement.

(e) The Borrower agrees that, upon the request to the Administrative Agent by any Lender, the Borrower will execute and deliver to such Lender a promissory note of the Borrower evidencing any Term Loans, Revolving Credit Loans or Swing Line Loans, as the case may be, made by such Lender to the Borrower, substantially in the forms of Exhibit G-1, G-2 or G-3, respectively, with appropriate insertions as to date and principal amount.

2.9 COMMITMENT FEES, ETC. (a) The Borrower agrees to pay to the Administrative Agent for the account of each Revolving Credit Lender a commitment fee for the period from and including the Closing Date to the last day of the Revolving Credit Commitment Period, computed at the Commitment Fee Rate on the average daily amount of the Available Revolving Credit Commitment of such Lender during the period for which payment is made, payable quarterly in arrears on the last day of each March, June, September and December and on the Revolving Credit Termination Date, commencing on the first of such dates to occur after the Closing Date.

(b) The Borrower agrees to pay to the Administrative Agent the fees in the amounts and on the dates from time to time agreed to in writing by the Borrower and the Administrative Agent.

(c) The Borrower agrees to pay to the Arranger the fees in the amounts and on the dates from time to time agreed to in writing by the Borrower and the Arranger.

2.10 TERMINATION OR REDUCTION OF REVOLVING CREDIT COMMITMENTS. The Borrower shall have the right, upon not less than three Business Days' notice to the Administrative Agent, to terminate the Revolving Credit Commitments or, from time to time, to reduce the aggregate amount of the Revolving Credit Commitments; PROVIDED that no such termination or reduction of Revolving Credit Commitments shall be permitted if, after giving effect thereto and to any prepayments of the Revolving Credit Loans and Swing Line Loans made on the effective date thereof, the Total Revolving Extensions of Credit would exceed the Total Revolving Credit Commitments. Any such reduction shall be in an amount equal to

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\$1,000,000, or a whole multiple thereof, and shall reduce permanently the

Revolving Credit Commitments then in effect.

2.11 OPTIONAL PREPAYMENTS. (a) The Borrower may at any time and from time to time prepay the Loans made to the Borrower, in whole or in part, without premium or penalty, upon irrevocable notice delivered to the Administrative Agent at least three Business Days prior thereto in the case of Eurodollar Loans and at least one Business Day prior thereto in the case of Base Rate Loans, which notice shall specify the date and amount of prepayment and whether the prepayment is of Eurodollar Loans or Base Rate Loans; provided, that (i) if a Eurodollar Loan is prepaid on any day other than the last day of the Interest Period applicable thereto, the Borrower shall also pay any amounts owing pursuant to Section 2.21 and (ii) no prior notice is required for the prepayment of Swing Line Loans. Upon receipt of any such notice the Administrative Agent shall promptly notify each relevant Lender thereof. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein, together with (except in the case of Revolving Credit Loans that are Base Rate Loans and Swing Line Loans) accrued interest to such date on the amount prepaid. Partial prepayments of Term Loans and Revolving Credit Loans shall be in an aggregate principal amount of \$1,000,000 or a whole multiple thereof. Partial prepayments of Swing Line Loans shall be in an aggregate principal amount of \$100,000 or a whole multiple thereof. Notwithstanding the foregoing, no prior notice shall be required for the optional prepayment of the Tranche A Term Loans and the Tranche B Term Loans to be made on the Restatement Effective Date with the proceeds of the Tranche C Term Loans.

(b) Each optional prepayment in respect of the Tranche B Term Loans or the Tranche C Term Loans made on or after the first anniversary of the Closing Date and prior to the date that is eighteen months after the Closing Date shall be accompanied by a prepayment premium equal to 0.5% of the principal amount of such prepayment. Any prepayment of the Loans upon the refinancing thereof (whether with proceeds of equity or Indebtedness) or upon the occurrence of a Change of Control shall be deemed to be an optional prepayment.

2.12 MANDATORY PREPAYMENTS AND COMMITMENT REDUCTIONS. (a) Unless the Required Prepayment Lenders and the Borrower shall otherwise agree, if any Capital Stock shall be issued or sold by the Parent (except (i) any Capital Stock of the Parent the proceeds of which are used solely to purchase or prepay the Subordinated Seller Note and/or the Third Party Preferred Stock and (ii) any Capital Stock of the Parent issued to White Mountains as a part of the transaction in which the Berkshire Preferred Stock is redeemed with proceeds received from the exercise of warrants under the Warrant Agreement), on the date of such issuance or sale, an amount equal to 50% of the net proceeds thereof in excess of \$5,000,000 shall be contributed to the common equity of the Borrower and applied by the Borrower toward the prepayment of the Term Loans and the reduction of the Revolving Credit Commitments as set forth in Section 2.12(d); PROVIDED, that \$20,000,000 of the proceeds of preferred stock issued by the Parent and sold to a third party in connection with the transactions contemplated by the Existing Credit Agreement shall be exempted from the requirements of this Section 2.12(a).

(b) Unless the Required Prepayment Lenders and the Borrower shall otherwise agree, if on any date the Borrower or any of its Non-Insurance Subsidiaries shall receive Net Proceeds from any Asset Sale or Recovery Event, then, on such date, the Term Loans shall be

prepaid, and/or the Revolving Credit Commitments shall be reduced, in each case in accordance with Section 2.12(d), by the Required Portion of such Net Proceeds. For purposes of this Section 2.12(b), the "REQUIRED PORTION" of the Net Cash Proceeds of any Asset Sale or Recovery Event shall be (i) if no Reinvestment Notice is delivered in respect of such Net Cash Proceeds on or prior to the date of receipt of such Net Cash Proceeds, 100% of such Net Cash Proceeds in excess of \$10,000,000, and (ii) if the assets subject to such Disposition are insurance-related businesses or assets and a Reinvestment Notice is delivered in respect of such Net Cash Proceeds on or prior to the date of receipt of such Net Cash Proceeds, (A) with respect to Net Cash Proceeds of any Asset Sale or Recovery Event consummated in any fiscal year which, together with all other Asset Sales and Recovery Events consummated during such fiscal year, results in the Disposition of Capital and Surplus in an amount not exceeding 10% of combined Capital and Surplus of all Insurance Subsidiaries as of the last day of the immediately preceding fiscal year, 0% of such Net Cash Proceeds and (B) with respect to the Net Cash Proceeds of any Asset Sale or Recovery Event consummated in any fiscal year to the extent such Net Cash Proceeds are not covered by the foregoing sub-clause (A), 100% of such Net Cash Proceeds and (iii) if the assets subject to such Disposition are not insurance-related businesses or assets and a Reinvestment Notice is delivered in respect of such Net Cash Proceeds on or prior to the date of receipt of such Net Cash Proceeds,

0% of such Net Cash Proceeds. For purposes of determining the amount of Net Cash Proceeds of any Disposition to be allocated to sub-clause (A) and sub-clause (B), respectively, of clause (ii) of the preceding sentence in the case of any Disposition to which both such sub-clauses apply, the amount of Net Cash Proceeds allocated to such sub-clause (B) shall be the aggregate amount of such Net Cash Proceeds multiplied by a fraction (not to exceed 1.0), the numerator of which is the amount of Capital and Surplus Disposed of in such Disposition and all prior Dispositions during such fiscal year in excess of 10% of combined Capital and Surplus of all Insurance Subsidiaries as of the last day of the immediately preceding fiscal year, and the denominator of which is the aggregate amount of Capital and Surplus Disposed of in such Disposition. In addition, in the event any Reinvestment Notice is delivered in respect of any Reinvestment Event, then, on the Reinvestment Prepayment Date applicable to such Reinvestment Event, the Term Loans shall be prepaid, and/or the Revolving Credit Commitments shall be reduced, by an amount equal to the Reinvestment Prepayment Amount with respect to the relevant Reinvestment Event, as set forth in Section 2.12(d).

(c) [Reserved]

(d) Amounts to be applied in connection with prepayments and Commitment reductions made pursuant to paragraphs (a) and (b) of this Section shall be applied, FIRST, to the prepayment of the Term Loans and, SECOND, to reduce permanently the Revolving Credit Commitments; PROVIDED, that the Revolving Credit Commitments shall not be reduced to less than \$100,000,000 pursuant to this Section 2.12. Any reduction of the Revolving Credit Commitments pursuant to this Section shall be accompanied by prepayment of the Revolving Credit Loans and/or Swing Line Loans to the extent, if any, that the Total Revolving Extensions of Credit exceed the amount of the Total Revolving Credit Commitments as so reduced, PROVIDED that if the aggregate principal amount of Revolving Credit Loans and Swing Line Loans then outstanding is less than the amount of such excess (because L/C Obligations constitute a portion thereof), the Borrower shall, to the extent of the balance of such excess, replace outstanding Letters of Credit and/or deposit an amount in cash in a cash collateral

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account established with the Administrative Agent for the benefit of the Lenders on terms and conditions satisfactory to the Administrative Agent.

2.13 CONVERSION AND CONTINUATION OPTIONS. (a) The Borrower may elect from time to time to convert Eurodollar Loans made to the Borrower to Base Rate Loans by giving the Administrative Agent at least two Business Days' prior irrevocable notice of such election, provided that any such conversion of Eurodollar Loans may be made only on the last day of an Interest Period with respect thereto. The Borrower may elect from time to time to convert Base Rate Loans made to the Borrower to Eurodollar Loans by giving the Administrative Agent at least three Business Days' prior irrevocable notice of such election (which notice shall specify the length of the initial Interest Period therefor), PROVIDED that no Base Rate Loan under a particular Facility may be converted into a Eurodollar Loan (i) when any Event of Default has occurred and is continuing and the Administrative Agent has, or the Majority Facility Lenders in respect of such Facility have, determined in its or their sole discretion not to permit such conversions or (ii) after the date that is one month prior to the final scheduled termination or maturity date of such Facility. Upon receipt of any such notice the Administrative Agent shall promptly notify each relevant Lender thereof.

(b) The Borrower may elect to continue any Eurodollar Loan made to the Borrower as such upon the expiration of the then current Interest Period with respect thereto by giving irrevocable notice to the Administrative Agent, in accordance with the applicable provisions of the term "Interest Period" set forth in Section 1.1, of the length of the next Interest Period to be applicable to such Loans, PROVIDED that no Eurodollar Loan under a particular Facility may be continued as such (i) when any Event of Default has occurred and is continuing and the Administrative Agent has, or the Majority Facility Lenders in respect of such Facility have, determined in its or their sole discretion not to permit such continuations or (ii) after the date that is one month prior to the final scheduled termination or maturity date of such Facility, and PROVIDED, FURTHER, that if the Borrower shall fail to give any required notice as described above in this paragraph or if such continuation is not permitted pursuant to the preceding proviso, such Loans shall be converted automatically to Base Rate Loans on the last day of such then expiring Interest Period. Upon receipt of any such notice the Administrative Agent shall promptly notify each relevant Lender thereof.

2.14 MINIMUM AMOUNTS AND MAXIMUM NUMBER OF EURODOLLAR TRANCHES. Notwithstanding anything to the contrary in this Agreement, all borrowings, conversions, continuations and optional prepayments of Eurodollar Loans and all

selections of Interest Periods shall be in such amounts and be made pursuant to such elections so that, (a) after giving effect thereto, the aggregate principal amount of the Eurodollar Loans comprising each Eurodollar Tranche shall be equal to \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof and (b) no more than ten Eurodollar Tranches shall be outstanding at any one time.

2.15 INTEREST RATES AND PAYMENT DATES. (a) Each Eurodollar Loan shall bear interest for each day during each Interest Period with respect thereto at a rate per annum equal to the Eurodollar Rate determined for such day plus the Applicable Margin.

(b) Each Base Rate Loan shall bear interest at a rate per annum equal to the Base Rate plus the Applicable Margin.

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(c) (i) If all or a portion of the principal amount of any Loan or Reimbursement Obligation shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum that is equal to (x) in the case of the Loans, the rate that would otherwise be applicable thereto pursuant to the foregoing provisions of this Section PLUS 2% or (y) in the case of Reimbursement Obligations, the rate applicable to Base Rate Loans under the Revolving Credit Facility PLUS 2%, and (ii) if all or a portion of any interest payable on any Loan or Reimbursement Obligation or any commitment fee or other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum equal to the rate then applicable to Base Rate Loans under the relevant Facility PLUS 2% (or, in the case of any such other amounts that do not relate to a particular Facility, the rate then applicable to Base Rate Loans under the Revolving Credit Facility PLUS 2%), in each case, with respect to clauses (i) and (ii) above, from the date of such non-payment until such amount is paid in full (after as well as before judgment).

(d) Interest shall be payable in arrears on each Interest Payment Date, PROVIDED that interest accruing pursuant to paragraph (c) of this Section shall be payable from time to time on demand.

2.16 COMPUTATION OF INTEREST AND FEES. (a) Interest, fees, commissions payable pursuant hereto shall be calculated on the basis of a 360-day year for the actual days elapsed, except that, with respect to Base Rate Loans on which interest is calculated on the basis of the Prime Rate, the interest thereon shall be calculated on the basis of a 365-day (or 366-day, as the case may be) year for the actual days elapsed. The Administrative Agent shall as soon as practicable notify the Borrower and the relevant Lenders of each determination of a Eurodollar Rate. Any change in the interest rate on a Loan resulting from a change in the Base Rate or the Eurocurrency Reserve Requirements shall become effective as of the opening of business on the day on which such change becomes effective. The Administrative Agent shall as soon as practicable notify the Borrower and the relevant Lenders of the effective date and the amount of each such change in interest rate.

(b) Each determination of an interest rate by the Administrative Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Borrower and the Lenders in the absence of manifest error. The Administrative Agent shall, at the request of the Borrower, deliver to the Borrower a statement showing the quotations used by the Administrative Agent in determining any interest rate pursuant to Section 2.15(a) with respect to Loans made to the Borrower.

2.17 INABILITY TO DETERMINE INTEREST RATE. If prior to the first day of any Interest Period:

(a) the Administrative Agent shall have determined (which determination shall be conclusive and binding upon the Borrower) that, by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for such Interest Period, or

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(b) the Administrative Agent shall have received notice from the Majority Facility Lenders in respect of the relevant Facility that the Eurodollar Rate determined or to be determined for such Interest Period will not adequately and fairly reflect the cost to such Lenders (as conclusively certified by such Lenders) of making or maintaining their affected Loans during such Interest Period,

the Administrative Agent shall give telecopy or telephonic notice thereof to the Borrower and the relevant Lenders as soon as practicable thereafter. If such notice is given (x) any Eurodollar Loans under the relevant Facility requested to be made on the first day of such Interest Period shall be made as Base Rate Loans, (y) any Loans under the relevant Facility that were to have been converted on the first day of such Interest Period to Eurodollar Loans shall be continued as Base Rate Loans and (z) any outstanding Eurodollar Loans under the relevant Facility shall be converted, on the last day of the then current Interest Period with respect thereto, to Base Rate Loans. Until such notice has been withdrawn by the Administrative Agent, no further Eurodollar Loans under the relevant Facility shall be made or continued as such, nor shall the Borrower have the right to convert Loans under the relevant Facility to Eurodollar Loans.

2.18 PRO RATA TREATMENT AND PAYMENTS. (a) Each borrowing by the Borrower from the Lenders hereunder, each payment by the Borrower on account of any commitment fee or Letter of Credit fee, and any reduction of the Commitments of the Lenders, shall be made pro rata according to the respective Tranche A Term Loan Percentages, Tranche B Term Loan Percentages, Tranche C Term Loan Percentages or Revolving Credit Percentages, as the case may be, of the relevant Lenders. Each payment (other than prepayments) in respect of principal or interest in respect of the Term Loans and each payment in respect of fees payable hereunder shall be applied to the amounts of such obligations owing to the Lenders PRO RATA according to the respective amounts then due and owing to the Lenders.

(b) Subject to Section 2.18(d), each mandatory prepayment required by Section 2.12 to be applied to Term Loans shall be allocated among the Term Loan Facilities PRO RATA according to the respective outstanding principal amounts of Term Loans under such Facilities. Subject to Section 2.18(d), each optional prepayment in respect of the Term Loans shall be allocated among the Term Loan Facilities PRO RATA according to the respective outstanding principal amounts of Term Loans under such Facilities; PROVIDED, that the optional prepayment to be made with the proceeds of the Tranche C Term Loans shall be allocated, subject to Section 2.18(d), between the Tranche A Term Loan Facility and the Tranche B Term Loan Facility PRO RATA according to the respective outstanding principal amounts of Term Loans under such Facilities. Each payment (including each prepayment) of the Term Loans outstanding under any Term Loan Facility shall be allocated among the Term Loan Lenders holding such Term Loans PRO RATA based on the principal amount of such Term Loans held by such Term Loan Lenders, and shall be applied (i) in the case of mandatory prepayments pursuant to Section 2.12(b), to the installments thereof PRO RATA based on the remaining outstanding principal amount of such installments, and (ii) in the case of all other prepayments, FIRST, to the next scheduled installment thereof to be due after the date of such prepayment, and, SECOND, to the remaining installments PRO RATA based on the remaining outstanding principal amount of such installments. Amounts prepaid on account of the Term Loans may not be reborrowed.

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(c) Each payment (including each prepayment) by the Borrower on account of principal of and interest on the Revolving Credit Loans of the Borrower shall be made PRO RATA according to the respective outstanding principal amounts of the Revolving Credit Loans of the Borrower then held by the Revolving Credit Lenders. Each payment in respect of Reimbursement Obligations in respect of any Letter of Credit shall be made to the relevant Issuing Lender.

(d) Notwithstanding anything to the contrary in Sections 2.11, 2.12 or 2.18(b), so long as any Tranche A Term Loans are outstanding, each Tranche B Term Loan Lender and Tranche C Term Loan Lender may, at its option, decline up to 100% of the portion of any optional prepayment or mandatory payment applicable to the Tranche B Term Loans or Tranche C Term Loans of such Lender; accordingly, with respect to the amount of any optional prepayment described in Section 2.11 or mandatory prepayment described in Section 2.12 that is allocated to Tranche B Term Loans or Tranche C Term Loans (such amounts, respectively, the "OPTIONAL PREPAYMENT AMOUNT" and the "MANDATORY PREPAYMENT AMOUNT"), at any time when Tranche A Term Loans remain outstanding, the Borrower will:

(i) in the case of any optional prepayment of the Tranche B Term Loans or Tranche C Term Loans which the Borrower wishes to make, give the Administrative Agent telephonic notice (promptly confirmed in writing) requesting that the Administrative Agent prepare and provide to each Tranche B Term Loan Lender and Tranche C Term Loan Lender a notice (each, a "PREPAYMENT OPTION NOTICE") as described below; and

(ii) in the case of any mandatory prepayment required to be made pursuant to Section 2.12, on the date specified in Section 2.12 for

such prepayment, (A) give the Administrative Agent telephonic notice (promptly confirmed in writing) requesting that the Administrative Agent prepare and provide to each Tranche B Term Loan Lender and Tranche C Term Loan Lender a Prepayment Option Notice as described below and (B) deposit with the Administrative Agent the Mandatory Prepayment Amount.

As promptly as practicable after receiving such notice from the Borrower, the Administrative Agent will send to each Tranche B Term Loan Lender and Tranche C Term Loan Lender a Prepayment Option Notice, which shall be substantially in the form of Exhibit H, and shall include an offer by the Borrower to prepay on the Prepayment Date the Tranche B Term Loans or Tranche C Term Loans of such Lender by an amount equal to the portion of the Optional Prepayment Amount or Mandatory Prepayment Amount, as the case may be, indicated in such Lender's Prepayment Option Notice as being applicable to such Lender's Tranche B Term Loans or Tranche C Term Loans. The "PREPAYMENT DATE" in respect of any Prepayment Option Notice shall be the date which is (i) in the case of a Prepayment Option Notice relating to an optional prepayment, the later of (A) three Business Days after the date of such Prepayment Option Notice and (B) the date on which the Borrower has advised the Administrative Agent that it wishes to make such optional prepayment and (ii) in the case of a Prepayment Option Notice relating to a mandatory prepayment, the date which is three Business Days after the date of such Prepayment Option Notice.

On the Prepayment Date:

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(i) in the case of any optional prepayment, the Borrower shall pay to the Administrative Agent the Optional Prepayment Amount, and the Administrative Agent shall (A) apply the Optional Prepayment toward prepayment of the outstanding Tranche B Term Loans or Tranche C Term Loans in respect of which Lenders have accepted optional prepayment as described above and (B) apply the remaining portion of the Optional Prepayment Amount not accepted by the Tranche B Term Loan Lenders or Tranche C Term Loan Lenders toward prepayment of the Tranche A Term Loans; and

(ii) in the case of any mandatory prepayment, the Administrative Agent shall (A) apply the Mandatory Prepayment Amount toward prepayment of the outstanding Tranche B Term Loans or Tranche C Term Loans in respect of which Lenders have accepted mandatory prepayment as described above and (B) apply the remaining portion of the Mandatory Prepayment Amount not accepted by the Tranche B Term Loan Lenders or Tranche C Term Loan Lenders toward prepayment of the Tranche A Term Loans.

The procedures described above in this paragraph (d) shall not be applicable in the case of a prepayment in full of all Term Loans. Notwithstanding any of the foregoing, with respect to the optional prepayment of the Term Loans to be made by the Borrower on the Restatement Effective Date, each Tranche B Term Loan Lender that delivers a Lender Addendum as provided in Section 5.1(a) hereby declines 100% of the portion of such optional prepayment applicable to such Lender's Tranche B Term Loans, and each such Lender hereby waives the notice requirements of this Section 2.18(d).

(e) The application of any payment of Loans under any Facility (including optional and mandatory prepayments) shall be made, FIRST, to Base Rate Loans under such Facility and, SECOND, to Eurodollar Loans under such Facility. Each payment of the Loans (except in the case of Swing Line Loans and Revolving Credit Loans that are Base Rate Loans) shall be accompanied by accrued interest to the date of such payment on the amount paid.

(f) All payments (including prepayments) to be made by the Borrower hereunder, whether on account of principal, interest, fees or otherwise, shall be made without setoff or counterclaim and shall be made prior to 12:00 Noon, New York City time, on the due date thereof to the Administrative Agent, for the account of the relevant Lenders, at the Payment Office, in Dollars and in immediately available funds. Any payment made by the Borrower after 12:00 Noon, New York City time, on any Business Day shall be deemed to have been made on the next following Business Day. The Administrative Agent shall distribute such payments to the Lenders promptly upon receipt in like funds as received. If any payment hereunder (other than payments on the Eurodollar Loans) becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day. If any payment on a Eurodollar Loan becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day unless the result of such extension would be to extend such payment into another calendar month, in which event such payment shall be made on the immediately preceding Business Day. In the case of any extension of any payment of principal pursuant to the preceding two sentences, interest thereon shall be payable at the then applicable rate during such extension.

(g) Unless the Administrative Agent shall have been notified in writing by any Lender prior to a borrowing that such Lender will not make the amount that would constitute its share of such borrowing available to the Administrative Agent, the Administrative Agent may assume that such Lender is making such amount available to the Administrative Agent, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower a corresponding amount. If such amount is not made available to the Administrative Agent by the required time on the Borrowing Date therefor, such Lender shall pay to the Administrative Agent, on demand, such amount with interest thereon at a rate equal to the daily average Federal Funds Effective Rate for the period until such Lender makes such amount immediately available to the Administrative Agent. A certificate of the Administrative Agent submitted to any Lender with respect to any amounts owing under this paragraph shall be conclusive in the absence of manifest error. If such Lender's share of such borrowing is not made available to the Administrative Agent by such Lender within three Business Days after such Borrowing Date, the Administrative Agent shall also be entitled to recover such amount with interest thereon at the rate per annum applicable to Base Rate Loans under the relevant Facility, on demand, from the Borrower.

(h) Unless the Administrative Agent shall have been notified in writing by the Borrower prior to the date of any payment due to be made by the Borrower hereunder that the Borrower will not make such payment to the Administrative Agent, the Administrative Agent may assume that the Borrower is making such payment, and the Administrative Agent may, but shall not be required to, in reliance upon such assumption, make available to the Lenders their respective pro rata shares of a corresponding amount. If such payment is not made to the Administrative Agent by the Borrower within three Business Days after such due date, the Administrative Agent shall be entitled to recover, on demand, from each Lender to which any amount which was made available pursuant to the preceding sentence, such amount with interest thereon at the rate per annum equal to the daily average Federal Funds Effective Rate. Nothing herein shall be deemed to limit the rights of the Administrative Agent or any Lender against the Borrower.

2.19 REQUIREMENTS OF LAW. (a) If the adoption of or any change in any Requirement of Law or in the interpretation or application thereof or compliance by any Lender with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority made subsequent to the date hereof:

(i) shall subject any Lender to any tax of any kind whatsoever with respect to this Agreement, any Letter of Credit, any Application or any Eurodollar Loan made by it, or change the basis of taxation of payments to such Lender in respect thereof (except for Non-Excluded Taxes covered by Section 2.20 and changes in the rate of tax on the overall net income of such Lender);

(ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Lender that is not otherwise included in the determination of the Eurodollar Rate hereunder; or

(iii) shall impose on such Lender any other condition;

and the result of any of the foregoing is to increase the cost to such Lender, by an amount which such Lender deems to be material, of making, converting into, continuing or maintaining Eurodollar Loans or issuing or participating in Letters of Credit, or to reduce any amount receivable hereunder in respect thereof, then, in any such case, the Borrower shall promptly pay such Lender, upon its demand, any additional amounts necessary to compensate such Lender for such increased cost or reduced amount receivable. If any Lender becomes entitled to claim any additional amounts pursuant to this Section, it shall promptly notify the Borrower (with a copy to the Administrative Agent) of the event by reason of which it has become so entitled.

(b) If any Lender shall have determined that the adoption of or any change in any Requirement of Law regarding capital adequacy or in the interpretation or application thereof or compliance by such Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental

Authority made subsequent to the date hereof shall have the effect of reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder or under or in respect of any Letter of Credit to a level below that which such Lender or such corporation could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time, after submission by such Lender to the Borrower (with a copy to the Administrative Agent) of a written request therefor, the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender or such corporation for such reduction.

(c) In addition to, and without duplication of, amounts which may become payable from time to time pursuant to paragraphs (a) and (b) of this Section 2.19, the Borrower agrees to pay to each Lender which requests compensation under this paragraph (c) by notice to the Borrower, on the last day of each Interest Period with respect to any Eurodollar Loan made by such Lender, at any time when such Lender shall be required to maintain reserves against "Eurocurrency liabilities" under Regulation D of the Board of Governors of the Federal Reserve System (or, at any time when such Lender may be required by the Board of Governors of the Federal Reserve System or by any other Governmental Authority, whether within the United States or in another relevant jurisdiction, to maintain reserves against any other category of liabilities which includes deposits by reference to which the Eurodollar Rate is determined as provided in this Agreement or against any category of extensions of credit or other assets of such Lender which includes any such Eurodollar Loans), an additional amount (determined by such Lender's calculation or, if an accurate calculation is impracticable, reasonable estimate using such reasonable means of allocation as such Lender shall determine) equal to the actual costs, if any, incurred by such Lender during such Interest Period as a result of the applicability of the foregoing reserves to such Eurodollar Loans.

(d) A certificate as to any additional amounts payable pursuant to this Section submitted by any Lender to the Borrower (with a copy to the Administrative Agent) shall be conclusive in the absence of manifest error. The obligations of the Borrower pursuant to this Section shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

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2.20 TAXES. (a) Except as required by law, all payments made by the Borrower under this Agreement shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, excluding net income taxes and franchise and doing business taxes (imposed in lieu of net income taxes) imposed on the Administrative Agent or any Lender as a result of a present or former connection between the Administrative Agent or such Lender and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from the Administrative Agent's or such Lender's having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any other Loan Document). If any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions or withholdings ("NON-EXCLUDED TAXES") or any Other Taxes are required to be withheld from any amounts payable to the Administrative Agent or any Lender hereunder, the amounts so payable to the Administrative Agent or such Lender shall be increased to the extent necessary to yield to the Administrative Agent or such Lender (after payment of all Non-Excluded Taxes and Other Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement; PROVIDED, HOWEVER, that no Borrower shall be required to increase any such amounts payable to any Lender with respect to any Non-Excluded Taxes (i) that are attributable to such Lender's failure to comply with the requirements of paragraph (d) or (e) of this Section or (ii) that are withholding taxes imposed on amounts payable to such Lender at the time such Lender becomes a party to this Agreement, except to the extent that such Lender's assignor (if any) was entitled, at the time of assignment, to receive additional amounts from the Borrower with respect to such Non-Excluded Taxes pursuant to Section 2.20(a).

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Whenever any Non-Excluded Taxes or Other Taxes are payable by the Borrower, as soon as practicable thereafter the Borrower shall send to the Administrative Agent for its own account or for the account of the relevant Lender, as the case may be, a certified copy of an official receipt received by the Borrower showing payment thereof (or other evidence of such payment

reasonably satisfactory to the Administrative Agent). If the Borrower fails to pay any Non-Excluded Taxes or Other Taxes when due to the appropriate taxing authority or fails to remit to the Administrative Agent the required receipts or other required documentary evidence, the Borrower shall indemnify the Administrative Agent and the Lenders for any incremental taxes, interest or penalties that may become payable by the Administrative Agent or any Lender as a result of any such failure. The agreements in this Section 2.20 shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

(d) Each Lender (or Transferee) that is not a citizen or resident of the United States of America, a corporation, partnership or other entity created or organized in or under the laws of the United States of America (or any jurisdiction thereof), or any estate or trust that is subject to federal income taxation regardless of the source of its income (a "NON-U.S. LENDER") shall deliver to the Borrower and the Administrative Agent (or, in the case of a Participant, to the Lender from which the related participation shall have been purchased) two copies of either U.S. Internal Revenue Service Form W-8BEN or Form W-8ECI (or other applicable form), or, in the

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case of a Non-U.S. Lender claiming exemption from U.S. federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest" a statement substantially in the form of Exhibit I and a Form W-8BEN (or other applicable form), or any subsequent versions thereof or successors thereto properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or a reduced rate of, U.S. federal withholding tax on all payments by the Borrower under this Agreement and the other Loan Documents. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of any Participant, on or before the date such Participant purchases the related participation). In addition, each Non-U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Each Non-U.S. Lender shall promptly notify the Borrower at any time it determines that it is no longer in a position to provide any previously delivered certificate to the Borrower (or any other form of certification adopted by the U.S. taxing authorities for such purpose). Notwithstanding any other provision of this paragraph, a Non-U.S. Lender shall not be required to deliver any form pursuant to this paragraph that such Non-U.S. Lender is not legally able to deliver.

(e) A Lender that is entitled to an exemption from or reduction of non-U.S. withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by the Borrower, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate, PROVIDED that such Lender is legally entitled to complete, execute and deliver such documentation and in such Lender's reasonable judgment such completion, execution or submission would not materially prejudice the legal position of such Lender.

2.21 INDEMNITY. The Borrower agrees to indemnify each Lender for, and to hold each Lender harmless from, any loss or expense that such Lender sustains or incurs as a consequence of (a) default by the Borrower in making a borrowing of, conversion into or continuation of Eurodollar Loans after the Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (b) default by the Borrower in making any prepayment after the Borrower has given a notice thereof in accordance with the provisions of this Agreement or (c) the making by the Borrower of a prepayment or conversion of Eurodollar Loans on a day that is not the last day of an Interest Period with respect thereto; PROVIDED that any request for indemnification made by a Lender pursuant to this Section 2.21 shall be made within six months of the incurrance of the loss or expense requested to be indemnified. Such indemnification may include an amount equal to the excess, if any, of (i) the amount of interest that would have accrued on the amount so prepaid, or not so borrowed, converted or continued, for the period from the date of such prepayment or of such failure to borrow, convert or continue to the last day of such Interest Period (or, in the case of a failure to borrow, convert or continue, the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such Loans provided for herein (excluding, however, the Applicable Margin included therein, if any) over (ii) the amount of interest (as reasonably determined by such Lender) that would have accrued to such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank Eurodollar

market. A certificate as to any amounts payable pursuant to this Section submitted to the Borrower by any Lender shall be conclusive in the absence of manifest error. This covenant shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

2.22 ILLEGALITY. Notwithstanding any other provision herein, if the adoption of or any change in any Requirement of Law or in the interpretation or application thereof shall make it unlawful for any Lender to make or maintain Eurodollar Loans as contemplated by this Agreement, (a) the commitment of such Lender hereunder to make Eurodollar Loans, continue Eurodollar Loans as such and convert Base Rate Loans to Eurodollar Loans shall forthwith be canceled and (b) such Lender's Loans then outstanding as Eurodollar Loans, if any, shall be converted automatically to Base Rate Loans on the respective last days of the then current Interest Periods with respect to such Loans or within such earlier period as required by law. If any such conversion of a Eurodollar Loan occurs on a day which is not the last day of the then current Interest Period with respect thereto, the Borrower shall pay to such Lender such amounts, if any, as may be required pursuant to Section 2.21.

2.23 CHANGE OF LENDING OFFICE. Each Lender agrees that, upon the occurrence of any event that it knows to give rise to the operation of Section 2.19, 2.20(a) or 2.22 with respect to such Lender, it will use all commercially reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office for any Loans affected by such event, or to assign its rights and obligations hereunder with respect to such Loans to another of its offices, branches or affiliates with the object of avoiding the consequences of such event, or to assign its rights and obligations hereunder with respect to such Loans to another of its offices, branches or affiliates, with the object of avoiding the consequences of such event; PROVIDED, that such designation is made on terms that, in the reasonable sole judgment of such Lender, cause such Lender and its lending office(s) to suffer no economic, legal or regulatory disadvantage, and provided, further, that nothing in this Section shall affect or postpone any of the obligations of the Borrower or the rights of any Lender pursuant to Section 2.19, 2.20(a) or 2.22.

2.24 REPLACEMENT OF LENDERS UNDER CERTAIN CIRCUMSTANCES. The Borrower shall be permitted to replace any Lender (a) that requests reimbursement for amounts owing pursuant to Section 2.19, (b) with respect to which the Borrower is required to pay any amounts under Section 2.20 or (c) that defaults in its obligation to make Loans hereunder, with a replacement financial institution or other entity; PROVIDED that (i) such replacement does not conflict with any Requirement of Law, (ii) no Event of Default shall have occurred and be continuing at the time of such replacement, (iii) prior to any such replacement, such Lender shall have taken no action under Section 2.23 so as to eliminate the continued need for payment of amounts owing pursuant to Section 2.19 or 2.20, (iv) the replacement financial institution or other entity shall purchase, at par, all Loans and other amounts owing to such replaced Lender on or prior to the date of replacement, (v) the Borrower shall be liable to such replaced Lender under Section 2.21 (as though Section 2.21 were applicable) if any Eurodollar Loan owing to such replaced Lender shall be purchased other than on the last day of the Interest Period relating thereto, (vi) the replacement financial institution or other entity, if not already a Lender, shall be reasonably satisfactory to the Administrative Agent, (vii) the replaced Lender and replacement Lender shall be obligated to make such replacement in accordance with the provisions of Section 10.6

(including, without limitation, obtaining the consents provided for therein) (provided that the Borrower shall be obligated to pay the registration and processing fee referred to therein), (viii) the Borrower shall pay all additional amounts (if any) required pursuant to Section 2.19 or 2.20, as the case may be, in respect of any period prior to the date on which such replacement shall be consummated, and (ix) any such replacement shall not be deemed to be a waiver of any rights that the Borrower, the Administrative Agent or any other Lender shall have against the replaced Lender.

SECTION 3 LETTERS OF CREDIT

3.1 L/C COMMITMENT. (a) Subject to the terms and conditions hereof, each Issuing Lender, in reliance on the agreements of the other Revolving Credit Lenders set forth in Section 3.4(a), agrees to issue letters of credit ("LETTERS OF CREDIT") for the account of the Borrower on any Business Day during the Revolving Credit Commitment Period in such form as may be approved from time to time by such Issuing Lender; PROVIDED, that no Issuing Lender shall

have any obligation to issue any Letter of Credit if, after giving effect to such issuance, (i) the L/C Obligations would exceed the L/C Commitment or (ii) the aggregate amount of the Available Revolving Credit Commitments would be less than zero. Each Letter of Credit shall (i) be denominated in Dollars and (ii) expire no later than the earlier of (x) the first anniversary of its date of issuance and (y) the date which is five Business Days prior to the Revolving Credit Termination Date, provided that any Letter of Credit with a one-year term may provide for the renewal thereof for additional one-year periods (which shall in no event extend beyond the date referred to in clause (y) above).

(b) No Issuing Lender shall at any time be obligated to issue any Letter of Credit hereunder if such issuance would conflict with, or cause such Issuing Lender or any L/C Participant to exceed any limits imposed by, any applicable Requirement of Law.

(c) All Letters of Credit outstanding under (and as defined in) the Existing Credit Agreement on the Restatement Effective Date shall remain outstanding hereunder as Letters of Credit on the terms set forth herein.

3.2 PROCEDURE FOR ISSUANCE OF LETTER OF CREDIT. The Borrower may from time to time request that an Issuing Lender issue a Letter of Credit by delivering to such Issuing Lender (with a copy to the Administrative Agent) at its address for notices specified herein an Application therefor, completed to the satisfaction of such Issuing Lender, and such other certificates, documents and other papers and information as such Issuing Lender may request. Upon receipt of any Application, an Issuing Lender will process such Application and the certificates, documents and other papers and information delivered to it in connection therewith in accordance with its customary procedures and shall promptly issue the Letter of Credit requested thereby by issuing the original of such Letter of Credit to the beneficiary thereof or as otherwise may be agreed to by such Issuing Lender and the Borrower (but in no event shall any Issuing Lender be required to issue any Letter of Credit earlier than three Business Days after its receipt of the Application therefor and all such other certificates, documents and other papers and information relating thereto). Promptly after issuance by an Issuing Lender of a Letter of Credit, such Issuing Lender shall furnish a copy of such Letter of Credit to the Borrower. Each Issuing Lender shall, within three days of such issuance, give notice to the Administrative Agent

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of the issuance of each Letter of Credit issued by such Issuing Lender (including the amount thereof). Upon the written request of any Revolving Credit Lender, the Administrative Agent will, within three Business Days of such request, inform such Revolving Credit Lender of the aggregate drawable amount of all outstanding Letters of Credit issued to the Borrower on the date of such request.

3.3 FEES AND OTHER CHARGES. (a) The Borrower will pay to the Administrative Agent, for the account of the Revolving Credit Lenders, a fee on the aggregate drawable amount of all outstanding Letters of Credit issued for such its account at a per annum rate equal to the Applicable Margin then in effect with respect to Eurodollar Loans under the Revolving Credit Facility, to be shared ratably among the Revolving Credit Lenders in accordance with their respective Revolving Credit Percentages and payable quarterly in arrears on each L/C Fee Payment Date after the issuance date. In addition, the Borrower shall pay to the relevant Issuing Lender for its own account a fronting fee on the aggregate drawable amount of all outstanding Letters of Credit issued by such Issuing Lender for the Borrower's account at a rate to be agreed upon by the Borrower and such Issuing Lender, payable quarterly in arrears on each L/C Fee Payment Date after the date of issuance of such Letter of Credit.

(b) In addition to the foregoing fees, the Borrower shall pay or reimburse each Issuing Lender for such normal and customary costs and expenses as are incurred or charged by such Issuing Lender in issuing, negotiating, effecting payment under, amending or otherwise administering any Letter of Credit.

3.4 L/C PARTICIPATIONS. (a) Each Issuing Lender irrevocably agrees to grant and hereby grants to each L/C Participant, and, to induce each Issuing Lender to issue Letters of Credit hereunder, each L/C Participant irrevocably agrees to accept and purchase and hereby accepts and purchases from each Issuing Lender, on the terms and conditions hereinafter stated, for such L/C Participant's own account and risk, an undivided interest equal to such L/C Participant's Revolving Credit Percentage in each Issuing Lender's obligations and rights under each Letter of Credit issued by such Issuing Lender hereunder and the amount of each draft paid by such Issuing Lender thereunder. Each L/C Participant unconditionally and irrevocably agrees with each Issuing Lender that, if a draft is paid under any Letter of Credit issued by such Issuing

Lender for which such Issuing Lender is not reimbursed in full by the Borrower in accordance with the terms of this Agreement, such L/C Participant shall pay to such Issuing Lender upon demand at such Issuing Lender's address for notices specified herein an amount equal to such L/C Participant's Revolving Credit Percentage of the amount of such draft, or any part thereof, that is not so reimbursed.

(b) If any amount required to be paid by any L/C Participant to an Issuing Lender pursuant to Section 3.4(a) in respect of any unreimbursed portion of any payment made by such Issuing Lender under any Letter of Credit is paid to such Issuing Lender within three Business Days after the date such payment is due, such L/C Participant shall pay to such Issuing Lender on demand an amount equal to the product of (i) such amount, times (ii) the daily average Federal Funds Effective Rate during the period from and including the date such payment is required to the date on which such payment is immediately available to such Issuing Lender, times (iii) a fraction the numerator of which is the number of days that elapse during such period and the denominator of which is 360. If any such amount required to be paid by any L/C

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Participant pursuant to Section 3.4(a) is not made available to such Issuing Lender by such L/C Participant within three Business Days after the date such payment is due, such Issuing Lender shall be entitled to recover from such L/C Participant, on demand, such amount with interest thereon calculated from such due date at the rate per annum applicable to Base Rate Loans under the Revolving Credit Facility. A certificate of such Issuing Lender submitted to any L/C Participant with respect to any such amounts owing under this Section shall be conclusive in the absence of manifest error.

(c) Whenever, at any time after an Issuing Lender has made payment under any Letter of Credit and has received from any L/C Participant its PRO RATA share of such payment in accordance with Section 3.4(a), such Issuing Lender receives any payment related to such Letter of Credit (whether directly from the Borrower or otherwise, including proceeds of collateral applied thereto by such Issuing Lender), or any payment of interest on account thereof, such Issuing Lender will distribute to such L/C Participant its PRO RATA share thereof; PROVIDED, HOWEVER, that in the event that any such payment received by such Issuing Lender shall be required to be returned by such Issuing Lender, such L/C Participant shall return to such Issuing Lender the portion thereof previously distributed by such Issuing Lender to it.

3.5 REIMBURSEMENT OBLIGATION OF THE BORROWER. The Borrower agrees to reimburse each Issuing Lender, on the next Business Day after each date on which such Issuing Lender notifies the Borrower of the date and amount of a draft presented under any Letter of Credit issued for its account and paid by such Issuing Lender, for the amount of (a) such draft so paid and (b) any taxes, fees, charges or other costs or expenses incurred by such Issuing Lender in connection with such payment (the amounts described in the foregoing clauses (a) and (b) in respect of any drawing, collectively, the "PAYMENT AMOUNT"). Each such payment shall be made to such Issuing Lender at its address for notices specified herein in lawful money of the United States of America and in immediately available funds. Interest shall be payable on each Payment Amount from the date of the applicable drawing until payment in full at the rate set forth in (i) until the second Business Day following the date of the applicable drawing, Section 2.15(b) and (ii) thereafter, Section 2.15(c). Each drawing under any Letter of Credit issued for the Borrower's account shall (unless an event of the type described in clause (i) or (ii) of Section 8(f) shall have occurred and be continuing with respect to the Borrower, in which case the procedures specified in Section 3.4 for funding by L/C Participants shall apply) constitute a request by the Borrower to the Administrative Agent for a borrowing pursuant to Section 2.5 of Base Rate Loans (or, at the option of the Administrative Agent and the Swing Line Lender in their sole discretion, a borrowing pursuant to Section 2.7 of Swing Line Loans) in the amount of such drawing. The Borrowing Date with respect to such borrowing shall be the first date on which a borrowing of Revolving Credit Loans (or, if applicable, Swing Line Loans) could be made, pursuant to Section 2.5 (or, if applicable, Section 2.7), if the Administrative Agent had received a notice of such borrowing at the time the Administrative Agent receives notice from the relevant Issuing Lender of such drawing under such Letter of Credit.

3.6 OBLIGATIONS ABSOLUTE. The Borrower's obligations under this Section 3 shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment that the Borrower may have or have had against any Issuing Lender, any beneficiary of a Letter of Credit or any other Person. The Borrower also agrees with each Issuing Lender that such Issuing Lender shall not be responsible for, and its Reimbursement

Obligations under Section 3.5 shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged, or any dispute between or among the Borrower and any beneficiary of any Letter of Credit or any other party to which such Letter of Credit may be transferred or any claims whatsoever of the Borrower against any beneficiary of such Letter of Credit or any such transferee. No Issuing Lender shall be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit, except for errors or omissions found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Issuing Lender. The Borrower agrees that any action taken or omitted by an Issuing Lender under or in connection with any Letter of Credit issued by it for the account of the Borrower or the related drafts or documents, if done in the absence of gross negligence or willful misconduct and in accordance with the standards of care specified in the Uniform Commercial Code in effect in the State of New York (the "UCC") or, if applicable to such Letter of Credit, the Uniform Customs and Practice for Documentary Credits as published by the International Chamber of Commerce most recently at the time of issuance of any Letter of Credit (the "UCP"), shall be binding on the Borrower and shall not result in any liability of such Issuing Lender to the Borrower.

3.7 LETTER OF CREDIT PAYMENTS. If any draft shall be presented for payment under any Letter of Credit, the relevant Issuing Lender shall promptly notify the Borrower of the date and amount thereof. The responsibility of the relevant Issuing Lender to the Borrower in connection with any draft presented for payment under any Letter of Credit, in addition to any payment obligation expressly provided for in such Letter of Credit issued by such Issuing Lender, shall be limited to determining that the documents (including each draft) delivered under such Letter of Credit in connection with such presentment appear on their face to be in conformity with such Letter of Credit.

3.8 APPLICATIONS. To the extent that any provision of any Application related to any Letter of Credit is inconsistent with the provisions of this Section 3, the provisions of this Section 3 shall apply.

SECTION 4 REPRESENTATIONS AND WARRANTIES

To induce the Administrative Agent and the Lenders to enter into this Agreement and to make the Loans and issue or participate in the Letters of Credit, the Parent and the Borrower hereby jointly and severally represent and warrant to the Administrative Agent and each Lender that:

4.1 FINANCIAL CONDITION. The audited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at December 31, 2001 and the related consolidated statements of income and of cash flows for the fiscal year ended on such date, reported on by and accompanied by unqualified reports from PricewaterhouseCoopers LLP, present fairly in all material respects the consolidated financial condition of the Borrower and its consolidated Subsidiaries as at such date, and the consolidated results of their operations and their consolidated cash flows for such fiscal year then ended. The unaudited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as of and for the fiscal quarters ended

March 31, 2002 and June 30, 2002, and the related unaudited consolidated statements of income and cash flows for such fiscal quarters ended on such dates, present fairly in all material respects the consolidated financial condition of the Borrower and its consolidated Subsidiaries as at such dates, and the consolidated results of their operations and their consolidated cash flows for the fiscal quarters then ended (subject to normal year-end audit adjustments). All such financial statements, including the related schedules and notes thereto, have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as approved by the aforementioned firms of accountants and disclosed therein).

4.2 NO CHANGE. Up to and including the Restatement Effective Date, since December 31, 2001 there has been no development or event that has or could reasonably be expected to have a Material Adverse Effect.

4.3 CORPORATE EXISTENCE; COMPLIANCE WITH LAW. Each of the Parent, the Borrower and its Subsidiaries (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has the corporate or other power and authority, and the legal right, to own and

operate its Property, to lease the Property it operates as lessee and to conduct the business in which it is currently engaged, (c) is duly qualified as a foreign corporation and in good standing under the laws of each jurisdiction where its ownership, lease or operation of Property or the conduct of its business requires such qualification, except to the extent failure to so qualify or be in good standing could not, in the aggregate, reasonably be expected to have a Material Adverse Effect, and (d) is in compliance with all Requirements of Law except to the extent that the failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect. It is understood that this provision shall not imply a representation with respect to environmental matters, which representation is set forth in Section 4.16.

4.4 CORPORATE POWER; AUTHORIZATION; ENFORCEABLE OBLIGATIONS. Each Loan Party has the corporate or other power and authority, and the legal right, to make, deliver and perform the Loan Documents to which it is a party and, in the case of the Borrower, to borrow hereunder. Each Loan Party has taken all necessary corporate or other action to authorize the execution, delivery and performance of the Loan Documents to which it is a party and, in the case of the Borrower, to authorize the borrowings on the terms and conditions of this Agreement. No consent or authorization of, filing with, notice to or other act by or in respect of, any Governmental Authority or any other Person is required in connection with the borrowings hereunder or the execution, delivery, performance, validity or enforceability of this Agreement or any of the other Loan Documents, except (i) consents, authorizations, filings and notices described in Schedule 4.4, which consents, authorizations, filings and notices have been obtained or made and are in full force and effect and (ii) the filings referred to in Section 4.18, except to the extent failure to obtain any consents, authorizations, filings and notices could not, in the aggregate, reasonably be expected to have a Material Adverse Effect. Each Loan Document has been duly executed and delivered on behalf of each Loan Party that is a party thereto. This Agreement constitutes, and each other Loan Document upon execution will constitute, a legal, valid and binding obligation of each Loan Party that is a party thereto, enforceable against each such Loan Party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the

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enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

4.5 NO LEGAL BAR. The execution, delivery and performance of this Agreement and the other Loan Documents, the issuance of Letters of Credit, the borrowings hereunder and the use of the proceeds thereof will not violate any Requirement of Law or any Contractual Obligation of the Parent, the Borrower or any of its Subsidiaries and will not result in, or require, the creation or imposition of any Lien on any of their respective properties or revenues pursuant to any Requirement of Law or any such Contractual Obligation (other than the Liens created by the Security Documents), except to the extent such violation or Lien could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

4.6 NO MATERIAL LITIGATION. No litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of the Parent or the Borrower, threatened by or against the Parent, the Borrower or any of its Subsidiaries or against any of their respective properties or revenues (a) with respect to any of the Loan Documents or any of the transactions contemplated hereby or thereby, or (b) that could reasonably be expected to have a Material Adverse Effect.

4.7 NO DEFAULT. None of the Parent, the Borrower or any of its Subsidiaries is in default under or with respect to any of its Contractual Obligations in any respect that could reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

4.8 OWNERSHIP OF PROPERTY; LIENS. Each of the Parent, the Borrower and its Subsidiaries has title in fee simple to, or a valid leasehold interest in, all its real property, and good title to, or a valid leasehold interest in, all its other Property, and none of such Property is subject to any Lien except as permitted by Section 7.3, except to the extent such defects in title could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

4.9 INTELLECTUAL PROPERTY. The Parent, the Borrower and each of its Subsidiaries owns, or is licensed to use, all Intellectual Property necessary for the conduct of its business as currently conducted. No material claim has been asserted and is pending by any Person challenging or questioning the use of any Intellectual Property or the validity or effectiveness of any Intellectual Property, nor does the Parent or the Borrower know of any valid basis for any such claim. The use of Intellectual Property by the Parent, the

Borrower and its Subsidiaries does not infringe on the rights of any Person in any material respect. It is understood that the Borrower and its Subsidiaries will be permitted to use the CGU name and related tradenames with respect to Insurance Subsidiaries, for a period of eighteen months after the Closing Date (with conditional six-month extensions through September 24, 2005 in jurisdictions where regulatory approval for name changes has not been received) but not thereafter.

4.10 TAXES. Each of the Parent, the Borrower and each of its Subsidiaries has filed or caused to be filed all material Federal, state and other tax returns that are required to be filed (taking into account any applicable extensions) and has paid all taxes shown to be due and payable on said returns or on any assessments made against it or any of its Property and all other material taxes, fees or other charges imposed on it or any of its Property by any Governmental

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Authority (other than any the amount or validity of which are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with SAP or GAAP, as applicable, have been provided on the books of the Parent, the Borrower or its Subsidiaries, as the case may be); and, to the knowledge of the Parent and the Borrower, no tax Lien has been filed, and no claim is being asserted, with respect to any such tax, fee or other charge.

4.11 FEDERAL REGULATIONS. No part of the proceeds of any Loans will be used for "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U as now and from time to time hereafter in effect or for any purpose that violates the provisions of the Regulations of the Board. If requested by any Lender or the Administrative Agent, the Borrower will furnish to the Administrative Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form G-3 or FR Form U-1 referred to in Regulation U.

4.12 ERISA. Neither a Reportable Event nor an "accumulated funding deficiency" (within the meaning of Section 412 of the Code or Section 302 of ERISA) has occurred during the five-year period prior to the date on which this representation is made or deemed made with respect to any Plan, and each Plan has complied in all material respects with the applicable provisions of ERISA and the Code. No termination of a Single Employer Plan has occurred, and no Lien in favor of the PBGC or a Plan has arisen, during such five-year period, other than in connection with acquisitions of Houston General Insurance Group, York Insurance Company and A.W.G. Dewar, Inc. The present value of all accrued benefits under each Single Employer Plan (based on those assumptions used to fund such Plans) did not, as of the last annual valuation date prior to the date on which this representation is made or deemed made, exceed the value of the assets of such Plan allocable to such accrued benefits by an amount which, if the Plan then terminated, could reasonably be expected to result in a Material Adverse Effect. Neither the Borrower nor any Commonly Controlled Entity has had a complete or partial withdrawal from any Multiemployer Plan that has resulted or could reasonably be expected to result in a material liability under ERISA, and neither the Borrower nor any Commonly Controlled Entity would become subject to any liability under ERISA which could reasonably be expected to result in a Material Adverse Effect if the Borrower or any such Commonly Controlled Entity were to withdraw completely from all Multiemployer Plans as of the valuation date most closely preceding the date on which this representation is made or deemed made. No such Multiemployer Plan is in Reorganization or Insolvent.

4.13 INVESTMENT COMPANY ACT; OTHER REGULATIONS. No Loan Party is an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended. No Loan Party is subject to regulation under any Requirement of Law (other than Regulation X of the Board) which limits its ability to incur Indebtedness.

4.14 SUBSIDIARIES. (a) The Subsidiaries listed on Schedule 4.14 constitute all the Subsidiaries of the Borrower on the date hereof. Schedule 4.14 sets forth as of the date hereof the name and jurisdiction of incorporation of each such Subsidiary and, as to each such Subsidiary, the percentage of each class of Capital Stock owned by each Loan Party.

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(b) There are no outstanding subscriptions, options, warrants, calls, rights or other agreements or commitments (other than stock options granted to employees or directors and directors' qualifying shares) of any nature relating to any Capital Stock of the Parent, the Borrower or any

Subsidiary, except as disclosed on Schedule 4.14.

4.15 USE OF PROCEEDS. The proceeds of the Loans (other than the Tranche C Term Loans) and the Letters of Credit shall be used for working capital and general corporate purposes of the Borrower and its Subsidiaries. The proceeds of the Tranche C Term Loans shall be used to prepay the Tranche A Term Loans and, if necessary, the Tranche B Term Loans on the Restatement Effective Date.

4.16 ENVIRONMENTAL MATTERS. Other than exceptions to any of the following that could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect:

(a) The Borrower and its Subsidiaries: (i) are, and within the period of all applicable statutes of limitation have been, in compliance with all applicable Environmental Laws; (ii) hold all Environmental Permits (each of which is in full force and effect) required for any of their current operations or for any property owned, leased, or otherwise operated by any of them; and (iii) are, and within the period of all applicable statutes of limitation have been, in compliance with all of their Environmental Permits.

(b) Materials of Environmental Concern are not present at, on, under, in, or about any real property now and were not present at, on, under, in or about any real property formerly owned, leased or operated by any of them during the period of such ownership, lease or operation, owned, leased or operated by the Borrower or any of its Subsidiaries, and neither the Borrower nor any of its Subsidiaries (nor any entity for the actions of which any of them is responsible) has released or discharged any Materials of Environmental Concern at any property formerly owned, leased or operated by any of them or at any other location (including, without limitation, any location to which Materials of Environmental Concern have been sent for re-use or recycling or for treatment, storage, or disposal) which could reasonably be expected to (i) give rise to liability of the Borrower or any of its Subsidiaries under any applicable Environmental Law, or (ii) adversely interfere with the Borrower's or any of its Subsidiaries' continued operations.

(c) There is no judicial, administrative, or arbitral proceeding (including any notice of violation or alleged violation) under or relating to any Environmental Law to which the Borrower or any of its Subsidiaries is, or to the knowledge of the Parent or the Borrower will be, named as a party that is pending or, to the knowledge of the Parent or the Borrower threatened, nor has the Borrower nor any of its Subsidiaries received any request for information the subject of which could reasonably be expected to result in any of the foregoing.

(d) Neither the Borrower nor any of its Subsidiaries has received any written notice that it is a potentially responsible party under or relating to the federal

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Comprehensive Environmental Response, Compensation, and Liability Act or any similar Environmental Law, or with respect to any Materials of Environmental Concern.

(e) Neither the Borrower nor any of its Subsidiaries has entered into or agreed to any consent decree, order, or settlement or other agreement, or is subject to any judgment, decree, or order or other agreement, in any judicial, administrative, arbitral, or other forum for dispute resolution, relating to compliance with or liability under any Environmental Law.

(f) Neither the Borrower nor any of its Subsidiaries has assumed or retained, by contract or operation of law, any liabilities of any kind, fixed or contingent, reasonably likely to form the basis for any claim under any Environmental Law or with respect to any Material of Environmental Concern.

(g) It is understood that Section 4.16 does not apply to claims made pursuant to policies for which the Borrower or any of its Subsidiaries is or is asserted to be responsible, issued pursuant to the insurance business of the Borrower and/or its Insurance Subsidiaries or to the settlement of any such claims.

4.17 ACCURACY OF INFORMATION, ETC. No statement or information contained in this Agreement, any other Loan Document, the Confidential Information Memorandum or any other document, certificate or statement furnished

to the Administrative Agent or the Lenders or any of them, by or on behalf of any Loan Party for use in connection with the transactions contemplated by this Agreement or the other Loan Documents, contained as of the date such statement, information, document or certificate was so furnished (or, in the case of the Confidential Information Memorandum, as of the date of this Agreement), any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements contained herein or therein not misleading. The projections and pro forma financial information contained in the materials referenced above are based upon good faith estimates and assumptions believed by management of the Borrower to be reasonable at the time made, it being recognized by the Lenders that such financial information as it relates to future events is not to be viewed as fact and that actual results during the period or periods covered by such financial information may differ from the projected results set forth therein by a material amount. The representations and warranties made by the Parent and the Borrower under the Existing Credit Agreement were true and correct in all material respects when made.

4.18 SECURITY DOCUMENTS. The Guarantee and Collateral Agreement is effective to create in favor of the Administrative Agent, for the benefit of the Lenders, a legal, valid and enforceable security interest in the Collateral described therein and proceeds thereof. In the case of the Pledged Stock described in the Guarantee and Collateral Agreement, when any stock certificates representing such Pledged Stock are delivered to the Administrative Agent, and in the case of the other Collateral described in the Guarantee and Collateral Agreement, when financing statements in appropriate form are filed in the offices specified on Schedule 4.18 (which financing statements have been filed) and such other filings as are specified on Schedule 3 to the Guarantee and Collateral Agreement have been completed (all documents required for which filings have been duly completed and executed and delivered to the Administrative Agent), the Guarantee and Collateral Agreement shall constitute a perfected Lien on, and security interest in,

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all right, title and interest of the Loan Parties in such Collateral and the proceeds thereof, as security for the Obligations (as defined in the Guarantee and Collateral Agreement), in each case to the extent that such security interest can be perfected by the delivery of stock certificates and other instruments with effective indorsements, the filing of UCC financing statements, and filings in respect of Intellectual Property in the United States Patent and Trademarks Office.

4.19 SOLVENCY. Each Loan Party is, and after giving effect to the incurrence of all Indebtedness and obligations being incurred in connection herewith will be and will continue to be, Solvent.

4.20 INSURANCE REGULATORY MATTERS. No License of any Insurance Subsidiary, the loss of which could reasonably be expected to have a Material Adverse Effect, is the subject of a proceeding for suspension or revocation. To the knowledge of the Parent or the Borrower, there is no sustainable basis for such suspension or revocation, and no such suspension or revocation has been threatened by any Governmental Authority.

SECTION 5 CONDITIONS PRECEDENT

5.1 CONDITIONS TO RESTATEMENT EFFECTIVE DATE. The occurrence of the Restatement Effective Date is subject to the satisfaction of the following conditions precedent:

(a) LOAN DOCUMENTS. The Administrative Agent shall have received (i) this Agreement, executed and delivered by a duly authorized officer of the Parent, the Borrower and the Additional Borrower under (and as defined in) the Existing Credit Agreement, (ii) from the Required Lenders (as defined in the Existing Credit Agreement), Lender Addenda in the form of Exhibit J-1, (iii) from each Tranche C Term Loan Lender, a Lender Addendum in the form of Exhibit J-2 and (iv) the Guarantee and Collateral Agreement, executed and delivered by each party thereto.

(b) APPROVALS. All governmental and third party approvals necessary in connection with the continuing operations of the Parent, the Borrower and its Subsidiaries and the transactions contemplated hereby shall have been obtained and be in full force and effect.

(c) FEES. (i) (A) The Lenders, the Arranger and the Administrative Agent shall have received all fees required to be paid, and all expenses required to be paid for which invoices have been presented (including reasonable fees, disbursements and other charges of counsel to the Administrative Agent), and (B) the Borrower shall have paid to the Syndication Agent and the Co-Documentation Agents all fees that have been

agreed to with them, in each case on or before the Restatement Effective Date, and (ii) on the Restatement Effective Date the Borrowers shall have paid (A) to each Tranche A Term Loan Lender that (x) consents to the Restated Credit Agreement and (y) commits to make a Tranche C Term Loan (or to convert its Tranche A Term Loans into Tranche C Term Loans pursuant to Section 2.1(b)) on the Restatement Effective Date in a total amount equal to the aggregate outstanding principal amount of such Lender's Tranche A Term Loans, a consent fee equal to 0.10% of such Lender's Tranche A Term Loans outstanding on the Restatement Effective Date (prior to giving effect to any such conversion), (B) to

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each Tranche B Term Loan Lender that (x) consents to the Restated Credit Agreement and (y) declines 100% of the proceeds of the Tranche C Term Loans that would otherwise be applicable to prepay such Lender's Tranche B Term Loans, a consent fee equal to 0.10% of such Lender's Tranche B Term Loans outstanding on the Restatement Effective Date and (C) to each Revolving Credit Lender that consents to the Restated Credit Agreement, a consent fee equal to 0.10% of such Lender's Revolving Credit Commitments in effect as of the Restatement Effective Date.

(d) CLOSING CERTIFICATE. The Administrative Agent shall have received a certificate of each Loan Party, dated the Restatement Effective Date, substantially in the form of Exhibit C, with appropriate insertions and attachments.

(e) LEGAL OPINIONS. The Administrative Agent shall have received the legal opinion of Cravath Swaine & Moore, counsel to the Parent, the Borrower and its Subsidiaries, substantially in the form of Exhibit F.

5.2 CONDITIONS TO RESTATEMENT EFFECTIVE DATE AND EACH EXTENSION OF CREDIT. The occurrence of the Restatement Effective Date and the agreement of each Lender to make any extension of credit requested to be made by it hereunder on any date (including, without limitation, its initial extension of credit) is subject to the satisfaction of the following conditions precedent:

(a) REPRESENTATIONS AND WARRANTIES. Each of the representations and warranties made by any Loan Party in or pursuant to the Loan Documents shall be true and correct in all material respects on and as of such date as if made on and as of such date, except to the extent that they expressly relate to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date.

(b) NO DEFAULT. No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the extensions of credit requested to be made on such date.

Each borrowing by and issuance of a Letter of Credit on behalf of the Borrower hereunder shall constitute a representation and warranty by the Borrower as of the date of such extension of credit that the conditions contained in this Section 5.2 have been satisfied.

SECTION 6 AFFIRMATIVE COVENANTS

The Parent and the Borrower hereby jointly and severally agree that, from and after the Restatement Effective Date and so long as the Commitments remain in effect, any Letter of Credit remains outstanding or any Loan or other amount is owing to any Lender or the Administrative Agent hereunder, each of the Parent and the Borrower shall and shall cause each of its Subsidiaries to:

6.1 FINANCIAL STATEMENTS. Furnish to the Administrative Agent (with sufficient copies for distribution by the Administrative Agent to each Lender):

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(a) (i) as soon as available, but in any event within 95 days after the end of each fiscal year of the Borrower subsequent to the Closing Date, a copy of the audited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such year and the related audited consolidated statements of income and of cash flows for such year, setting forth in each case in comparative form the figures as of the end of and for the previous year, reported on without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, by PricewaterhouseCoopers LLP or other independent certified public accountants of nationally recognized standing; and

(ii) as soon as available, but in any event not later than 50 days after the end of each of the first three fiscal quarters of each fiscal year of the Borrower subsequent to the Closing Date, the unaudited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such fiscal quarter and the related unaudited consolidated statements of income and of cash flows for such fiscal quarter and the portion of the fiscal year through the end of such fiscal quarter, setting forth in each case in comparative form the figures as of the end of and for the corresponding period in the previous year, certified by a Responsible Officer of the Borrower as being fairly stated in all material respects (subject to normal year-end audit adjustments);

all such financial statements, together with notes to such financial statements, to fairly present in all material respects the financial condition and income and cash flows of the subject thereof as at the dates and for the periods covered thereby, and to be prepared in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods (except as approved by such accountants or officer, as the case may be, and disclosed therein).

(b) to the extent such a report is required by law to be prepared, as soon as available but not later than 85 days after the end of each fiscal year of each Material Insurance Subsidiary subsequent to the Closing Date, copies of the unaudited Annual Statement of such Material Insurance Subsidiary, certified by a Responsible Officer of such Material Insurance Subsidiary, all such statements to be prepared in accordance with SAP consistently applied throughout the periods reflected therein and, if required by the applicable Governmental Authority, audited and certified by independent certified public accountants of recognized national standing (it being understood that 150 days shall be allowed for delivery of audited statements);

(c) as soon as available but not later than 70 days after the end of each of the first three fiscal quarters of each fiscal year of each Material Insurance Subsidiary subsequent to the Closing Date, copies of the Quarterly Statement of each of the Material Insurance Subsidiaries, certified by a Responsible Officer of such Material Insurance Subsidiary, all such statements to be prepared in accordance with SAP consistently applied through the period reflected herein;

(d) within 15 days after being delivered to any Material Insurance Subsidiary subsequent to the Closing Date, any final Report on Examination issued by the applicable

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Department or the NAIC that results in material adjustments to the financial statements referred to in paragraphs (b)(i) or (b)(ii) above; and

(e) within 100 days after the end of each fiscal year of each Material Insurance Subsidiary subsequent to the Closing Date, a copy of the "Statement of Actuarial Opinion" and "Management Discussion and Analysis" for each such Material Insurance Subsidiary which is provided to the applicable Department (or equivalent information should such Department no longer require such a statement) as to the adequacy of loss reserves of such Material Insurance Subsidiary, such opinion to be in the format prescribed by the insurance code of the state of domicile of such Material Insurance Subsidiary.

6.2 CERTIFICATES; OTHER INFORMATION. Furnish to the Administrative Agent or, in the case of clause (f), to the relevant Lender:

(a) concurrently with the delivery of the financial statements referred to in Section 6.1(a)(i) (and, if such financial statements are audited, Section 6.1(b)(i)), a certificate of the independent certified public accountants reporting on such financial statements stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default (it being understood that such certificate may be limited in scope and qualified in accordance with customary practices of the accounting profession), except as specified in such certificate;

(b) concurrently with the delivery of any financial statements pursuant to Section 6.1, (i) a certificate of a Responsible Officer stating that, to the best of such Responsible Officer's knowledge, each Loan Party during such period has observed or performed in all material respects all of its covenants and other agreements, and satisfied every condition, contained in this Agreement and the other Loan Documents to which it is a party to be observed, performed or satisfied by it, and that such

Responsible Officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate and (ii) in the case of quarterly or annual financial statements, a Compliance Certificate containing all information and calculations necessary for determining compliance by the Parent, the Borrower and its Subsidiaries with the provisions of this Agreement referred to therein as of the last day of the fiscal quarter or fiscal year of the Borrower, as the case may be;

(c) as soon as available, and in any event no later than 95 days after the end of each fiscal year of the Borrower subsequent to the Closing Date, a budget for the following fiscal year (including a projected balance sheet of the Borrower and its Subsidiaries as of the end of the following fiscal year, and the related statements of projected cash flow (cash flow to be prepared on a Parent only basis), projected changes in financial position and projected income), and, as soon as available, significant revisions, if any, of such budget and projections with respect to such fiscal year (collectively, the "PROJECTIONS"), which Projections shall in each case be accompanied by a certificate of a Responsible Officer of the Borrower stating that such Projections have been prepared in good faith and are based on good faith estimates and assumptions believed by the Borrower to be reasonable at the time made (it being recognized by the

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Lenders that such opinions, projections and forecasts as to any future event or state of affairs are not to be viewed as factual information and that actual results during the period or periods covered by any such opinion, projection or forecast may differ from the opinions and projected and forecast results);

(d) within 50 days after the end of each first, second and third fiscal quarter of the Borrower subsequent to the Closing Date, and within 95 days after the end of each fourth fiscal quarter of the Borrower subsequent to the Closing Date, a narrative discussion and analysis of the financial condition and results of operations of the Borrower and its Subsidiaries for such fiscal quarter and for the period from the beginning of the then current fiscal year to the end of such fiscal quarter, as compared to the comparable periods of the previous year;

(e) within 10 days after the same are sent, all financial statements and reports that the Parent or the Borrower sends to the holders of any class of its debt securities or public equity securities and, within 10 days after the same are filed, all financial statements and reports that the Parent or the Borrower may make to, or file with, the SEC; and

(f) promptly, such additional financial and other information as any Lender may from time to time reasonably request.

6.3 PAYMENT OF OBLIGATIONS. Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its material obligations of whatever nature, except where the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves in conformity with GAAP with respect thereto have been provided on the books of the Parent, the Borrower or its Subsidiaries, as the case may be; PROVIDED, that the Borrower may, in the ordinary course of business, extend payments on those payables if beneficial to the operation of their businesses.

6.4 CONDUCT OF BUSINESS AND MAINTENANCE OF EXISTENCE, ETC. (a) (i) Preserve, renew and keep in full force and effect its corporate existence and (ii) take all reasonable action to maintain all licenses, rights, privileges and franchises necessary or desirable in the normal conduct of its business, except, in each case, as otherwise not prohibited by Section 7.4 and except, in the case of clause (i) above (with respect to Subsidiaries) and clause (ii) above, to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (b) comply with all Contractual Obligations and Requirements of Law, except to the extent that failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

6.5 MAINTENANCE OF PROPERTY; INSURANCE. (a) Keep all Property and systems useful and necessary in its business in good working order and condition, ordinary wear and tear excepted and (b) maintain with financially sound and reputable insurance companies (not affiliated with the Parent) insurance on all its Property in at least such amounts and against at least such risks (but including in any event public liability, product liability and business interruption) as are usually insured against in the same general area by companies engaged in the same or a similar business (it being understood that, to the extent consistent with prudent

business practices of Persons carrying on a similar business in a similar location, a program of self-insurance for first and other loss layers may be utilized).

6.6 INSPECTION OF PROPERTY; BOOKS AND RECORDS; DISCUSSIONS. (a) Keep proper books of records and account in which full, true and correct entries in conformity with GAAP (or SAP as applicable) and all Requirements of Law shall be made of all dealings and transactions in relation to its business and activities and (b) upon reasonable prior notice, permit representatives of any Lender to visit and inspect any of its properties and examine and make abstracts from any of its books and records at any reasonable time and as often as may reasonably be desired and to discuss the business, operations, properties and financial and other condition of the Parent, the Borrower and its Subsidiaries with officers and employees of the Parent, the Borrower and its Subsidiaries and, so long as a representative of the Borrower is present during such discussions (unless a Default has occurred and is continuing), with its independent certified public accountants. It is understood that (i) any information obtained by any Lender in any visit or inspection pursuant to this Section shall be subject to the confidentiality requirements of Section 10.14, (ii) the Parent and the Borrower may impose, with respect to any Lender or any Affiliate of any Lender reasonably deemed by the Parent to be engaged significantly in a business which is directly competitive with any material business of the Parent, the Borrower and its Subsidiaries, reasonable restrictions on access to proprietary information of the Parent, the Borrower and its Subsidiaries and (iii) so long as no Default shall be continuing, the Lenders will coordinate their visits through the Administrative Agent with a view to preventing the visits provided for by this Section from becoming unreasonably burdensome to the Parent, the Borrower and its Subsidiaries.

6.7 NOTICES. Promptly give notice to the Administrative Agent (it being agreed that the Administrative Agent shall, upon receipt of such notice, notify each Lender thereof) of:

(a) the occurrence of any Default or Event of Default;

(b) any (i) default or event of default under any Contractual Obligation of the Parent, the Borrower or any of its Subsidiaries or (ii) litigation, investigation or proceeding which may exist at any time between the Parent, the Borrower or any of its Subsidiaries and any Governmental Authority, that in either case, if not cured or if adversely determined, as the case may be, could reasonably be expected to have a Material Adverse Effect;

(c) (i) any litigation or proceeding affecting the Parent, the Borrower or any of its Subsidiaries (other than claims-related litigation involving an Insurance Subsidiary) in which the amount involved is \$20,000,000 or more and not covered by insurance or in which material injunctive or similar relief is sought and (ii) any claims-related litigation affecting any Insurance Subsidiary in which the exposure (net of reinsurance arrangements) of any Insurance Subsidiary is \$20,000,000 or more and for which it reasonably could be expected that liability would result;

(d) the following events, as soon as possible and, in any event, within 30 days after a Responsible Officer of the Borrower knows thereof: (i) the occurrence of any Reportable Event with respect to any Plan, a failure to make any required contribution to

a Plan, the creation of any Lien in favor of the PBGC or a Plan or any withdrawal from, or the termination, Reorganization or Insolvency of, any Multiemployer Plan or (ii) the institution of proceedings or the taking of any other action by the PBGC or the Borrower or any Commonly Controlled Entity or any Multiemployer Plan with respect to the withdrawal from, or the termination, Reorganization or Insolvency of, any Plan; and

(e) any development or event that has had a Material Adverse Effect.

Each notice pursuant to this Section shall be accompanied by a statement of a Responsible Officer setting forth details of the occurrence referred to therein and stating what action the Parent, the Borrower or the relevant Subsidiary proposes to take with respect thereto.

6.8 ENVIRONMENTAL LAWS. (a) Comply in all material respects with,

and use reasonable efforts to ensure compliance in all material respects by all tenants and subtenants, if any, with, all applicable Environmental Laws, and obtain and comply in all material respects with and maintain, and use reasonable efforts to ensure that all tenants and subtenants obtain and comply in all material respects with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws. For purposes of this section 6.8(a), noncompliance by the Parent, the Borrower and its Subsidiaries with any applicable Environmental Law shall be deemed not to constitute a breach of this section provided that, (i) upon learning of any actual or suspected noncompliance, each of them shall promptly undertake reasonable efforts to achieve compliance, and (ii) in any case, such non-compliance and any other noncompliance with Environmental Law, individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect.

(b) Conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws and promptly comply in all material respects with all orders and directives of all Governmental Authorities regarding Environmental Laws, other than such orders or directions as have been properly challenged in good faith; PROVIDED, that in any case such orders and directives could not reasonably be expected to have a Material Adverse Effect.

(c) It is understood that Section 6.8 shall not apply to claims under policies issued as part of the insurance business of the Borrower or its Insurance Subsidiaries.

6.9 [RESERVED]

6.10 ADDITIONAL COLLATERAL, ETC. (a) With respect to any assets of the type constituting Collateral under the Guarantee and Collateral Agreement acquired after the Closing Date by the Parent, the Borrower or any of its Non-Insurance Subsidiaries (other than assets acquired by an Excluded Foreign Subsidiary) as to which the Administrative Agent, for the benefit of the Lenders, does not have a perfected Lien, promptly (i) execute and deliver to the Administrative Agent such amendments to the Guarantee and Collateral Agreement or such other documents as the Administrative Agent reasonably deems necessary to grant to the Administrative Agent, for the benefit of the Lenders, a security interest in such assets and (ii) take all actions necessary to grant to the Administrative Agent, for the benefit of the Lenders, a perfected security interest in such assets, including, without limitation, the filing of Uniform

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Commercial Code financing statements in such jurisdictions as may be required by the Guarantee and Collateral Agreement or by law.

(b) With respect to any new Subsidiary (other than an Excluded Foreign Subsidiary) created or acquired after the Closing Date (which, for the purposes of this paragraph, shall include any existing Subsidiary that ceases to be an Excluded Foreign Subsidiary), by the Parent, the Borrower or any of its Non-Insurance Subsidiaries, promptly (i) execute and deliver to the Administrative Agent such amendments to the Guarantee and Collateral Agreement as the Administrative Agent reasonably deems necessary to grant to the Administrative Agent, for the benefit of the Lenders, a perfected security interest in all shares of Capital Stock of such new Subsidiary that are owned by the Parent, the Borrower or any of its Subsidiaries, (ii) take all actions required by Article 8 of the UCC to cause the Administrative Agent to acquire "control" of such shares of Capital Stock within the meaning of Article 8 of the UCC, (iii) cause such new Subsidiary (unless such Subsidiary is an Insurance Subsidiary) (A) to become a party to the Guarantee and Collateral Agreement and (B) to take such actions necessary to grant to the Administrative Agent for the benefit of the Lenders a perfected security interest in the Collateral described in the Guarantee and Collateral Agreement with respect to such new Subsidiary, and (iv) if requested by the Administrative Agent, deliver to the Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent.

(c) With respect to any new Excluded Foreign Subsidiary created or acquired after the Closing Date by the Parent, the Borrower or any of its Non-Insurance Subsidiaries (other than any Excluded Foreign Subsidiaries), promptly (i) execute and deliver to the Administrative Agent such amendments to the Guarantee and Collateral Agreement or such other documents as the Administrative Agent reasonably deems necessary in order to grant to the Administrative Agent, for the benefit of the Lenders, a perfected security interest in the Capital Stock of such new Subsidiary that is owned by the Parent, the Borrower or any of its Subsidiaries (other than any Excluded Foreign Subsidiaries), (provided that in no event shall more than 66% of the total

outstanding Capital Stock of any such new Excluded Foreign Subsidiary be required to be so pledged), (ii) take all actions required by Article 8 of the UCC to cause the Administrative Agent to acquire "control" of such shares of Capital Stock within the meaning of Article 8 of the UCC or take such other action as may be necessary or, in the reasonable opinion of the Administrative Agent, desirable to perfect the Lien of the Administrative Agent thereon, and (iii) if requested by the Administrative Agent, deliver to the Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent.

(d) For avoidance of doubt, it is understood that no Insurance Subsidiary shall be required to become a guarantor under the Guarantee and Collateral Agreement or to create a security interest in any of its assets to secure the obligations of the Borrower hereunder. It is understood that perfection actions with respect to Property becoming Collateral after the Closing Date will be consistent with actions required by Section 5.1 of the Existing Credit Agreement with respect to Collateral of the same type on the Closing Date, unless any change in law or customary practices require any additional or different actions.

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6.11 SUBORDINATED SELLER NOTE. In the case of the Parent or the Borrower, on or before the date which is eighteen months after the Closing Date, (a) extend the maturity of the Subordinated Seller Note and interest thereon by up to twelve months, (b) purchase the Subordinated Seller Note and interest thereon for common or preferred stock of White Mountains or the Parent, (c) repay or refinance the Subordinated Seller Note and interest thereon with (i) the proceeds of the issuance of common or preferred stock of the Parent or White Mountains, (ii) the proceeds of subordinated Indebtedness of the Parent or the Borrower permitted pursuant to Section 7.2(h) (i) or Section 7.2(i), the maturity date of which shall be later than the date which is six months after the final maturity date of the Term Loans and the terms and conditions of which shall be reasonably satisfactory to the Required Lenders, (iii) the proceeds of Indebtedness of the Parent permitted by Section 7.2(h) (ii), (iv) the proceeds of dividends paid by the Borrower to the Parent and permitted by Section 7.6(d) or Section 7.6(e) (i) (3) or (v) cash of the Parent (it being understood that the Subordinated Seller Note may be refinanced with a combination of (x) amounts referred to in this clause (c) (v) and (y) any one or more of the proceeds referred to in clauses (c) (i), (c) (ii), (c) (iii) and (c) (iv) above) or (d) extend, repay or refinance the Subordinated Seller Note and interest thereon through any combination of actions referred to in clauses (a), (b) and (c) above; PROVIDED that if the maturity of the Subordinated Seller Note is extended pursuant to clause (a) above, the Parent or the Borrower, on or before the date which is the maturity date of the Subordinated Seller Note as so extended, shall comply with either clause (b), clause (c) or clause (d) above.

SECTION 7 NEGATIVE COVENANTS

The Parent and the Borrower hereby jointly and severally agree that, from and after the Restatement Effective Date and so long as the Commitments remain in effect, any Letter of Credit remains outstanding or any Loan or other amount is owing to any Lender or the Administrative Agent hereunder, each of the Parent and the Borrower shall not, and shall not permit any of its Subsidiaries to, directly or indirectly:

7.1 FINANCIAL CONDITION COVENANTS.

(a) INTEREST COVERAGE RATIO. Permit the Interest Coverage Ratio for any period of four consecutive fiscal quarters of the Borrower to be less than 2.5:1.00.

(b) LEVERAGE RATIO. Permit the Leverage Ratio as at the end of any fiscal quarter of the Borrower ending on or after September 30, 2002 to exceed 35%.

(c) MAINTENANCE OF NET WORTH. Permit Consolidated Net Worth on any date of determination thereof to be less than the sum of (without duplication) (i) \$1,630,000,000, (ii) 80% of the Net Proceeds of the issuance or sale of equity securities by the Borrower consummated after the Closing Date or any capital contribution made to the Borrower after the Closing Date by any holder of its common stock and (iii) 50% of positive Consolidated Net Income of the Borrower for each fiscal quarter ending after the Closing Date and on or prior to such date of determination, MINUS 100% of cash distributions and dividends paid, or shares repurchased or redeemed, by the Borrower after the Closing Date and on or prior to such date of determination, as permitted by Section 7.6.

(d) MAINTENANCE OF CAPITAL AND SURPLUS. Permit the combined Capital and Surplus of the Insurance Subsidiaries on any date of determination thereof to be less than the sum of (without duplication) (i) \$2,000,000,000, (ii) 80% of the Net Proceeds of the issuance or sale of equity securities by the Insurance Subsidiaries, except for the issuance or sale of equity securities to another Insurance Subsidiary, consummated after the Closing Date or any capital contribution made to the Insurance Subsidiaries, except for any capital contribution made by another Insurance Subsidiary, consummated after the Closing Date by any holder of common stock thereof, and (iii) 50% of positive combined Consolidated Net Income of the Insurance Subsidiaries for each fiscal quarter ending after the Closing Date and on or prior to such date of determination, MINUS (x) 100% of cash distributions and dividends paid by the Insurance Subsidiaries, except for cash distributions and dividends paid to another Insurance Subsidiary, after the Closing Date and on or prior to such date of determination and (y) the Capital and Surplus of any Insurance Subsidiary Disposed of, except for Capital and Surplus of any Insurance Subsidiary Disposed of to another Insurance Subsidiary, after the Closing Date and prior to the date of such determination.

(e) RISK BASED CAPITAL RATIO. Permit the Risk Based Capital Ratio of any Material Insurance Subsidiary to be less than 250% with respect to the fiscal years ending December 31, 2002 and December 31, 2003, 275% with respect to the fiscal year ending December 31, 2004 and 300% for any fiscal year ending thereafter.

7.2 LIMITATION ON INDEBTEDNESS AND ISSUANCE OF PREFERRED STOCK. Create, incur, assume or suffer to exist any Indebtedness or, in the case of any Subsidiary, issue any preferred stock, except:

(a) Indebtedness of any Loan Party pursuant to any Loan Document;

(b) Indebtedness or preferred stock of (i) the Parent or the Borrower to any Subsidiary, (ii) any Subsidiary Guarantor to the Parent, the Borrower or any other Subsidiary and (iii) any Insurance Subsidiary to any other Insurance Subsidiary;

(c) Indebtedness (including, without limitation, Capital Lease Obligations) secured by Liens permitted by Section 7.3(g) in an aggregate principal amount not to exceed \$20,000,000 at any one time outstanding;

(d) [Reserved];

(e) Indebtedness and preferred stock outstanding as of the Restatement Effective Date and listed on Schedule 7.2(e) and any refinancings, refundings, renewals or extensions thereof (without any increase in the principal amount thereof or any shortening of the maturity of any principal amount thereof);

(f) [Reserved];

(g) Guarantee Obligations made in the ordinary course of business by the Parent, the Borrower or any of its Subsidiaries of obligations of the Borrower or any Subsidiary Guarantor;

(h) (i) Indebtedness of the Parent in respect of the Subordinated Seller Note in an aggregate principal amount not to exceed \$260,000,000 and any refinancing thereof and interest thereon permitted pursuant to Section 6.11, PROVIDED, the maturity date of such refinancing shall be no earlier than the date that is six months after the final maturity date of the Term Loans or (ii) Indebtedness of the Parent to White Mountains (or its subsidiaries) in an aggregate principal amount not to exceed \$300,000,000, the proceeds of which shall be used to repay the Subordinated Seller Note (and interest thereon) and, to the extent of any remaining proceeds after the repayment in full of the Subordinated Seller Note (and interest thereon), to pay a dividend to White Mountains (or its subsidiaries) not later than thirty (30) days after receiving such proceeds in an amount not exceeding \$75,000,000;

(i) Indebtedness of the Borrower in respect of any refinancing of the Subordinated Seller Note permitted pursuant to Section 6.11, PROVIDED, that (i) the maturity date of such Indebtedness shall be no earlier than the date that is six months after the final maturity date of the Term Loans and (ii) the interest rate with respect to such Indebtedness shall not be greater than 13% per annum (it being understood and agreed that any

Indebtedness permitted by this Section 7.2(i) shall not be considered as equity for the purposes of calculating compliance with the covenants set forth in Section 7.1);

(j) Guarantee Obligations of the Borrower in respect of loans to officers and directors of the Parent, the Borrower, White Mountains or any of their respective Subsidiaries in an aggregate principal amount not exceeding \$15,000,000;

(k) Indebtedness in respect of Surplus Debentures in an aggregate principal amount at any time outstanding not to exceed \$200,000,000 issued by any Insurance Subsidiaries;

(l) unsecured Indebtedness of the Parent or the Borrower in an aggregate principal amount not to exceed \$625,000,000, the maturity date of which shall be later than the date that is six months after the final maturity date of the Term Loans and the interest rate with respect to which shall not be greater than 13% per annum, PROVIDED that, unless the Required Prepayment Lenders and the Borrower shall otherwise agree, the net proceeds of such Indebtedness are used immediately upon receipt thereof to prepay the Term Loans (and after the Term Loans are repaid in full, to permanently reduce the Revolving Credit Commitments);

(m) (i) Hedge Agreements in respect of Indebtedness otherwise permitted hereby that bears interest at a floating rate and (ii) Hedge Agreements in respect of one-third of the aggregate outstanding principal amount of fixed rate Indebtedness otherwise permitted hereby, in each case so long as such Hedge Agreements are not entered into for speculative purposes;

(n) short-term Indebtedness of Insurance Subsidiaries to provide short-term liquidity to facilitate claims payments in the event of catastrophes, in an aggregate

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principal amount not to exceed \$400,000,000, which is secured by the assets of Insurance Subsidiaries;

(o) Indebtedness of any Insurance Subsidiary incurred in the ordinary course of its business or in securing insurance-related obligations (that do not constitute Indebtedness) of such Insurance Subsidiary and letters of credit issued for the account of any Insurance Subsidiary in the ordinary course of its business or in securing insurance-related obligations (that do not constitute Indebtedness) of such Insurance Subsidiary;

(p) Indebtedness of Folksamerica in an aggregate principal amount at any time outstanding of up to \$100,000,000, the proceeds of which are used to finance acquisitions;

(q) Indebtedness of the Parent, the Borrower or any Subsidiary Guarantor to White Mountains in an aggregate principal amount not to exceed \$50,000,000; and

(r) additional Indebtedness of the Borrower or any of its Subsidiaries in an aggregate principal amount (for the Borrower and all Subsidiaries) not to exceed \$150,000,000 at any one time outstanding, PROVIDED that (i) not more than \$50,000,000 of such Indebtedness permitted under this paragraph (r) may mature prior to the final maturity of the Term Loans, and (ii) not more than \$50,000,000 of such Indebtedness permitted under this paragraph (r) may be secured.

7.3 LIMITATION ON LIENS. Create, incur, assume or suffer to exist any Lien upon any of its Property, whether now owned or hereafter acquired, except for:

(a) Liens for taxes not yet due or which are being contested in good faith by appropriate proceedings, PROVIDED that adequate reserves with respect thereto are maintained on the books of the Borrower or its Subsidiaries, as the case may be, in conformity with GAAP;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business that secure payments that are not more than 60 days delinquent in accordance with their terms or that are being contested in good faith by appropriate proceedings;

(c) pledges or deposits in connection with workers' compensation,

unemployment insurance and other social security legislation and deposits securing liability to insurance carriers under insurance or self-insurance arrangements;

(d) deposits to secure the performance of letters of credit, bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(e) easements, rights-of-way, restrictions and other similar encumbrances that, in the aggregate, are not substantial in amount and which do not in any case materially

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detract from the value of the Property subject thereto or materially interfere with the ordinary conduct of the business of the Borrower or any of its Subsidiaries;

(f) Liens in existence as of the Closing Date listed on Schedule 7.3(f), securing Indebtedness permitted by Section 7.2(e), PROVIDED that no such Lien is spread to cover any additional Property after the Closing Date and that the amount of Indebtedness secured thereby is not increased;

(g) Liens securing Indebtedness of the Borrower or any other Subsidiary incurred pursuant to Section 7.2(c) to finance the acquisition of fixed or capital assets, PROVIDED that (i) such Liens shall be created substantially simultaneously with the acquisition of such fixed or capital assets, (ii) such Liens do not at any time encumber any Property other than the Property financed by such Indebtedness, or (iii) the amount of Indebtedness secured thereby is not increased;

(h) Liens created pursuant to the Security Documents;

(i) any interest or title of a lessor under any lease entered into by the Borrower or any other Subsidiary in the ordinary course of its business and covering only the assets so leased;

(j) [Reserved];

(k) Liens on the property or assets of a corporation that becomes a Subsidiary after March 16, 2001 securing Indebtedness otherwise permitted, PROVIDED that (i) such Liens existed at the time such corporation became a Subsidiary and were not created in anticipation thereof, (ii) any such Lien is not expanded to cover any property or assets of such corporation after the time such corporation becomes a Subsidiary (other than after-acquired title in or on such property and proceeds of the existing collateral in accordance with the instrument creating such Lien), and (iii) the amount of Indebtedness secured thereby is not increased;

(l) licenses, leases or subleases permitted hereunder granted to other Persons not interfering in any material respect in the business of the Borrower or any of its Subsidiaries;

(m) attachment or judgment Liens in respect of judgments or decrees that have not been vacated, discharged, stayed or bonded pending appeal within 60 days from the entry thereof and, in addition, attachment or judgment Liens in an aggregate amount outstanding at any one time not in excess of \$5,000,000 (not paid or fully covered by insurance as to which the relevant insurance company has acknowledged in writing coverage above applicable deductibles);

(n) Liens arising from precautionary UCC financing statement filings with respect to operating leases or consignment arrangements entered into by the Borrower or any of its Subsidiaries in the ordinary course of business;

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(o) Liens in favor of a banking institution arising by operation of law encumbering deposits (including the right of set-off) held by such banking institutions incurred in the ordinary course of business and that are within the general parameters customary in the banking industry;

(p) Liens on assets of an Insurance Subsidiary securing Indebtedness of such Insurance Subsidiary permitted by Section 7.2(b), 7.2(n) or 7.2(o) or securing insurance-related obligations (that do not

constitute Indebtedness) of such Insurance Subsidiary;

(q) Liens securing Indebtedness permitted by Section 7.2(r) so long as the aggregate fair market value of the assets subject to any such Lien does not, at the time of the incurrence of such Lien, exceed 200% of the amount of Indebtedness secured by such Lien and outstanding at such time; and

(r) Liens not otherwise permitted by this Section 7.3 so long as (i) the aggregate outstanding principal amount of the obligations secured thereby does not at any time exceed \$75,000,000 (less the aggregate principal amount of Indebtedness secured by liens permitted by Section 7.3(q) at such time) and (ii) the aggregate fair market value of the assets subject to any such Lien (determined, in the case of each such Lien, as of the date such Lien is incurred) does not exceed 200% of the amount of the obligations secured thereby.

7.4 LIMITATION ON FUNDAMENTAL CHANGES. In the case of the Parent and the Borrower only, enter into any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or Dispose of all or substantially all of its Property or business, except that any Non-Insurance Subsidiary of the Borrower may be merged, consolidated with or liquidated into the Borrower (provided that the Borrower shall be the continuing or surviving corporation).

7.5 [RESERVED]

7.6 LIMITATION ON RESTRICTED PAYMENTS. Declare or pay any dividend on, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of, any Capital Stock of the Parent, the Borrower or any Subsidiary, whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of the Parent, the Borrower or any Subsidiary, or enter into any derivatives or other transaction with any financial institution, commodities or stock exchange or clearinghouse (a "DERIVATIVES COUNTERPARTY") obligating the Parent, the Borrower or any Subsidiary to make payments to such Derivatives Counterparty as a result of any change in market value of any such Capital Stock (collectively, "RESTRICTED PAYMENTS"), except that:

(a) any Subsidiary may make Restricted Payments to the Borrower or any Subsidiary Guarantor and any Insurance Subsidiary may make Restricted Payments to any other Insurance Subsidiary;

(b) the Parent may make Restricted Payments in the form of common stock of the Parent;

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(c) the Borrower may redeem the Berkshire Preferred Stock as permitted pursuant to Section 7.8;

(d) the Borrower may pay a dividend to the Parent in an amount equal to the proceeds of any issuance of Indebtedness used for the purpose of refinancing the Subordinated Seller Note and interest thereon as permitted pursuant to Section 6.11; PROVIDED that the amount of such dividend received by the Parent is used to repay the Subordinated Seller Note and interest thereon; and

(e) so long as no Default or Event of Default shall have occurred and be continuing, (i) the Borrower may (1) make Restricted Payments to the Parent in an aggregate amount not exceeding \$20,000,000 in any fiscal year, (2) pay dividends in an aggregate amount not exceeding in any fiscal year the lesser of (a) the actual dividends required to be paid on the Berkshire Preferred Stock and (b) \$40,000,000, (3) at any time prior to the date that is eighteen months after the Closing Date, pay a dividend to the Parent in an amount not exceeding \$45,000,000 to be used solely to repay the Subordinated Seller Note, (4) pay a dividend to the Parent of up to \$20,000,000 with the proceeds of Indebtedness issued pursuant to Section 7.2(r), such dividend to be used by the Parent solely to defease or redeem the Third Party Preferred Stock and (5) from and after the Restatement Effective Date, pay dividends in an aggregate amount for all such dividends not to exceed \$55,000,000 and (ii) the Parent may (1) make Restricted Payments to its shareholders in an aggregate amount not exceeding \$20,000,000 in any fiscal year, (2) from and after the Restatement Effective Date, pay dividends to its shareholders in an aggregate amount for all such dividends not to exceed \$55,000,000 and (3) pay a dividend to its shareholders in amount not exceeding \$75,000,000 with the proceeds of Indebtedness permitted by Section 7.2(h) (ii) to White Mountains within 30

days of receiving such proceeds.

7.7 LIMITATION ON INVESTMENTS. Make any advance, loan, extension of credit (by way of guaranty or otherwise) or capital contribution to, or purchase any Capital Stock, bonds, notes, debentures or other debt securities of, or any assets constituting an ongoing business from, or make any other investment in, any other Person (all of the foregoing, "Investments"), except:

(a) extensions of trade credit in the ordinary course of business;

(b) investments in Cash Equivalents and other obligations, instruments or securities guaranteed or backed by the United States Government which are comparable in quality to Cash Equivalents and have maturities of not longer than five years;

(c) investments in short-term money market investments denominated in currencies other than Dollars and comparable in quality and maturity to investments constituting Cash Equivalents, and investments in other obligations or instruments which, although not guaranteed or backed by the United States Government, are comparable in quality to Cash Equivalents and have maturities of not longer than five years;

(d) investments arising in connection with the incurrence of Indebtedness permitted by Section 7.2(b), (e), (g), (j), (m) and (q);

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(e) (i) loans and advances to officers, directors and employees of the Parent, White Mountains and its Subsidiaries, the Borrower or any Subsidiaries in the ordinary course of business (including, without limitation, for travel, entertainment and relocation expenses) in an aggregate amount for the Parent, White Mountains and its Subsidiaries, the Borrower and Subsidiaries of the Borrower not to exceed \$15,000,000 at any one time outstanding and (ii) investment of assets (which support deferred compensation liabilities of Subsidiaries of White Mountains and CGU) in White Mountains, not to exceed \$47,500,000;

(f) [Reserved]

(g) investments in assets useful in the Borrower's business made by the Borrower or any of its Subsidiaries with the proceeds of any Reinvestment Deferred Amount;

(h) investments (other than those relating to the incurrence of Indebtedness permitted by Section 7.2) by the Parent, the Borrower or any of its Subsidiaries in the Borrower or any Person that, prior to such Investment, is a Subsidiary Guarantor;

(i) loans or guarantees of loans to insurance agents in the ordinary course of business and loans to insurance agents outside the ordinary course of business so long as the aggregate principal amount of non-ordinary course loans does not exceed \$25,000,000 in the aggregate at any time;

(j) investments in, and additional capital contributions to, Insurance Subsidiaries of the Borrower by the Borrower and the Subsidiaries;

(k) investments by any Insurance Subsidiary in the ordinary course of business in investment portfolio investments;

(l) investment of the proceeds of any Disposition in insurance-related businesses;

(m) investments by Folksamerica in an aggregate amount not to exceed \$200,000,000 in the aggregate for any fiscal year in insurance-related businesses;

(n) investments by the Borrower or any of its Subsidiaries in insurance-related businesses in an aggregate amount (valued at cost at any time invested) not to exceed \$400,000,000 during the term of this Agreement;

(o) in addition to Investments otherwise expressly permitted by this Section, Investments by the Borrower or any of its Subsidiaries of any type in an aggregate amount (valued at cost at any time invested) not to exceed \$50,000,000 during the term of this Agreement.

7.8 LIMITATION ON OPTIONAL PAYMENTS, REDEMPTIONS AND MODIFICATIONS

OF DEBT INSTRUMENTS AND PREFERRED STOCK, ETC. (a) Make or offer to make any optional or voluntary payment, prepayment, repurchase or redemption of, or otherwise voluntarily or optionally defease, (i) the Berkshire Preferred Stock (except with the proceeds received from the exercise of warrants pursuant to the Warrant Agreement), (ii) the Third Party Preferred Stock (other than

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any such redemption or defeasance with the proceeds of dividends received from the Borrower as permitted by Section 7.6(e)(i)(4) and/or the proceeds of common or preferred equity issued by the Parent to White Mountains (or its Subsidiaries) or (iii) the Subordinated Seller Note (other than any such purchase, repayment, prepayment or refinancing of the Subordinated Seller Note permitted by Section 6.11), or segregate funds for any such payment, prepayment, repurchase, redemption or defeasance, (b) amend, modify or otherwise change, or consent or agree to any amendment, modification, waiver or other change to, any of the terms of the Berkshire Preferred Stock, the Third Party Preferred Stock or the Subordinated Seller Note (other than any such amendment, modification, waiver or other change which (i) would extend the maturity or reduce the amount of any payment of principal thereof, reduce the rate, increase the rate up to 13% or extend the date for payment of interest or dividend thereon or relax any covenant or other restriction applicable to the Parent, the Borrower or any of its Subsidiaries and (ii) does not involve the payment of a consent fee), (c) make any amendment of the Tax Sharing Agreement (other than any amendment mandated by Insurance Regulations) that would make the terms thereof materially less favorable to the Borrower or (d) amend its certificate of incorporation in any manner reasonably determined by the Administrative Agent to be materially adverse to the Lenders.

7.9 LIMITATION ON TRANSACTIONS WITH AFFILIATES. Enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of Property, the rendering of any service or the payment of any management, advisory or similar fees, with any Affiliate (other than the Parent, the Borrower or any Subsidiary Guarantor) unless such transaction is (a) otherwise not prohibited under this Agreement and (b) upon fair and reasonable terms no less favorable to the Parent, the Borrower or any Subsidiary Guarantor, as the case may be, than it would obtain in a comparable arm's length transaction with a Person that is not an Affiliate (provided that this Section 7.9 shall not prohibit any Restricted Payments not prohibited by Section 7.6).

7.10 [RESERVED]

7.11 LIMITATION ON CHANGES IN FISCAL PERIODS. Permit the fiscal year of the Borrower to end on a day other than December 31 or change the Borrower's method of determining fiscal quarters.

7.12 LIMITATION ON NEGATIVE PLEDGE CLAUSES. Enter into or suffer to exist or become effective any agreement that prohibits or limits the ability of the Parent, the Borrower or any of its Subsidiaries to create, incur, assume or suffer to exist any Lien upon any of its Property or revenues, whether now owned or hereafter acquired, to secure the Obligations or, in the case of any Guarantor, its obligations under the Guarantee and Collateral Agreement, other than (a) this Agreement and the other Loan Documents, (b) any agreements governing Investments in joint ventures, (c) any agreement containing customary provisions prohibiting Liens upon certain intangible assets including licenses and Intellectual Property, (d) any agreements governing any Liens or Capital Lease Obligations otherwise permitted hereby (in which case, any prohibition or limitation shall only be effective against the assets financed thereby), (e) any agreements in effect on the date hereof and evidencing existing Indebtedness permitted pursuant to Section 7.2, (f) any agreements pertaining to Property that is subject to a sale agreement but has not yet been sold, (g) any agreements or instruments creating Liens

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permitted by Section 7.3 (but only to the extent such agreements or instruments apply to assets subject to such Liens) and (h) any operating lease agreements containing customary provisions and entered into in the ordinary course of business.

7.13 LIMITATION ON LINES OF BUSINESS. Enter into any business, either directly or through any Subsidiary, except for those businesses in which the Borrower and its Subsidiaries are engaged on the date of this Agreement or any other insurance-related business.

If any of the following events shall occur and be continuing:

(a) The Borrower shall fail to pay any principal of any Loan made to the Borrower or Reimbursement Obligation owing by the Borrower when due in accordance with the terms hereof; or the Borrower shall fail to pay any interest on any Loan made to the Borrower or Reimbursement Obligation owing to the Borrower, or any other amount payable by the Borrower hereunder or under any other Loan Document, within five days after any such interest or other amount becomes due in accordance with the terms hereof; or

(b) Any representation or warranty made or deemed made by any Loan Party herein or in any other Loan Document or that is contained in any certificate, document or financial or other statement furnished by it at any time under or in connection with this Agreement or any such other Loan Document shall prove to have been inaccurate in any material respect on or as of the date made or deemed made or furnished; or

(c) Any Loan Party shall default in the observance or performance of any agreement contained in Section 6.4(a) (i) (with respect to the Parent and the Borrower only), Section 6.4(a) (ii), Section 6.7(a) or Section 7, or in Section 5 of the Guarantee and Collateral Agreement; or

(d) Any Loan Party shall default in the observance or performance of any other agreement contained in this Agreement or any other Loan Document (other than as provided in paragraphs (a) through (c) of this Section), and such default shall continue unremedied for a period of 30 days; or

(e) The Parent, the Borrower or any of its Subsidiaries shall (i) default in making any payment of any principal of any Indebtedness (including, without limitation, any Guarantee Obligation, but excluding the Loans and Reimbursement Obligations) on the scheduled or original due date with respect thereto (after giving effect to any applicable grace periods); or (ii) default in making any payment of any interest on any such Indebtedness beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness was created; or (iii) default in the observance or performance of any other agreement or condition relating to any such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or beneficiary of such Indebtedness (or a

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trustee or agent on behalf of such holder or beneficiary) to cause, with the giving of notice if required, such Indebtedness to become due prior to its stated maturity or to become subject to or mandatory offer to purchase by the obligor thereunder or (in the case of any such Indebtedness constituting a Guarantee Obligation) to become payable; PROVIDED, that a default, event or condition described in clause (i), (ii) or (iii) of this paragraph (e) shall not at any time constitute an Event of Default unless, at such time, one or more defaults, events or conditions of the type described in clauses (i), (ii) and (iii) of this paragraph (e) shall have occurred and be continuing with respect to Indebtedness the outstanding principal amount of which exceeds in the aggregate \$25,000,000; or

(f) (i) The Parent, the Borrower or any of its Subsidiaries shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or the Parent, the Borrower or any of its Subsidiaries shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the Parent, the Borrower or any of its Subsidiaries any case, proceeding or other action of a nature referred to in clause (i) above that (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 60 days; or (iii) there shall be commenced against the Parent, the Borrower or any of its Subsidiaries any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets that results in the entry of an order for any such relief that shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) the Parent, the Borrower or any of its Subsidiaries

shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) the Parent, the Borrower or any of its Subsidiaries shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(g) (i) Any Person shall engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan or any Lien in favor of the PBGC or a Plan shall arise on the assets of the Borrower or any Commonly Controlled Entity, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, which Reportable Event or commencement of proceedings or appointment of a trustee is, in the reasonable opinion of the Required Lenders, likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA, (v) the Borrower or any Commonly Controlled Entity shall, or in the reasonable opinion of the Required Lenders is likely to, incur any liability in connection with a withdrawal from, or the

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Insolvency or Reorganization of, a Multiemployer Plan or (vi) any other event or condition shall occur or exist with respect to a Plan; and in each case in clauses (i) through (vi) above, such event or condition, together with all other such events or conditions, if any, could, in the sole judgment of the Required Lenders, reasonably be expected to have a Material Adverse Effect; or

(h) One or more judgments or decrees shall be entered against the Parent, the Borrower or any of its Subsidiaries involving for the Parent, the Borrower and its Subsidiaries taken as a whole a liability (to the extent not paid or fully covered by insurance above applicable deductions) of \$25,000,000 or more, and all such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within 30 days from the entry thereof; or

(i) Any of the security interests created pursuant to the Security Documents shall cease, for any reason (other than by reason of the express release thereof pursuant to Section 10.15), to be a valid, perfected security interest, or any Loan Party or any Affiliate of any Loan Party shall so assert; or

(j) The guarantee contained in Section 2 of the Guarantee and Collateral Agreement shall cease, for any reason (other than by reason of the express release thereof pursuant to Section 10.15), to be in full force and effect or any Loan Party or any Affiliate of any Loan Party shall so assert; or

(k) (i) Prior to any initial public offering of the Parent's common stock, White Mountains shall cease to own, directly or indirectly through one or more of its wholly-owned Subsidiaries, at least 50% of all of the outstanding Capital Stock of the Parent, and (ii) after any initial public offering of the Parent's Capital Stock, (x) White Mountains shall cease to own, directly or indirectly through one or more of its wholly-owned Subsidiaries, at least 25% of all of the outstanding Capital Stock of the Parent, or (y) any Person or group of Persons other than White Mountains shall own a greater percentage than White Mountains of all of the outstanding Capital Stock of the Parent or (z) a majority of the directors of the Parent ceases to be persons appointed or approved by White Mountains; or

(l) (i) Any Material Insurance Subsidiary shall fail to comply with any material term or provision of any Insurance Regulations pertaining to fiscal soundness, solvency or financial condition; or (ii) an Insurance Regulator shall assert in writing that it is taking administrative action against any Material Insurance Subsidiary to revoke or modify any contract of insurance, license, permit, certification, authorization, accreditation or charter or to enforce the fiscal soundness, solvency or financial provisions or requirements of any Insurance Regulations against any Material Insurance Subsidiary and such Insurance Subsidiary shall have been unable to cause such Insurance Regulator to withdraw such written notice within five Business Days following receipt of such written notice by such Insurance Subsidiary, in each of clauses (i) and (ii), if such event could reasonably be expected to have a Material Adverse Effect.

(m) The Subordinated Seller Note shall cease, for any reason, to be validly subordinated to the obligations of the Loan Parties hereunder and under the other Loan Documents, or any Loan Party, any Affiliate of any Loan Party or the holder of the Subordinated Seller Note shall so assert;

then, and in any such event, (A) if such event is an Event of Default specified in clause (i) or (ii) of paragraph (f) above with respect to the Borrower, automatically the Commitments shall immediately terminate and the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents (including, without limitation, all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) shall immediately become due and payable, and (B) if such event is any other Event of Default, either or both of the following actions may be taken: (i) with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower declare the Commitments to be terminated forthwith, whereupon the Commitments shall immediately terminate; and (ii) with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower, declare the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents (including, without limitation, all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) to be due and payable forthwith, whereupon the same shall immediately become due and payable. In the case of all Letters of Credit with respect to which presentment for honor shall not have occurred at the time of an acceleration pursuant to this paragraph, the Borrower shall at such time deposit in a cash collateral account opened by the Administrative Agent an amount equal to the aggregate then undrawn and unexpired amount of such Letters of Credit. Amounts held in such cash collateral account shall be applied by the Administrative Agent to the payment of drafts drawn under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay other obligations of the Borrower hereunder and under the other Loan Documents. After all such Letters of Credit shall have expired or been fully drawn upon, all Reimbursement Obligations shall have been satisfied and all other obligations of the Borrower hereunder and under the other Loan Documents shall have been paid in full, the balance, if any, in such cash collateral account shall be returned to the Borrower (or such other Person as may be lawfully entitled thereto).

SECTION 9 THE ADMINISTRATIVE AGENT

9.1 APPOINTMENT. Each Lender hereby irrevocably designates and appoints the Administrative Agent as the agent of such Lender under this Agreement and the other Loan Documents, and each Lender irrevocably authorizes the Administrative Agent, in such capacity, to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Administrative Agent shall not have

any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent. Each Lender authorizes and directs the Administrative Agent to execute and deliver the Guarantee and Collateral Agreement.

9.2 DELEGATION OF DUTIES. The Administrative Agent may execute any of its duties under this Agreement and the other Loan Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

9.3 EXCULPATORY PROVISIONS. Neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any other Loan Document (except to the extent that any of the foregoing are found by

a final and nonappealable decision of a court of competent jurisdiction to have resulted from its or such Person's own gross negligence or willful misconduct) or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by any Loan Party or any officer thereof contained in this Agreement or any other Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or for any failure of any Loan Party a party thereto to perform its obligations hereunder or thereunder. The Administrative Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of any Loan Party.

9.4 RELIANCE BY ADMINISTRATIVE AGENT. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any instrument, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Loan Parties), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent may deem and treat the payee of any Note as the owner thereof for all purposes unless such Note shall have been transferred in accordance with Section 10.6 and all actions required by such Section in connection with such transfer shall have been taken. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders (or, if so specified by this Agreement, all Lenders) as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in accordance with a request of the Required Lenders (or, if so specified by this Agreement, all Lenders or any other instructing group of Lenders

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specified by this Agreement), and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Loans.

9.5 NOTICE OF DEFAULT. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Administrative Agent shall have received notice from a Lender, the Parent or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent shall receive such a notice, the Administrative Agent shall give notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders (or, if so specified by this Agreement, all Lenders or any other instructing group of Lenders specified by this Agreement); provided that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

9.6 NON-RELIANCE ON ADMINISTRATIVE AGENT AND OTHER LENDERS. Each Lender expressly acknowledges that neither the Administrative Agent nor any of its respective officers, directors, employees, agents, attorneys-in-fact or affiliates have made any representations or warranties to it and that no act by the Administrative Agent hereafter taken, including any review of the affairs of a Loan Party or any affiliate of a Loan Party, shall be deemed to constitute any representation or warranty by the Administrative Agent to any Lender. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Loan Parties and their affiliates and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or

not taking action under this Agreement and the other Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Loan Parties and their affiliates. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, the Administrative Agent shall have no duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of any Loan Party or any affiliate of a Loan Party that may come into the possession of the Administrative Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

9.7 INDEMNIFICATION. The Lenders agree to indemnify the Administrative Agent in its capacity as such (to the extent not reimbursed by the Parent or the Borrower and without limiting the obligation of the Parent or the Borrower to do so), ratably according to their respective Aggregate Exposure Percentages in effect on the date on which indemnification is sought under this Section (or, if indemnification is sought after the date upon which the

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Commitments shall have terminated and the Loans shall have been paid in full, ratably in accordance with such Aggregate Exposure Percentages immediately prior to such date), for, and to hold the Administrative Agent harmless from and against, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever that may at any time (including, without limitation, at any time following the payment of the Loans) be imposed on, incurred by or asserted against the Administrative Agent in any way relating to or arising out of, the Commitments, this Agreement, any of the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by the Administrative Agent under or in connection with any of the foregoing; provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements that are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from the Administrative Agent's gross negligence or willful misconduct. The agreements in this Section shall survive the payment of the Loans and all other amounts payable hereunder.

9.8 ADMINISTRATIVE AGENT IN ITS INDIVIDUAL CAPACITY. The Administrative Agent and its Affiliates may make loans to, accept deposits from, hold equity interests in and generally engage in any kind of business with any Loan Party or its Affiliates as though the Administrative Agent were not an Administrative Agent. With respect to its Loans made or renewed by it and with respect to any Letter of Credit issued or participated in by it, the Administrative Agent shall have the same rights and powers under this Agreement and the other Loan Documents as any Lender and may exercise the same as though it were not an Administrative Agent, and the terms "Lender" and "Lenders" shall include the Administrative Agent in its individual capacity.

9.9 SUCCESSOR ADMINISTRATIVE AGENT. The Administrative Agent may resign as Administrative Agent upon 15 days' notice to the Lenders and the Borrower. If the Administrative Agent shall resign as Administrative Agent under this Agreement and the other Loan Documents, then the Required Lenders shall appoint from among the Lenders a successor agent for the Lenders, which successor agent shall (unless an Event of Default under Section 8(a) or Section 8(f) with respect to the Borrower shall have occurred and be continuing) be subject to approval by the Borrower (which approval shall not be unreasonably withheld or delayed), whereupon such successor agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term "Administrative Agent" shall mean such successor agent effective upon such appointment and approval, and the former Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any holders of the Loans. If no successor agent has accepted appointment as Administrative Agent by the date that is 15 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective, and the Lenders shall assume and perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above. After the retiring Administrative Agent's resignation as Administrative Agent, the provisions of this Section 9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement and the other Loan Documents.

9.10 AUTHORIZATION TO RELEASE LIENS AND GUARANTEES. The Administrative Agent is hereby irrevocably authorized by each of the Lenders to effect any release of Liens or guarantee obligations contemplated by Section 10.15.

9.11 THE ARRANGER, THE SYNDICATION AGENT AND THE CO-DOCUMENTATION AGENTS. The Arranger, the Syndication Agent and the Co-Documentation Agents, in their respective capacities as such, shall have no duties or responsibilities, and shall incur no liability, under this Agreement and the other Loan Documents.

SECTION 10 MISCELLANEOUS

10.1 AMENDMENTS AND WAIVERS. Neither this Agreement or any other Loan Document, nor any terms hereof or thereof may be amended, supplemented or modified except in accordance with the provisions of this Section 10.1. The Required Lenders and each Loan Party party to the relevant Loan Document may, or (with the written consent of the Required Lenders) the Administrative Agent and each Loan Party party to the relevant Loan Document may, from time to time, (a) enter into written amendments, supplements or modifications hereto and to the other Loan Documents (including amendments and restatements hereof or thereof) for the purpose of adding any provisions to this Agreement or the other Loan Documents or changing in any manner the rights of the Lenders or of the Loan Parties hereunder or thereunder or (b) waive, on such terms and conditions as may be specified in the instrument of waiver, any of the requirements of this Agreement or the other Loan Documents or any Default or Event of Default and its consequences; PROVIDED, HOWEVER, that no such waiver and no such amendment, supplement or modification shall:

(i) forgive or reduce the principal amount or extend the final scheduled date of maturity of any Loan or Reimbursement Obligation, extend the scheduled date of any amortization payment in respect of any Term Loan, reduce the stated rate of any interest or fee payable hereunder or extend the scheduled date of any payment thereof, or increase the amount or extend the expiration date of any Commitment of any Lender, in each case without the consent of each Lender directly affected thereby;

(ii) amend, modify or waive any provision of this Section, reduce any percentage specified in the definition of Required Lenders or Required Prepayment Lenders, amend, modify or waive the last sentence of the definition of Required Lenders, or otherwise amend or modify the definition of Required Lenders if the effect of such amendment or modification would be to eliminate reference in such definition to Loans and/or Commitments under any particular Facility, consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement and the other Loan Documents, release all or substantially all of the Collateral or release the Parent or all or substantially all of the Subsidiary Guarantors from their guarantee obligations under the Guarantee and Collateral Agreement, in each case without the consent of all Lenders;

(iii) reduce the percentage specified in the definition of Majority Facility Lenders with respect to any Facility without the written consent of all Lenders under such Facility;

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(iv) amend, modify or waive any provision of Section 9 without the consent of the Administrative Agent;

(v) amend, modify or waive any provision of Section 2.6 or 2.7 without the written consent of the Swing Line Lender;

(vi) amend, modify or waive any provision of Section 2.18 without the consent of each Lender directly affected thereby;

(vii) amend, modify or waive any provision of Section 3 without the consent of the Issuing Lender;

(viii) amend, modify or waive (x) any provision of Sections 2.12 or 7.2(1) requiring by its terms the agreement of the Required Prepayment Lenders or (y) any other provision hereof if the effect is to subordinate one of the Facilities in right of payment to any other of the Facilities, in either case without the consent of the Required Prepayment Lenders; or

(ix) amend, modify or waive the provisions of the definition

of Interest Period regarding nine or twelve month Interest Periods for Eurodollar Loans without the consent of each relevant Lender.

Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Lenders and shall be binding upon the Loan Parties, the Lenders, the Administrative Agent and all future holders of the Loans. In the case of any waiver, the Loan Parties, the Lenders and the Administrative Agent shall be restored to their former position and rights hereunder and under the other Loan Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon. Any such waiver, amendment, supplement or modification shall be effected by a written instrument signed by the parties required to sign pursuant to the foregoing provisions of this Section; PROVIDED, that delivery of an executed signature page of any such instrument by facsimile transmission shall be effective as delivery of a manually executed counterpart thereof.

For the avoidance of doubt, this Agreement may be amended (or amended and restated) with the written consent of the Required Lenders, the Administrative Agent and each Loan Party to each relevant Loan Document (x) to add one or more additional credit facilities to this Agreement and to permit the extensions of credit from time to time outstanding thereunder and the accrued interest and fees in respect thereof to share ratably in the benefits of this Agreement and the other Loan Documents with the Term Loans and Revolving Extensions of Credit and the accrued interest and fees in respect thereof and (y) to include appropriately the Lenders holding such credit facilities in any determination of the Required Lenders, Required Prepayment Lenders and Majority Revolving Facility Lenders.

10.2 NOTICES. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by telecopy), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered, or three Business Days after being deposited in the mail, postage prepaid, or, in the case of telecopy

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notice, when received, addressed (a) in the case of the Parent, the Borrower and the Administrative Agent, as follows and (b) in the case of the Lenders, as set forth in an administrative questionnaire delivered to the Administrative Agent or on Schedule I to the Lender Addendum to which such Lender is a party or, in the case of a Lender which becomes a party to this Agreement pursuant to an Assignment and Acceptance, in such Assignment and Acceptance or (c) in the case of any party, to such other address as such party may hereafter notify to the other parties hereto:

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| The Parent: | Fund American Enterprises Holdings, Inc. 370 Church Street Guilford, CT 06437 |
| The Borrower: | Fund American Companies, Inc. 370 Church Street Guilford, CT 06437 |
| The Administrative Agent (in respect of credit matters): | Lehman Commercial Paper Inc. 745 Seventh Avenue New York, New York 10019 Attention: Andrew Keith Telecopy: 646-758-4656 Telephone: 212-526-4059 |
| The Administrative Agent (in respect of administrative agency matters): | Lehman Commercial Paper Inc. 745 Seventh Avenue New York, New York 10019 Attention: Diane Albanese Telecopy: 212-528-8725 Telephone: 212-526-4979 |
| Issuing Lender: | As notified by the Issuing Lender to the Administrative Agent and the Borrower |

PROVIDED that any notice, request or demand to or upon the Administrative Agent, the Issuing Lender or any Lender shall not be effective until received.

10.3 NO WAIVER; CUMULATIVE REMEDIES. No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Lender, any right, remedy, power or privilege hereunder or under the other Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further

exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

10.4 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties made hereunder, in the other Loan Documents and in any document, certificate or

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statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the making of the Loans and other extensions of credit hereunder.

10.5 PAYMENT OF EXPENSES. The Borrower agrees (a) to pay or reimburse the Administrative Agent for all its reasonable out-of-pocket costs and expenses incurred in connection with the syndication and administration of the Facilities (other than fees payable to syndicate members) and the development, preparation and execution of, and any amendment, supplement or modification to, this Agreement and the other Loan Documents and any other documents prepared in connection herewith or therewith, and the consummation and administration of the transactions contemplated hereby and thereby, including, without limitation, the reasonable fees and disbursements and other charges of counsel to the Administrative Agent and the charges of Intralinks, (b) to pay or reimburse each Lender and the Administrative Agent for all their costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement, the other Loan Documents and any such other documents, including, without limitation, the fees and disbursements of counsel to each Lender and of counsel to the Administrative Agent, (c) to pay, indemnify, or reimburse each Lender and the Administrative Agent for, and hold each Lender and the Administrative Agent harmless from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other taxes, if any, which may be payable or determined to be payable in connection with the execution and delivery of, or consummation or administration of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, the other Loan Documents and any such other documents, and (d) to pay, indemnify or reimburse each Lender, the Administrative Agent, its respective affiliates, and their respective officers, directors, trustees, employees, advisors, agents and controlling persons (each, an "Indemnitee") for, and hold each Indemnitee harmless from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement, the other Loan Documents and any such other documents, including, without limitation, any of the foregoing relating to the use of proceeds of the Loans or the violation of, noncompliance with or liability under, any Environmental Law applicable to the operations of the Parent, the Borrower or any of its Subsidiaries or any of the Properties and the fees and disbursements and other charges of legal counsel in connection with claims, actions or proceedings by any Indemnitee against the Borrower hereunder (all the foregoing in this clause (d), collectively, the "Indemnified Liabilities"), provided, that the Borrower shall have no obligation hereunder to any Indemnitee with respect to Indemnified Liabilities to the extent such Indemnified Liabilities are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Indemnitee. No Indemnified Person shall be liable for use by unauthorized Persons of information sent through electronic media. It is understood and agreed that, to the extent not precluded by a conflict of interest (as reasonably determined by the relevant Indemnitee), each Indemnitee shall endeavor to work cooperatively with the Borrower with a view towards minimizing the legal and other expenses associated with any defense and any potential settlement or judgment. To the extent reasonably practicable and not disadvantageous to any Indemnitee (as reasonably determined by the relevant Indemnitee), it is anticipated that a single counsel selected by the affected Lenders may be used. Without limiting the foregoing, and to the extent permitted by applicable law, the Borrower agrees not to

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assert and to cause its Subsidiaries not to assert, and hereby waives and agrees to cause its Subsidiaries to so waive, all rights for contribution or any other rights of recovery with respect to all claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature with respect to the execution, delivery, enforcement, performance and administration of this Agreement, the other Loan Documents and any such other documents, under or related to Environmental Laws, that any of them might have

by statute or otherwise against any Indemnitee, except to the extent such rights result from the gross negligence or willful misconduct of such Indemnitee. All amounts due under clauses (a), (b) and (c) of the first sentence of this Section shall be payable not later than 30 days after written demand therefor. Statements payable by the Borrower pursuant to this Section shall be submitted to Reid T. Campbell (Telephone No. (603) 640-2203) (Fax No. (603) 643-4562), at the address of the Borrower set forth in Section 10.2, or to such other Person or address as may be hereafter designated by the Borrower in a written notice to the Administrative Agent. The agreements in this Section shall survive repayment of the Loans and all other amounts payable hereunder.

10.6 SUCCESSORS AND ASSIGNS; PARTICIPATIONS AND ASSIGNMENTS. (a)

This Agreement shall be binding upon and inure to the benefit of the Parent, the Borrower, the Lenders, the Administrative Agent, all future holders of the Loans and their respective successors and assigns, except that the Borrower may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Administrative Agent and each Lender.

(b) Any Lender may, without the consent of the Borrower or the

Administrative Agent (but with notice to the Administrative Agent), in accordance with applicable law, at any time sell to one or more banks, financial institutions or other entities (each, a "PARTICIPANT") participating interests in any Loan owing to such Lender, any Commitment of such Lender or any other interest of such Lender hereunder and under the other Loan Documents. In the event of any such sale by a Lender of a participating interest to a Participant, such Lender's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of any such Loan for all purposes under this Agreement and the other Loan Documents, and the Borrower and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and the other Loan Documents. In no event shall any Participant under any such participation have any right to approve any amendment or waiver of any provision of any Loan Document, or any consent to any departure by any Loan Party therefrom, except to the extent that such amendment, waiver or consent would, pursuant to Section 10.1, require the consent of all Lenders under any Facility in which such Participant has a participating interest. The Borrower agrees that if amounts owing by the Borrower under this Agreement and the Loans are due or unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall, to the maximum extent permitted by applicable law, be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement, PROVIDED that, in purchasing such participating interest, such Participant shall be deemed to have agreed to share with the Lenders the proceeds thereof as provided in Section 10.7(a) as fully as if such Participant were a Lender hereunder. The Borrower also agrees that each Participant shall be entitled to the benefits of Sections 2.19, 2.20

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and 2.21 with respect to its participation in the Commitments and the Loans outstanding from time to time as if such Participant were a Lender; PROVIDED that, in the case of Section 2.20, such Participant shall have complied with the requirements of said Section, and PROVIDED, FURTHER, that no Participant shall be entitled to receive any greater amount pursuant to any such Section than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred by such transferor Lender to such Participant had no such transfer occurred.

(c) Any Lender (an "ASSIGNOR") may, in accordance with applicable

law and upon written notice to the Administrative Agent, at any time and from time to time assign to any Lender or any affiliate or Control Investment Affiliate thereof or, with the consent of the Borrower and the Administrative Agent and, in the case of any assignment of Revolving Credit Commitments, the written consent of the Issuing Lender and the Swing Line Lender (which, in each case, shall not be unreasonably withheld or delayed) (PROVIDED that the consent of the Borrower need not be obtained with respect to (x) any assignment by the Administrative Agent or by any Lehman Entity and (y) any assignment of Term Loans), to an additional bank, financial institution or other entity (an "ASSIGNEE") all or any part of its rights and obligations under this Agreement pursuant to an Assignment and Acceptance, substantially in the form of Exhibit E, executed by such Assignee and such Assignor (and, where the consent of the Borrower, the Administrative Agent or the Issuing Lender or the Swing Line Lender is required pursuant to the foregoing provisions, by the Borrower and such other Persons) and delivered to the Administrative Agent for its acceptance and recording in the Register; PROVIDED that (i) no such assignment of (x) Tranche A Term Loans or (y) Revolving Credit Commitments and/or Revolving Credit

Loans to an Assignee (other than any Lender or any Control Investment Affiliate thereof) shall be in an aggregate principal amount of less than \$5,000,000 (other than in the case of an assignment of all of a Lender's interests under this Agreement), (ii) no such assignment of (x) Tranche A Term Loans or (y) Revolving Credit Commitments and/or Revolving Credit Loans (other than in the case of an assignment of all of a Lender's interests under this Agreement) shall result in such Lender's Commitments, together with the Commitments of such Lender's Control Investment Affiliates, being reduced to less than \$5,000,000, (iii) no such assignment of Tranche B Term Loans or Tranche C Term Loans to an Assignee (other than any Lender or any Control Investment Affiliate thereof) shall be in an aggregate principal amount of less than \$1,000,000 (other than in the case of an assignment of all of a Lender's interests under this Agreement), (iv) no such assignment of Tranche B Term Loans or Tranche C Term Loans (other than in the case of an assignment of all of a Lender's interests under this Agreement) shall result in such Lender's Tranche B Term Loans, together with the Tranche B Term Loans of such Lender's Control Investment Affiliates, being reduced to less than \$1,000,000 (but more than \$0) and (v) no such assignment of Tranche C Term Loans (other than in the case of an assignment of all of a Lender's interests under this Agreement) shall result in such Lender's Tranche C Term Loan Commitments (or, after the Restatement Effective Date, Tranche C Term Loans), together with the Tranche C Term Loan Commitments (or, after the Restatement Effective Date, Tranche C Term Loans) of such Lender's Control Affiliates, being reduced to less than \$1,000,000 (but more than \$0), in each case unless otherwise agreed by the Borrower and the Administrative Agent. Any such assignment need not be ratable as among the Facilities. Upon such execution, delivery, acceptance and recording, from and after the effective date determined pursuant to such Assignment and Acceptance, (x) the Assignee thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights

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and obligations of a Lender hereunder with Commitments and/or Loans as set forth therein, and (y) the Assignor thereunder shall, to the extent provided in such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of an Assignor's rights and obligations under this Agreement, such Assignor shall cease to be a party hereto, except as to Section 2.19, 2.20, 10.5 and 10.14 in respect of the period prior to such effective date). Notwithstanding any provision of this Section, the consent of the Borrower shall not be required for any assignment that occurs at any time when any Event of Default shall have occurred and be continuing.

(d) The Administrative Agent shall, on behalf of the Borrower, maintain at its address referred to in Section 10.2 a copy of each Assignment and Acceptance delivered to it and a register (the "REGISTER") for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Loans owing to, each Lender from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Administrative Agent and the Lenders shall treat each Person whose name is recorded in the Register as the owner of the Loans and any Notes evidencing such Loans recorded therein for all purposes of this Agreement. Any assignment of any Loan, whether or not evidenced by a Note, shall be effective only upon appropriate entries with respect thereto being made in the Register (and each Note shall expressly so provide). Any assignment or transfer of all or part of a Loan evidenced by a Note shall be registered on the Register only upon surrender for registration of assignment or transfer of the Note evidencing such Loan, accompanied by a duly executed Assignment and Acceptance; thereupon one or more new Notes in the same aggregate principal amount shall be issued to the designated Assignee, and the old Notes shall be returned by the Administrative Agent to the Borrower marked "canceled". The Register shall be available for inspection by the Borrower or any Lender (with respect to any entry relating to such Lender's Loans) at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of an Assignment and Acceptance executed by an Assignor and an Assignee (and, in any case where the consent of any other Person is required by Section 10.6(c), by each such other Person) together with payment to the Administrative Agent of a registration and processing fee of \$3,500 (except that (x) no such registration and processing fee shall be payable in the case of an Assignee which is an affiliate of the Assignor or a Person under common management with the Assignor and (y) only one registration and processing fee shall be payable in cases of contemporaneous multiple assignments by an Assignor to Assignees which are Control Investment Affiliates of each other), the Administrative Agent shall (i) promptly accept such Assignment and Acceptance and (ii) on the effective date determined pursuant thereto record the information contained therein in the Register and give notice of such acceptance and recordation to the Administrative Agent and the Borrower. On or prior to such effective date, the Borrower, at its own expense, upon request, shall

execute and deliver to the Administrative Agent (in exchange for the Revolving Credit Note and/or applicable Term Notes, as the case may be, of the assigning Lender) a new Revolving Credit Note and/or applicable Term Notes, as the case may be, to the order of such Assignee in an amount equal to the Revolving Credit Commitment and/or applicable Term Loans, as the case may be, assumed or acquired by it pursuant to such Assignment and Acceptance and, if the Assignor has retained a Revolving Credit Commitment and/or Term Loans, as the case may be, upon request, a new Revolving Credit Note and/or Term Notes, as the case may be, to the order of the Assignor in an

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amount equal to the Revolving Credit Commitment and/or applicable Term Loans, as the case may be, retained by it hereunder. Such new Note or Notes shall be dated the Restatement Effective Date and shall otherwise be in the form of the Note or Notes replaced thereby.

(f) For avoidance of doubt, the parties to this Agreement acknowledge that the provisions of this Section concerning assignments of Loans and Notes relate only to absolute assignments and that such provisions do not prohibit assignments creating security interests, including, without limitation, any pledge or assignment by a Lender of any Loan or Note to any Federal Reserve Bank in accordance with applicable law.

10.7 ADJUSTMENTS; SET-OFF. (a) Except to the extent that this Agreement provides for a payment to be allocated to a particular Lender or to the Lenders under a particular Facility, if any Lender (a "Benefitted Lender") shall at any time receive any payment of all or part of the Obligations owing to it, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in Section 8(f), or otherwise), in a greater proportion than any such payment to or collateral received by any other Lender, if any, in respect of such other Lender's Obligations, such Benefitted Lender shall purchase for cash from the other Lenders a participating interest in such portion of each such other Lender's Obligations, or shall provide such other Lenders with the benefits of any such collateral, as shall be necessary to cause such Benefitted Lender to share the excess payment or benefits of such collateral ratably with each of the Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such Benefitted Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest.

(b) In addition to any rights and remedies of the Lenders provided by law, each Lender shall have the right, without prior notice to the Parent or the Borrower, any such notice being expressly waived by the Parent and the Borrower to the extent permitted by applicable law, upon any amount becoming due and payable by the Parent or the Borrower hereunder (whether at the stated maturity, by acceleration or otherwise), to set off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Lender or any branch or agency thereof to or for the credit or the account of the Parent or the Borrower, as the case may be. Each Lender agrees promptly to notify the Parent or the Borrower, as the case may be, and the Administrative Agent after any such setoff and application made by such Lender, PROVIDED that the failure to give such notice shall not affect the validity of such setoff and application.

10.8 COUNTERPARTS. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Agreement or of a Lender Addendum by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

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10.9 SEVERABILITY. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.10 INTEGRATION. This Agreement and the other Loan Documents represent the entire agreement of the Parent, the Borrower, the Administrative Agent, the Arranger and the Lenders with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Arranger, the Administrative Agent or any Lender relative to subject matter hereof not expressly set forth or referred to herein or in the other Loan Documents.

10.11 GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

10.12 SUBMISSION TO JURISDICTION; WAIVERS. Each of the Parent and the Borrower hereby irrevocably and unconditionally:

(a) submits for itself and its Property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the Parent or the Borrower, as the case may be, at its address set forth in Section 10.2 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

10.13 ACKNOWLEDGMENTS. Each of the Parent and the Borrower hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents;

(b) neither the Arranger, the Administrative Agent nor any Lender has any fiduciary relationship with or duty to the Parent or the Borrower arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Arranger, the Administrative Agent and the Lenders, on one hand, and the Parent and the Borrower, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Arranger, the Administrative Agent and the Lenders or among the Parent, the Borrower and the Lenders.

10.14 CONFIDENTIALITY. Each of the Administrative Agent and the Lenders agrees to keep confidential all non-public information (including oral information) provided to it by any Loan Party pursuant to this Agreement that is designated by such Loan Party as confidential; PROVIDED that nothing herein shall prevent the Administrative Agent or any Lender from disclosing any such information (a) to the Arranger, the Administrative Agent, any other Lender or any Affiliate of any thereof (PROVIDED, that such Affiliates shall expressly agree to be bound by the provisions of this Section, and the disclosing Lender shall be responsible for insuring compliance by such Affiliate with this Section), (b) to any Participant or Assignee (each, a "TRANSFeree") or prospective Transferee that expressly agrees to comply with confidentiality provisions similar to the provisions of this Section, (c) to any of its employees, directors, agents, attorneys, accountants and other professional advisors, (d) to any financial institution that is a direct or indirect

contractual counterparty in swap agreements or such contractual counterparty's professional advisor (so long as such contractual counterparty or professional advisor to such contractual counterparty expressly agrees to be bound by the provisions of this Section or confidentiality provisions similar to the provisions of this Section), (e) upon the request or demand of any Governmental Authority having jurisdiction over it, (f) in response to any order of any court or other Governmental Authority or as may otherwise be required pursuant to any Requirement of Law, (g) in connection with any litigation or similar proceeding, (h) that has been publicly disclosed other than in breach of this Section, (i) to the NAIC or any similar organization or any nationally recognized rating agency that requires access to information about a Lender's investment portfolio in connection with ratings issued with respect to such Lender or (j) in connection with the exercise of any remedy hereunder or under any other Loan Document.

10.15 RELEASE OF COLLATERAL AND GUARANTEE OBLIGATIONS.

(a) Notwithstanding anything to the contrary contained herein or in any other Loan Document, upon request of the Borrower in connection with any Disposition of Property permitted by the Loan Documents, the Administrative Agent shall (without notice to, or vote or consent of, any Lender, or any affiliate of any Lender that is a party to any Specified Hedge Agreement) take such actions as shall be required to release its security interest in any Collateral being Disposed of in

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such Disposition, and to release any guarantee obligations under any Loan Document of any Person being Disposed of in such Disposition, to the extent necessary to permit consummation of such Disposition in accordance with the Loan Documents.

(b) Notwithstanding anything to the contrary contained herein or any other Loan Document, when all obligations of the Borrower hereunder and under the other Loan Documents (other than obligations in respect of any Specified Hedge Agreement) have been paid in full, all Commitments have terminated or expired and no Letter of Credit shall be outstanding, upon request of the Borrower, the Administrative Agent shall (without notice to, or vote or consent of, any Lender, or any affiliate of any Lender that is a party to any Specified Hedge Agreement) take such actions as shall be required to release its security interest in all Collateral, and to release all guarantee obligations under any Loan Document, whether or not on the date of such release there may be outstanding obligations in respect of Specified Hedge Agreements. Any such release of guarantee obligations shall be deemed subject to the provision that such guarantee obligations shall be reinstated if after such release any portion of any payment in respect of the obligations guaranteed thereby shall be rescinded or must otherwise be restored or returned upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or any Guarantor, or upon or as a result of the appointment of a receiver, intervener or conservator of, or trustee or similar officer for, the Borrower or any Guarantor or any substantial part of its property, or otherwise, all as though such payment had not been made.

10.16 ACCOUNTING CHANGES. In the event that any "Accounting Change" (as defined below) shall occur and such change results in a change in the method of calculation of financial covenants, standards or terms in this Agreement, then the Borrower and the Administrative Agent agree to enter into negotiations in order to amend such provisions of this Agreement so as to equitably reflect such Accounting Changes with the desired result that the criteria for evaluating the Borrower's financial condition shall be the same after such Accounting Changes as if such Accounting Changes had not been made. Until such time as such an amendment shall have been executed and delivered by the Borrower, the Administrative Agent and the Required Lenders, all financial covenants, standards and terms in this Agreement shall continue to be calculated or construed as if such Accounting Changes had not occurred. "Accounting Changes" refers to changes in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants, applicable Insurance Regulators, the NAIC or, if applicable, the SEC.

10.17 DELIVERY OF LENDER ADDENDA AND RELEASE OF ADDITIONAL BORROWER.

(a) Each Tranche C Term Loan Lender shall become a party to this Agreement by delivering to the Administrative Agent a Lender Addendum in the form of Exhibit J-2, duly executed by such Lender, the Borrower and the Administrative Agent. The Required Lenders (as defined in the Existing Credit Agreement) shall consent to the amendments contained in this Agreement by delivering to the Administrative Agent Lender Addenda in the form of Exhibit J-1, duly executed by such Required Lenders.

(b) The Additional Borrower under (and as defined in) the Existing Credit Agreement (i) shall execute this Agreement for the sole purpose of consenting to the

amendments expressed herein and (ii) from and after the Restatement Effective Date, shall cease to be a party to this Agreement.

10.18 WAIVERS OF JURY TRIAL. THE PARENT, THE BORROWER, THE ADMINISTRATIVE AGENT AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

FUND AMERICAN ENTERPRISES HOLDINGS,
INC. (f/k/a TACK HOLDING CORP.)

By: _____
Name:
Title:

FUND AMERICAN COMPANIES, INC. (f/k/a
TACK ACQUISITION CORP.)

By: _____
Name:
Title:

WHITE MOUNTAINS INSURANCE GROUP,
LTD.

By: _____
Name:
Title:

LEHMAN BROTHERS INC.
as Arranger

By: _____
Name:
Title:

LEHMAN COMMERCIAL PAPER, INC.
as Administrative Agent

By: _____
Name:
Title:

FLEET NATIONAL BANK,
as Syndication Agent

By: _____

Name:
Title:

BANK OF AMERICA, NA,
as Co-Documentation Agent

By: _____

Name:
Title:

BANK ONE, N.A.,
as Co-Documentation Agent

By: _____

Name:
Title:

SCHEDULE 4.4

CONSENTS, AUTHORIZATIONS, FILINGS AND NOTICES

NONE

SCHEDULE 4.14

SUBSIDIARIES

Jurisdiction
of Percent
Type of
Subsidiary
Organization
Owned by
Ownership
Entity - ---

OneBeacon
Insurance
Delaware
Fund
American
100% LLC
Group LLC
Companies,
Inc.
OneBeacon
Asset
Delaware
OneBeacon
Insurance
100% Corp
Management,
Inc. Group
LLC
OneBeacon
Finance
Delaware
OneBeacon
Insurance
100% Corp
Corporation
Group LLC
Beacon
Advertising
Delaware
OneBeacon

Insurance
100% Corp
Corporation
Group LLC
OneBeacon
Risk
Delaware
OneBeacon
Insurance
100% Corp
Management,
Inc. Group
LLC
OneBeacon
Lloyd's,
Inc. Texas
OneBeacon
Insurance
100% Corp
Group LLC
A.W.G.
Dewar, Inc.
Massachusetts
OneBeacon
Insurance
80% Corp
Group LLC
(*) TCH
Insurance
Agency,
Massachusetts
OneBeacon
Insurance
100% Corp
Inc. Group
LLC National
Farmers
Union
Colorado
OneBeacon
Insurance
100% Ins Co
Property and
Casualty
Group LLC
Company
National
Farmers
Union
Colorado
National
Farmers 100%
Ins Co
Standard
Insurance
Union
Property and
Company
Casualty
Company
Houston
General
Texas
OneBeacon
Insurance
100% Ins Co
Insurance
Company
Group LLC
Traders &
General
Texas
Houston
General 100%
Ins Co
Insurance
Company
Insurance
Company

| | | | | |
|---|----------------|---|------|--------|
| Traders & Pacific Insurance Company | Delaware | Houston General Insurance Company | 100% | Ins Co |
| Houston General Lloyds | Texas | Houston General Insurance Company | 100% | Ins Co |
| Potomac Insurance Company | Pennsylvania | OneBeacon Insurance Group LLC | 100% | Ins Co |
| The Camden Fire Insurance Association | New Jersey | OneBeacon Insurance Group LLC | 100% | Ins Co |
| The Northern Assurance Company of America | Massachusetts | The Camden Fire Insurance Association | 100% | Ins Co |
| OneBeacon Midwest Insurance Company | Wisconsin | The Northern Assurance Company of America | 100% | Ins Co |
| Pennsylvania General Insurance Company | Pennsylvania | OneBeacon Insurance Group LLC | 100% | Ins Co |
| American Employers' Insurance Company | Massachusetts | Pennsylvania General Insurance Company | 100% | Ins Co |
| American Central Insurance Company | Missouri | American Employers' Insurance Company | 100% | Ins Co |
| OneBeacon Services Corporation | Delaware | OneBeacon Insurance Group LLC | 100% | Corp |
| OneBeacon Insurance Company | Pennsylvania | OneBeacon Insurance Group LLC | 100% | Ins Co |
| Folksamerica Holding Company, Inc. | New York | OneBeacon Insurance Company | 100% | Corp |
| Esurance, Inc. | California | Folksamerica Holding Company, Inc. | 100% | Corp |
| Esurance Insurance Services, Inc. | California | Esurance, Inc. | 100% | Corp |
| International American Management Company | Delaware | Folksamerica Holding Company, Inc. | 100% | Corp |
| IA Management Company | Delaware | Folksamerica Holding Company, Inc. | 100% | Corp |
| British Insurance Company of Cayman | Cayman Islands | Folksamerica Holding Company, Inc. | 100% | Ins Co |
| Folksamerica Reinsurance Company | New York | Folksamerica Holding Company, Inc. | 100% | Ins Co |
| C-F Insurance Company | California | Folksamerica Reinsurance Company | 100% | Ins Co |
| PCA Property & Casualty Insurance Company | Oklahoma | Folksamerica Reinsurance Company | 100% | Ins Co |
| Imperial Casualty and Indemnity Company | Nebraska | Folksamerica Reinsurance Company | 100% | Ins Co |
| Folksamerica Specialty Underwriting, Inc. | Connecticut | Folksamerica Holding Company, Inc. | 100% | Corp |
| American Centennial Insurance Company | Delaware | Folksamerica Reinsurance Company | 100% | Ins Co |
| Peninsula Insurance Company | Maryland | Folksamerica Holding Company, Inc. | 100% | Ins Co |

| | | | | |
|--|---------------|---|--------|--------|
| Peninsula Indemnity Company | Maryland | Peninsula Insurance Company | 100% | Ins Co |
| National Credit Plan Corp. | Maryland | Peninsula Insurance Company | 100% | Corp |
| Fester, Fothergill & Hartung, Ltd. | New York | Folksamerica Holding Company, Inc. | 100% | Corp |
| FFH Management Corp. | New Jersey | Fester, Fothergill & Hartung, Ltd. | 100% | Corp |
| Potomac Insurance Company of Illinois | Illinois | OneBeacon Insurance Company | 100% | Ins Co |
| The Employers' Fire Insurance Company | Massachusetts | OneBeacon Insurance Company | 100% | Ins Co |
| Massachusetts Homeland Insurance Company | Massachusetts | The Employers' Fire Insurance Company | 100% | Ins Co |
| General Assurance Company | New York | OneBeacon Insurance Company | 100% | Ins Co |
| Homeland Insurance Company of New York | New York | OneBeacon Insurance Company | 100% | Ins Co |
| PG Insurance Company of New York | New York | OneBeacon Insurance Company | 100% | Ins Co |
| Esurance Insurance Company | Oklahoma | OneBeacon Insurance Company | 100% | Ins Co |
| Farmers and Merchants Insurance Company | Oklahoma | Esurance Insurance Company | 100% | Ins Co |
| Midwestern Insurance Company | Oklahoma | Farmers and Merchants Insurance Company | 99.9% | Ins Co |
| Esurance Property and Casualty Insurance Company | California | OneBeacon Insurance Company | 100% | Ins Co |
| OneBeacon America Insurance Company | Massachusetts | OneBeacon Insurance Company | 100% | Ins Co |
| York Insurance | Maine | OneBeacon | 100% | Ins Co |
| Company of Maine | | America Insurance Company | | |
| OneBeacon Lloyd's of Texas | Texas | OneBeacon America Insurance Company | 100% | Ins Co |
| OneBeacon Leasing, Inc. | Delaware | OneBeacon America Insurance Company | 100% | Corp |
| OneBeacon Investors Co. # 15 | Delaware | OneBeacon Leasing, Inc. | 100% | Corp |
| OneBeacon Investors Co. # 16 | Delaware | OneBeacon Leasing, Inc. | 100% | Corp |
| OneBeacon Investors Co. # 18 | Delaware | OneBeacon Leasing, Inc. | 100% | Corp |
| OneBeacon Investors Co. # 21 | Delaware | OneBeacon Leasing, Inc. | 100% | Corp |
| Homeland Central | Iowa | OneBeacon Insurance | 50.18% | Ins Co |

| | | | | |
|--|----------|---------------------------------------|---------|---------|
| Insurance Company | | Company | | |
| | | OneBeacon Insurance Group LLC | 26.72% | |
| | | The Camden Fire Insurance Association | 23.10% | |
| United Security Insurance Company | Iowa | Homeland Central Insurance Company | 99.775% | Ins Co |
| Western States Insurance Company | Illinois | Homeland Central Insurance Company | 100% | Ins Co. |
| New Jersey Skylands Management Corporation | Delaware | OneBeacon Insurance Group LLC | 100% | Corp |
| Tuckerman Capital L.P. | Delaware | OneBeacon Insurance Company | 96% | LP |
| Hamer, LLC | Delaware | Tuckerman | 69% | LLC |

Capital L.P. (**)

| | | | | |
|----------------------------|----------|-----------------------------|-----|-----|
| Bri-Mar Manufacturing, LLC | Delaware | Tuckerman Capital L.P. (**) | 67% | LLC |
|----------------------------|----------|-----------------------------|-----|-----|

* - All of the stockholders of A.W.G. Dewar, Inc. are subject to the provisions of a Stockholders Agreement dated August 6, 1993 as amended, which includes various put and call provisions.

** - Tuckerman Capital LP, a capital investment fund, owns these companies. Part of Tuckerman's acquisition structuring utilizes options, warrants and convertible securities for various purposes (including those used for executive compensation).

SCHEDULE 4.18

UCC FILING JURISDICTIONS

Grantor
Offices UCC
Filing
Offices - -

Fund
American
Enterprises
One Beacon
Street UCC
Division
Holdings,
Inc.
Boston, MA
02108
Secretary
of State
Suffolk
County P.O.
Box 793
Dover, DE
19903 UCC
Division
Secretary
of the
Commonwealth
One
Ashburton

Place Room
1711
Boston, MA
02108 UCC
Recorder
Suffolk
County
Register of
Deeds P.O.
Box 9660
Boston, MA
02114-9660
UCC
Recorder
Boston City
Clerk City
Hall, Room
601 1 City
Hall Plaza
Boston, Ma
02201

Grantor
Offices UCC
Filing
Offices - -

---- Fund
American
Companies,
Inc. One
Beacon
Street UCC
Division
Boston, MA
02108
Secretary
of State
Suffolk
County P.O.
Box 793
Dover, DE
19903 UCC
Division
Secretary
of the
Commonwealth
One
Ashburton
Place Room
1711
Boston, MA
02108 UCC
Recorder
Suffolk
County
Register of
Deeds P.O.
Box 9660
Boston, MA
02114-9660
UCC
Recorder
Boston City
Clerk City
Hall, Room
601 1 City
Hall Plaza
Boston, Ma
02201
OneBeacon
Insurance

Boston, MA
02108
Secretary
of State
Suffolk
County P.O.
Box 793
Dover, DE
19903 UCC
Division
Secretary
of the
Commonwealth
One
Ashburton
Place Room
1711

Boston, MA
02108 UCC
Recorder
Suffolk
County
Register of
Deeds P.O.
Box 9660
Boston, MA
02114-9660
UCC
Recorder
Boston City
Clerk City
Hall, Room
601 1 City
Hall Plaza
Boston, Ma
02201

OneBeacon
Risk
Management,
One Beacon
Street UCC
Division
Inc.

Boston, MA
02108
Secretary
of State
Suffolk
County P.O.
Box 793
Dover, DE
19903 UCC
Division
Secretary
of the
Commonwealth
One
Ashburton
Place Room
1711

Boston, MA
02108 UCC
Recorder
Suffolk
County
Register of
Deeds P.O.
Box 9660
Boston, MA
02114-9660
UCC
Recorder
Boston City
Clerk City
Hall, Room
601 1 City
Hall Plaza
Boston, Ma
02201

Grantor
Offices UCC
Filing
Offices - -

OneBeacon
Lloyd's
Inc. 5910
North

Central UCC
Section
Expressway
Secretary
of State
Dallas, TX
75206 P.O.
Box 13193
Dallas
County
Austin, TX
78711-3193
Dallas
County
Clerk's
Office
Records
Bldg., 2nd
Floor 509
Main Street
Dallas, TX
75202-3502
UCC

Division
Secretary
of the
Commonwealth
One
Ashburton
Place Room
1711

Boston, MA
02108 UCC
Recorder
Suffolk
County

Register of
Deeds P.O.
Box 9660
Boston, MA
02114-9660
UCC

Recorder
Boston City
Clerk City
Hall, Room
601 1 City
Hall Plaza
Boston, Ma
02201 TCH
Insurance
Agency,
Inc. One
Beacon
Street UCC
Division
Boston, MA
02108
Secretary
of the
Commonwealth
Suffolk
County One

Ashburton
Place Room
1711
Boston, MA
02108 UCC
Recorder
Suffolk
County
Register of
Deeds P.O.
Box 9660
Boston, MA
02114-9660
UCC
Recorder
Boston City
Clerk City
Hall, Room
601 1 City
Hall Plaza
Boston, Ma
02201

Grantor
Offices UCC
Filing
Offices - -

OneBeacon
Services
Corporation
One Beacon
Street UCC
Division
Boston, MA
02108
Secretary
of State
Suffolk
County P.O.
Box 793
Dover, DE
19903 UCC
Division
Secretary
of the
Commonwealth
One
Ashburton
Place Room
1711
Boston, MA
02108 UCC
Recorder
Suffolk
County
Register of
Deeds P.O.
Box 9660
Boston, MA
02114-9660
UCC
Recorder
Boston City
Clerk City
Hall, Room
601 1 City
Hall Plaza
Boston, Ma
02201 New
Jersey

Skylands
Basking
Ridge, NJ
UCC
Division
Management
Corporation
Secretary
of State
P.O. Box
793 Dover,
DE 19903

SCHEDULE 7.2(e)

INDEBTEDNESS & PREFERRED STOCK

1. \$25,000,000 Seller Note issued from Folksamerica to the California Farm Bureau Federation in conjunction with the acquisition of C-F Insurance Company on September 25, 2001. The note is due on September 25, 2005 and bears interest at 7%. The principal is contingent on lack of adverse reserve development and other guarantees relating to the acquisition of C-F Insurance Company.
2. \$7,000,000 undertaking of Folksamerica Holding Company, Inc. for the benefit of Dowling & Partners Connecticut Fund III, LP. The note is due on October 31, 2002 and bears interest at the prime rate of interest minus 1%.

SCHEDULE 7.3(f)

LIENS SECURING DEBT LISTED ON SCHEDULE 7.2(C)

NONE

AMENDED AND RESTATED GUARANTEE AND COLLATERAL AGREEMENT

made by

FUND AMERICAN ENTERPRISES HOLDINGS, INC. (f/k/a TACK HOLDING CORP.),

FUND AMERICAN COMPANIES, INC. (f/k/a TACK ACQUISITION CORP.)

and certain of its Subsidiaries

in favor of

LEHMAN COMMERCIAL PAPER INC.,

as Administrative Agent

Dated as of October 30, 2002

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October 30, 2002, made by each of the signatories hereto (together with any other entity that may become a party hereto as provided herein, the "GRANTORS"), in favor of LEHMAN COMMERCIAL PAPER INC., as Administrative Agent (in such capacity, the "ADMINISTRATIVE AGENT") for the banks and other financial institutions (the "LENDERS") from time to time parties to the Amended and Restated Credit Agreement, dated as of October 30, 2002 (as amended, supplemented or otherwise modified from time to time, the "CREDIT AGREEMENT"), among FUND AMERICAN ENTERPRISES HOLDINGS, INC. (f/k/a TACK HOLDING CORP.), a Delaware corporation (the "PARENT"), FUND AMERICAN COMPANIES, INC. (f/k/a TACK ACQUISITION CORP.), a Delaware corporation (the "BORROWER"), the Lenders, LEHMAN BROTHERS INC., as Arranger, FLEET NATIONAL BANK, as Syndication Agent, BANK OF AMERICA, N.A. and BANK ONE, NA, as Co-Documentation Agent and the Administrative Agent.

W I T N E S S E T H:

WHEREAS, the Parent and the Borrower are parties to the Credit Agreement, dated as of March 16, 2001 (as amended the "EXISTING CREDIT AGREEMENT"), which is being amended and restated by the Credit Agreement;

WHEREAS, pursuant to the Existing Credit Agreement, the Parent and the Borrower executed and delivered the Guarantee and Collateral Agreement, dated as of June 12, 2001 (as amended, the "EXISTING GUARANTEE AND COLLATERAL AGREEMENT");

WHEREAS, pursuant to the Existing Credit Agreement the Lenders have severally made extensions of credit to the Borrower, and pursuant to the Credit Agreement the Lenders have severally agreed to make additional extensions of credit to the Borrower and to continue certain extensions of credit previously made pursuant to the Existing Credit Agreement, in each case upon the terms and subject to the conditions set forth therein;

WHEREAS, the Borrower is a member of an affiliated group of companies that includes each other Grantor;

WHEREAS, the proceeds of the extensions of credit under the Credit Agreement have been used and will be used in part to enable the Borrower to make valuable transfers to one or more of the other Grantors in connection with the operation of their respective businesses;

WHEREAS, the Borrower and the other Grantors are engaged in related businesses, and each Grantor will derive substantial direct and indirect benefit from the making of the extensions of credit under the Credit Agreement; and

WHEREAS, it is a condition precedent to the effectiveness of the Credit Agreement and to the obligation of the Lenders to make their respective extensions of credit to the Borrower under the Credit Agreement that the Existing Guarantee and Collateral Agreement shall have amended and restated as provided herein;

NOW, THEREFORE, in consideration of the premises and to induce the Administrative Agent and the Lenders to enter into the Credit Agreement and to induce the

Lenders to make their respective extensions of credit to the Borrower thereunder, the parties hereto agree that the Existing Guarantee and Collateral Agreement is hereby amended and restated in its entirety as follows:

SECTION 1. DEFINED TERMS

1.1 DEFINITIONS. (a) Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement and the following terms which are defined in the Uniform Commercial Code in effect in the State of New York on the date hereof are used herein as so defined: Accounts, Certificated Security, Chattel Paper, Documents, General Intangibles and Instruments.

(b) The following terms shall have the following meanings:

"AGREEMENT": this Amended and Restated Guarantee and Collateral Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

"APPLICABLE INSURANCE REGULATORY AUTHORITY": with respect to any Insurance Subsidiary, the insurance department or similar administrative authority or agency located in (a) each state in which such Insurance Subsidiary is domiciled or (b) to the extent asserting regulatory jurisdiction over such Insurance Subsidiary, the insurance department, authority or agency in each state in which such Insurance Subsidiary is

licensed, and shall include any Federal insurance regulatory department, authority or agency that may be created and that asserts regulatory jurisdiction over such Insurance Subsidiary.

"BORROWER CREDIT AGREEMENT OBLIGATIONS": the collective reference to the unpaid principal of and interest on the Loans made to the Borrower and Reimbursement Obligations in respect of Letters of Credit issued for the account of the Borrower and all other obligations and liabilities of the Borrower (including, without limitation, interest accruing at the then applicable rate provided in the Credit Agreement after the maturity of such Loans and Reimbursement Obligations and interest accruing at the then applicable rate provided in the Credit Agreement after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) to the Administrative Agent or any Lender, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, the Credit Agreement, this Agreement, or the other Loan Documents, or any Letter of Credit issued for the account of the Borrower, or any other document made, delivered or given in connection therewith, in each case whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including, without limitation, all fees and disbursements of counsel to the Administrative Agent or to the Lenders that are required to be paid by the Borrower pursuant to the terms of any of the foregoing agreements).

"BORROWER HEDGE AGREEMENT OBLIGATIONS": the collective reference to all obligations and liabilities of the Borrower (including, without limitation, interest accruing at the then applicable rate provided in any Specified Hedge Agreement after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) to any Lender or any affiliate of any Lender, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, any Specified Hedge Agreement or any other document made, delivered or given in connection therewith, in each case whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including, without limitation, all fees and disbursements of counsel to the relevant Lender or affiliate thereof that are required to be paid by the Borrower pursuant to the terms of any Specified Hedge Agreement).

"BORROWER OBLIGATIONS": the collective reference to (i) the Borrower Credit Agreement Obligations, (ii) the Borrower Hedge Agreement Obligations, but only to the extent that, and only so long as, the Borrower Credit Agreement Obligations are secured and guaranteed pursuant hereto, and (iii) all other obligations and liabilities of the Borrower, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, this Agreement (including, without limitation, all fees and disbursements of counsel to the Administrative Agent or to the Lenders that are required to be paid by the Borrower pursuant to the terms of this Agreement).

"COLLATERAL": with respect to each Grantor, all of the following in which such Grantor now has or may hereafter acquire any right, title or interest: (a) all Accounts; (b) all Chattel Paper; (c) all Documents; (d) all General Intangibles; (e) all Instruments; (f) all Intellectual Property; (g) all Investment Property; (h) all books and records pertaining to any of the foregoing; and (i) to the extent not otherwise included, all Proceeds and products of any and all of the foregoing and all collateral security and guarantees given by any Person with respect to any of the foregoing; PROVIDED, that the Collateral shall not include the Excluded Assets.

"COLLATERAL ACCOUNT": any collateral account established by the Administrative Agent as provided in Section 6.2.

"COPYRIGHTS": (i) all copyrights arising under the laws of the United States, any other country or any political subdivision thereof, whether registered or unregistered and whether published or unpublished (including, without limitation, those listed in SCHEDULE 5), all registrations and recordings thereof, and all applications in connection therewith, including, without limitation, all registrations, recordings and applications in the United States Copyright Office, and (ii) the right to obtain all renewals thereof.

"COPYRIGHT LICENSES": any written agreement naming any Grantor as licensor or licensee (including, without limitation, those listed in SCHEDULE 5), granting any right under any Copyright, including, without limitation, the grant of rights to manufacture, distribute, exploit and sell materials derived from any Copyright.

"EXCLUDED ASSETS": any contract, General Intangible, Copyright License, Patent License or Trademark License ("INTANGIBLE ASSETS"), in each case to the extent the grant by the relevant Grantor of a security interest pursuant to this Agreement in such Grantor's right, title and interest in such Intangible Asset (i) is prohibited by any contract, agreement, instrument or indenture governing such Intangible Asset, (ii) would give any other party to such contract, agreement, instrument or indenture the right to terminate its obligations thereunder or (iii) is permitted only with the consent of another party, if such consent has not been obtained; PROVIDED, that any Receivable or any money or other amounts due or to become due under any such contract, agreement, instrument or indenture shall not be Excluded Assets.

"FOREIGN SUBSIDIARY": any Subsidiary organized under the laws of any jurisdiction outside the United States of America.

"FOREIGN SUBSIDIARY VOTING STOCK": the voting Capital Stock of any Foreign Subsidiary.

"GENERAL INTANGIBLES": all "general intangibles" as such term is defined in Section 9-106 of the Uniform Commercial Code in effect in the State of New York on the date hereof.

"GUARANTOR OBLIGATIONS": with respect to any Guarantor, all obligations and liabilities of such Guarantor which may arise under or in connection with this Agreement (including, without limitation, Section 2) or any other Loan Document to which such Guarantor is a party, in each case whether on account of guarantee obligations, reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including, without limitation, all fees and disbursements of counsel to the Administrative Agent or to the Lenders that are required to be paid by such Guarantor pursuant to the terms of this Agreement or any other Loan Document).

"GUARANTORS": the collective reference to each Grantor in its capacity as a guarantor under Section 2.

"HEDGE AGREEMENTS": as to any Person, all interest rate swaps, currency exchange agreements, commodity swaps, caps or collar agreements or similar arrangements entered into by such Person providing for protection against fluctuations in interest rates, currency exchange rates or commodity prices or the exchange of nominal interest obligations, either generally or under specific contingencies.

"INVESTMENT PROPERTY": the collective reference to (i) all "investment property" as such term is defined in Section 9-115 of the New York UCC (other than any Foreign Subsidiary Voting Stock excluded from the definition of "Pledged Stock") and (ii) whether or not constituting "investment property" as so defined, all Pledged Stock.

"INTELLECTUAL PROPERTY": the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including, without limitation, the Copyrights, the Copyright Licenses, the Patents, the Patent Licenses, the Trademarks and the

Trademark Licenses, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

"ISSUERS": the collective reference to each issuer of Pledged Stock.

"NEW YORK UCC": the Uniform Commercial Code as from time to time in effect in the State of New York.

"OBLIGATIONS": (i) in the case of the Borrower, the Borrower Obligations and (ii) in the case of each Guarantor, its Guarantor Obligations.

"PATENTS": (i) all letters patent of the United States, any other country or any political subdivision thereof, all reissues and extensions thereof and all goodwill associated therewith, including, without

limitation, any of the foregoing referred to in SCHEDULE 5, (ii) all applications for letters patent of the United States or any other country and all divisions, continuations and continuations-in-part thereof, including, without limitation, any of the foregoing referred to in SCHEDULE 5, and (iii) all rights to obtain any reissues or extensions of the foregoing.

"PATENT LICENSE": all agreements, whether written or oral, providing for the grant by or to any Grantor of any right to manufacture, use or sell any invention covered in whole or in part by a Patent, including, without limitation, any of the foregoing referred to in SCHEDULE 5.

"PLEGDED STOCK": the shares of Capital Stock listed on SCHEDULE 2, together with any other shares, stock certificates, options or rights of any nature whatsoever in respect of the Capital Stock of any Non-Insurance Subsidiary (other than A.W.G. Dewar, Inc.) or first-tier Insurance Subsidiary that may be issued or granted to, or held by, any Grantor while this Agreement is in effect; PROVIDED that in no event shall more than 66% of the total outstanding Foreign Subsidiary Voting Stock of any Foreign Subsidiary be required to be pledged hereunder.

"PROCEEDS": all "proceeds" as such term is defined in Section 9-306(1) of the Uniform Commercial Code in effect in the State of New York on the date hereof and, in any event, including, without limitation, all dividends or other income from the Pledged Stock, collections thereon or distributions or payments with respect thereto.

"RECEIVABLE": any right to payment for goods sold or leased or for services rendered, whether or not such right is evidenced by an Instrument or Chattel Paper and whether or not it has been earned by performance (including, without limitation, any Account).

"SECURITIES ACT": the Securities Act of 1933, as amended.

"SPECIFIED HEDGE AGREEMENT": any Hedge Agreement entered into by (i) the Borrower or any of its Subsidiaries and (ii) any Lender or any affiliate thereof, as counterparty.

"TRADEMARKS": (i) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers, and all goodwill associated therewith, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, or otherwise, and all common-law rights related thereto, including, without limitation, any of the foregoing referred to in SCHEDULE 5, and (ii) the right to obtain all renewals thereof.

"TRADEMARK LICENSE": any agreement, whether written or oral, providing for the grant by or to any Grantor of any right to use any Trademark, including, without limitation, any of the foregoing referred to in SCHEDULE 5.

1.2 OTHER DEFINITIONAL PROVISIONS. (a) The words "hereof," "herein", "hereto" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section and Schedule references are to this Agreement unless otherwise specified.

(b) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(c) Where the context requires, terms relating to the Collateral or any part thereof, when used in relation to a Grantor, shall refer to such Grantor's Collateral or the relevant part thereof.

SECTION 2. GUARANTEE

2.1 GUARANTEE. (a) The Guarantors hereby, jointly and severally, unconditionally and irrevocably, guarantee to the Administrative Agent, for the ratable benefit of the Lenders (and any affiliates of any Lender to which Obligations in respect of any Specified Hedge Agreement are owing) and their respective successors, indorsees, transferees and assigns, the prompt and complete payment and performance by the Borrower when due (whether at the stated maturity, by acceleration or otherwise) of the Borrower Obligations.

(b) Anything herein or in any other Loan Document to the contrary

notwithstanding, the maximum liability of each Guarantor hereunder and under the other Loan Documents shall in no event exceed the amount which can be guaranteed by such Guarantor under applicable federal and state laws relating to the insolvency of debtors (after giving effect to the right of contribution established in Section 2.2).

(c) Each Guarantor agrees that the Borrower Obligations may at any time and from time to time exceed the amount of the liability of such Guarantor hereunder without impairing the guarantee contained in this Section 2 or affecting the rights and remedies of the Administrative Agent or any Lender hereunder.

(d) The guarantee contained in this Section 2 shall remain in full force and effect until all the Borrower Obligations and the obligations of each Guarantor under the guarantee contained in this Section 2 shall have been satisfied by payment in full, no Letter of Credit shall be outstanding and the Commitments shall be terminated, notwithstanding that from time to time during the term of the Credit Agreement the Borrower may be free from the Borrower Obligations.

(e) No payment made by the Borrower, any of the Guarantors, any other guarantor or any other Person or received or collected by the Administrative Agent or any Lender from the Borrower, any of the Guarantors, any other guarantor or any other Person by virtue of any action or proceeding or any set-off or appropriation or application at any time or from time to time in reduction of or in payment of the Borrower Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of any Guarantor hereunder which shall, notwithstanding any such payment (other than any payment made by such Guarantor in respect of the Borrower Obligations or any payment received or collected from such Guarantor in respect of the Borrower Obligations), remain liable for the Borrower Obligations up to the maximum liability of such Guarantor hereunder until the Borrower Obligations are paid in full, no Letter of Credit shall be outstanding and the Commitments are terminated.

2.2 RIGHT OF CONTRIBUTION. Each Subsidiary Guarantor hereby agrees that to the extent that a Subsidiary Guarantor shall have paid more than its proportionate share of any payment made hereunder in respect of the Borrower Obligations (or Guarantor Obligations with respect to Borrower Obligations), such Subsidiary Guarantor shall be entitled to seek and receive contribution from and against any other Subsidiary Guarantor hereunder which has not paid its proportionate share of such payment. Each Guarantor's right of contribution shall be subject to the terms and conditions of Section 2.3. The provisions of this Section 2.2 shall in no respect limit the obligations and liabilities of any Guarantor to the Administrative Agent and the Lenders, and each Guarantor shall remain liable to the Administrative Agent and the Lenders for the full amount guaranteed by such Guarantor hereunder.

2.3 NO SUBROGATION. Notwithstanding any payment made by any Guarantor hereunder or any set-off or application of funds of any Guarantor by the Administrative Agent or any Lender, no Guarantor shall be entitled to be subrogated to any of the rights of the Administrative Agent or any Lender against the Borrower or any other Guarantor or any collateral security or guarantee or right of offset held by the Administrative Agent or any Lender for the payment of the Borrower Obligations, nor shall any Guarantor seek or be entitled to seek any contribution or reimbursement from the Borrower or any other Guarantor in respect of payments made by such Guarantor hereunder, until all amounts owing to the Administrative Agent and the Lenders by the Borrower on account of the Borrower Obligations are paid in full, no Letter of Credit shall be outstanding and the Commitments are terminated. If any amount shall be paid to any Guarantor on account of such subrogation rights at any time when all of the Borrower Obligations shall not have been paid in full, such amount shall be held by such Guarantor in trust for the Administrative Agent and the Lenders, segregated from other funds of such Guarantor, and shall, forthwith upon receipt by such Guarantor, be turned over to the Administrative Agent in the exact form received by such Guarantor (duly indorsed by such Guarantor to the Administrative Agent, if required), to be applied against the Borrower

Obligations, whether matured or unmatured, in such order as the Administrative Agent may determine.

2.4 AMENDMENTS, ETC. WITH RESPECT TO THE BORROWER OBLIGATIONS. Each Guarantor shall remain obligated hereunder notwithstanding that, without any reservation of rights against any Guarantor and without notice to or further assent by any Guarantor, any demand for payment of any of the Borrower Obligations made by the Administrative Agent or any Lender may be rescinded by the Administrative Agent or such Lender and any of the Borrower Obligations

continued, and the Borrower Obligations, or the liability of any other Person upon or for any part thereof, or any collateral security or guarantee therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by the Administrative Agent or any Lender, and the Credit Agreement and the other Loan Documents and any other documents executed and delivered in connection therewith may be amended, modified, supplemented or terminated, in whole or in part, as the Administrative Agent (or the Required Lenders or all Lenders, as the case may be) may deem advisable from time to time, and any collateral security, guarantee or right of offset at any time held by the Administrative Agent or any Lender for the payment of the Borrower Obligations may be sold, exchanged, waived, surrendered or released. Neither the Administrative Agent nor any Lender shall have any obligation to protect, secure, perfect or insure any Lien at any time held by it as security for the Borrower Obligations or for the guarantee contained in this Section 2 or any property subject thereto.

2.5 GUARANTEE ABSOLUTE AND UNCONDITIONAL. Each Guarantor waives any and all notice of the creation, renewal, extension or accrual of any of the Borrower Obligations and notice of or proof of reliance by the Administrative Agent or any Lender upon the guarantee contained in this Section 2 or acceptance of the guarantee contained in this Section 2; the Borrower Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon the guarantee contained in this Section 2; and all dealings between the Borrower and any of the Guarantors, on the one hand, and the Administrative Agent and the Lenders, on the other hand, likewise shall be conclusively presumed to have been had or consummated in reliance upon the guarantee contained in this Section 2. Each Guarantor waives diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon the Borrower or any of the Guarantors with respect to the Borrower Obligations. Each Guarantor understands and agrees that the guarantee contained in this Section 2 shall be construed as a continuing, absolute and unconditional guarantee of payment without regard to (1) the validity or enforceability of the Credit Agreement or any other Loan Document, any of the Borrower Obligations or any other collateral security therefor or guarantee or right of offset with respect thereto at any time or from time to time held by the Administrative Agent or any Lender, (2) any defense, set-off or counterclaim (other than a defense of payment or performance) which may at any time be available to or be asserted by the Borrower or any other Person against the Administrative Agent or any Lender, or (3) any other circumstance whatsoever (with or without notice to or knowledge of the Borrower or such Guarantor) which constitutes, or might be construed to constitute, an equitable or legal discharge of the Borrower for its Borrower Obligations or of such Guarantor under the guarantee contained in this Section 2, in bankruptcy or in any other instance. When making any demand hereunder or otherwise pursuing its rights and remedies hereunder against

any Guarantor, the Administrative Agent or any Lender may, but shall be under no obligation to, make a similar demand on or otherwise pursue such rights and remedies as it may have against the Borrower, any other Guarantor or any other Person or against any collateral security or guarantee for the Borrower Obligations or any right of offset with respect thereto, and any failure by the Administrative Agent or any Lender to make any such demand, to pursue such other rights or remedies or to collect any payments from the Borrower, any other Guarantor or any other Person or to realize upon any such collateral security or guarantee or to exercise any such right of offset, or any release of the Borrower, any other Guarantor or any other Person or any such collateral security, guarantee or right of offset, shall not relieve any Guarantor of any obligation or liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of the Administrative Agent or any Lender against any Guarantor. For the purposes hereof "demand" shall include the commencement and continuance of any legal proceedings.

2.6 REINSTATEMENT. The guarantee contained in this Section 2 shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Borrower Obligations is rescinded or must otherwise be restored or returned by the Administrative Agent or any Lender upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or any Guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Borrower or any Guarantor or any substantial part of its property, or otherwise, all as though such payments had not been made.

2.7 PAYMENTS. Each Guarantor hereby guarantees that payments hereunder will be paid to the Administrative Agent without set-off or counterclaim in Dollars at the Payment Office specified in the Credit Agreement.

Each Grantor hereby (i) confirms that pursuant to the Existing Guarantee and Collateral Agreement such Grantor has assigned and transferred to the Administrative Agent, and granted to the Administrative Agent, for the ratable benefit of the Lenders (and any affiliates of any Lender to which Obligations in respect of any Specified Hedge Agreement are owing), a security interest in, all Collateral now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest, as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of such Grantor's Obligations and (ii) assigns and transfers to the Administrative Agent, and grants to the Administrative Agent, for the ratable benefit of the Lenders (and any affiliates of any Lender to which Obligations in respect of any Specified Hedge Agreement are owing), a security interest in, all Collateral now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest, as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of such Grantor's Obligations.

SECTION 4. REPRESENTATIONS AND WARRANTIES

To induce the Administrative Agent and the Lenders to enter into the Credit Agreement and to induce the Lenders to make their respective extensions of credit to the Borrower thereunder, each Grantor hereby represents and warrants to the Administrative Agent and each Lender that:

4.1 REPRESENTATIONS IN CREDIT AGREEMENT. (a) In the case of each Guarantor, the representations and warranties set forth in Section 4 of the Credit Agreement as they relate to such Guarantor or to the Loan Documents to which such Guarantor is a party, each of which is hereby incorporated herein by reference, are true and correct, and the Administrative Agent and each Lender shall be entitled to rely on each of them as if they were fully set forth herein, provided that each reference in each such representation and warranty to the Borrower's knowledge shall, for the purposes of this Section 4.1, be deemed to be a reference to such Guarantor's knowledge.

4.2 TITLE; NO OTHER LIENS. Each Grantor has title in fee simple to, or a valid leasehold interest in, all its real property, and good title to, or a valid leasehold interest in, all its other Property, and none of such Property is subject to any Lien except as permitted by Section 7.3 of the Credit Agreement, except to the extent such defects in title could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

4.3 PERFECTED FIRST PRIORITY LIENS. This Agreement is effective to create in favor of the Administrative Agent, for the ratable benefit of the Lenders, a valid and enforceable security interest in the Collateral. In the case of the Pledged Stock, when any stock certificates representing such Pledged Stock are delivered to the Administrative Agent and, in the case of the other Collateral, when financing statements in appropriate form are filed in the offices specified on Schedule 3 (which financing statements have been duly completed and executed and delivered to the Administrative Agent) and such other filings as are specified on Schedule 3 have been completed (all documents required for which filings have been duly completed and executed and delivered to the Administrative Agent), this Agreement shall constitute a perfected Lien on, and security interest in, all right, title and interest of the Grantors in such Collateral and the proceeds thereof, as security for the Obligations, in each case to the extent that such security interest can be perfected by the delivery of stock certificates and other instruments with effective indorsements, the filing of UCC financing statements, and filings in respect of Intellectual Property in the United States Patent and Trademarks Office.

4.4 JURISDICTION AND OFFICIAL IDENTIFICATION NUMBER. On the date hereof, such Grantor's jurisdiction of organization and the official identification number are specified on SCHEDULE 4.

4.5 PLEDGED STOCK. (a) The shares of Pledged Stock pledged by such Grantor hereunder constitute all the issued and outstanding shares of all classes of the Capital Stock of each Issuer owned by such Grantor or, in the case of Foreign Subsidiary Voting Stock, if less, 65% of the outstanding Foreign Subsidiary Voting Stock of each relevant Issuer.

(b) All the shares of the Pledged Stock pledged by such Grantor hereunder have been duly and validly issued and are fully paid and nonassessable.

(c) Such Grantor is the record and beneficial owner of, and has good

and marketable title to, the Investment Property pledged by it hereunder, free of any and all Liens or options in favor of, or claims of, any other Person, except the security interest created by this Agreement.

4.6 INTELLECTUAL PROPERTY. (a) SCHEDULE 5 lists all Intellectual Property owned by such Grantor in its own name on the date hereof.

(b) On the date hereof, all material Intellectual Property of such Grantor described on SCHEDULE 5 is valid, subsisting, unexpired and enforceable, has not been abandoned and does not infringe the intellectual property rights of any other Person.

(c) Except as set forth in SCHEDULE 5, on the date hereof, none of the Intellectual Property is the subject of any licensing or franchise agreement pursuant to which such Grantor is the licensor or franchisor.

(d) Each Grantor owns, or is licensed to use, all Intellectual Property necessary for the conduct of its business as currently conducted. No material claim has been asserted or is pending by any Person challenging or questioning the use of any Intellectual Property or the validity or effectiveness of any Intellectual Property, nor does any Grantor know of any valid basis for any such claim. The use of Intellectual Property by each Grantor does not infringe on the rights of any person in any material respect. It is understood that the Borrower and its Subsidiaries will be permitted to use the CGU name and related tradenames for (i) with respect to Insurance Subsidiaries, a period of eighteen months after the Closing Date (with conditional six-month extensions through September 24, 2005 in jurisdictions where regulatory approval for name changes has not been received) but not thereafter and (ii) with respect to Non-Insurance Subsidiaries, a period of 180 days after the Closing Date but not thereafter.

SECTION 5. COVENANTS

Each Grantor covenants and agrees with the Administrative Agent and the Lenders that, from and after the date of this Agreement until the Obligations shall have been paid in full, no Letter of Credit shall be outstanding and the Commitments shall have terminated:

5.1 COVENANTS IN CREDIT AGREEMENT. In the case of each Guarantor, such Guarantor shall take, or shall refrain from taking, as the case may be, each action that is necessary to be taken or not taken, as the case may be, so that no Default or Event of Default is caused by the failure to take such action or to refrain from taking such action by such Guarantor or any of its Subsidiaries.

5.2 DELIVERY OF INSTRUMENTS AND CHATTEL PAPER; CERTIFICATED SECURITIES. If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any Instrument, Certificated Security or Chattel Paper, such Instrument, Certificated Security or Chattel Paper shall be delivered to the Administrative Agent with reasonable promptness, duly indorsed in blank by an effective indorsement that is undated (unless the Administrative Agent shall specify another form of indorsement), to be held as Collateral pursuant to this Agreement; provided, that the Grantors shall not be obligated to deliver to the Administrative Agent any

Instruments or Chattel Paper held by any Grantor at any time to the extent that the aggregate face amount of all such Instruments and Chattel Paper held by all Grantors at such time does not exceed \$20,000,000. It is understood and agreed that Indebtedness between the Borrower and any of its Subsidiaries, if any, need not be evidenced by notes.

5.3 MAINTENANCE OF PERFECTED SECURITY INTEREST; FURTHER DOCUMENTATION. (a) Such Grantor shall maintain the security interest created by this Agreement as a perfected security interest having at least the priority described in Section 4.3 and shall defend such security interest against the claims and demands of all Persons whomsoever.

(b) Such Grantor will furnish to the Administrative Agent and the Lenders from time to time statements and schedules further identifying and describing the Collateral of such Grantor and such other reports in connection with the Collateral as the Administrative Agent may reasonably request, all in reasonable detail.

(c) At any time and from time to time, upon the written request of the Administrative Agent, and at the sole expense of such Grantor, such Grantor will promptly and duly execute and deliver, and have recorded, such further instruments and documents and take such further actions as the Administrative Agent may reasonably request for the purpose of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted,

including, without limitation, (i) the filing of any financing or continuation statements under the Uniform Commercial Code in effect in any jurisdiction with respect to the security interests created hereby and (ii) in the case of Pledged Stock and any other relevant Collateral, taking any actions necessary to enable the Administrative Agent to obtain "control" (within the meaning of the applicable Article 8 Uniform Commercial Code) with respect thereto.

5.4 CHANGES IN NAME, ETC.. Such Grantor will not, except upon 15 days' prior written notice to the Administrative Agent and delivery to the Administrative Agent of all additional executed financing statements and other documents reasonably requested by the Administrative Agent to maintain the validity, perfection and priority of the security interests provided for herein:

- (i) change its jurisdiction of organization or official identification filing number from that referred to in Section 4.4; or
- (ii) change its name.

5.5 NOTICES. Such Grantor will advise the Administrative Agent and the Lenders promptly, in reasonable detail, of:

- (a) any Lien (other than security interests created hereby or Liens permitted under the Credit Agreement) on any of the Collateral which would adversely affect the ability of the Administrative Agent to exercise any of its remedies hereunder; and
- (b) the occurrence of any other event which could reasonably be expected to have a material adverse effect on the aggregate value of the Collateral or on the security interests created hereby.

5.6 INVESTMENT PROPERTY. (a) If such Grantor shall become entitled to receive or shall receive any stock certificate (including, without limitation, any certificate representing a stock dividend or a distribution in connection with any reclassification, increase or reduction of capital or any certificate issued in connection with any reorganization), option or rights in respect of the Capital Stock of any Issuer, whether in addition to, in substitution of, as a conversion of, or in exchange for, any shares of the Pledged Stock, or otherwise in respect thereof, such Grantor shall accept the same as the agent of the Administrative Agent and the Lenders, hold the same in trust for the Administrative Agent and the Lenders and deliver the same forthwith to the Administrative Agent in the exact form received, duly indorsed by such Grantor to the Administrative Agent, if required, together with an undated stock power covering such certificate duly executed in blank by such Grantor, to be held by the Administrative Agent, subject to the terms hereof, as additional collateral security for the Obligations. Any sums paid upon or in respect of the Investment Property upon the liquidation or dissolution of any Issuer at any time when an Event of Default is continuing shall be paid over to the Administrative Agent to be held by it hereunder as additional collateral security for the Obligations, and in case any distribution of capital shall be made on or in respect of the Investment Property, or any property shall be distributed upon or with respect to the Investment Property pursuant to the recapitalization or reclassification of the capital of any Issuer or pursuant to the reorganization thereof, the property so distributed shall, unless otherwise subject to a perfected security interest in favor of the Administrative Agent, be delivered to the Administrative Agent to be held by it hereunder as additional collateral security for the Obligations. If any sums of money or property so paid or distributed in respect of the Pledged Stock shall be received by such Grantor at any time when an Event of Default is continuing, such Grantor shall, until such money or property is paid or delivered to the Administrative Agent, hold such money or property in trust for the Lenders, segregated from other funds of such Grantor, as additional collateral security for the Obligations. Notwithstanding the foregoing, the Grantors shall not be required to pay over to the Administrative Agent or deliver to the Administrative Agent as Collateral any proceeds of any liquidation or dissolution of any Issuer, or any distribution of capital or property in respect of any Investment Property, to the extent that (i) such liquidation, dissolution or distribution, if treated as a Disposition of the relevant Issuer, would be permitted by the Credit Agreement and (ii) the proceeds thereof are applied toward prepayment of Loans and reduction of Commitments to the extent required by the Credit Agreement.

(b) Without the prior written consent of the Administrative Agent, such Grantor will not (i) vote to enable, or take any other action to permit, any Issuer to issue any stock or other equity securities of any nature or to issue any other securities convertible into or granting the right to purchase or exchange for any stock or other equity securities of any nature of any Issuer, unless such securities are delivered to the Administrative Agent, concurrently with the issuance thereof, to be held by the Administrative Agent as Collateral, (ii) sell, assign, transfer, exchange, or otherwise dispose of, or grant any

option with respect to, the Investment Property or Proceeds thereof (except pursuant to a transaction expressly permitted by the Credit Agreement), (iii) create, incur or permit to exist any Lien or option in favor of, or any claim of any Person with respect to, any of the Investment Property or Proceeds thereof, or any interest therein, except for the security interests created by this Agreement or (iv) enter into any agreement or undertaking restricting the right or ability of such Grantor or the Administrative Agent to sell, assign or transfer any of the Pledged Stock or Proceeds thereof.

(c) In the case of each Grantor which is an Issuer, such Issuer agrees that (i) it will be bound by the terms of this Agreement relating to the Pledged Stock issued by it and will comply with such terms insofar as such terms are applicable to it, (ii) it will notify the Administrative Agent promptly in writing of the occurrence of any of the events described in Section 5.7(a) with respect to the Pledged Stock issued by it and (iii) the terms of Sections 6.1(c) and 6.5 shall apply to it, MUTATIS MUTANDIS, with respect to all actions that may be required of it pursuant to Section 6.1(c) or 6.5 with respect to the Pledged Stock issued by it.

(d) Each Issuer that is a partnership or a limited liability company (i) confirms that none of the terms of any equity interest issued by it provides that such equity interest is a "security" within the meaning of Sections 8-102 and 8-103 of the New York UCC (a "SECURITY") and (ii) agrees that if any such equity interest shall be or become a Security, such Issuer will (and the Grantor that holds such equity interest hereby instructs such Issuer to) cause such Security to be a certificated Security and deliver such certificate to the Administrative Agent without further consent by such Grantor.

5.7 INTELLECTUAL PROPERTY. (a) Such Grantor (either itself or through licensees) will (i) continue to use each material Trademark on each and every trademark class of goods applicable to its current line as reflected in its current catalogs, brochures and price lists in order to maintain such Trademark in full force free from any claim of abandonment for non-use, (ii) maintain as in the past the quality of products and services offered under such Trademark, (iii) use such Trademark with the appropriate notice of registration and all other notices and legends required by applicable Requirements of Law, (iv) not adopt or use any mark which is confusingly similar or a colorable imitation of such Trademark unless the Administrative Agent, for the ratable benefit of the Lenders, shall obtain a perfected security interest in such mark pursuant to this Agreement, and (v) not (and not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby such Trademark may become invalidated or impaired in any way.

(b) Such Grantor (either itself or through licensees) will not do any act, or omit to do any act, whereby any material Patent may become forfeited, abandoned or dedicated to the public.

(c) Such Grantor (either itself or through licensees) (i) will employ each material Copyright and (ii) will not (and will not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby any material portion of the Copyrights may become invalidated or otherwise impaired. Such Grantor will not (either itself or through licensees) do any act whereby any material portion of the Copyrights may fall into the public domain.

(d) Such Grantor (either itself or through licensees) will not do any act that knowingly uses any material Intellectual Property to infringe the intellectual property rights of any other Person.

(e) Such Grantor will notify the Administrative Agent and the Lenders as soon as reasonably practicable if it knows that any application or registration relating to any material Intellectual Property is reasonably likely to become forfeited, abandoned or dedicated to the public, or of any material adverse determination or development (including, without

limitation, the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, the United States Copyright Office or any court or tribunal in any country) regarding such Grantor's ownership of, or the validity of, any material Intellectual Property or such Grantor's right to register the same or to own and maintain the same.

(f) Whenever such Grantor, either by itself or through any agent, employee, licensee or designee, shall file an application for the registration of any Intellectual Property with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, such Grantor shall report such filing to the Administrative Agent within five Business Days after the last day

of the fiscal quarter in which such filing occurs. Upon request of the Administrative Agent, such Grantor shall execute and deliver, and have recorded, any and all agreements, instruments, documents, and papers as the Administrative Agent may reasonably request to evidence the Administrative Agent's and the Lenders' security interest in any Copyright, Patent or Trademark and the goodwill and general intangibles of such Grantor relating thereto or represented thereby.

(g) Such Grantor will take all reasonable and necessary steps, including, without limitation, in any proceeding before the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, to maintain and pursue each application relating to any material Intellectual Property (and to obtain the relevant registration) and to maintain each registration of the material Intellectual Property, including, without limitation, filing of applications for renewal, affidavits of use and affidavits of incontestability.

(h) In the event that any material Intellectual Property is infringed, misappropriated or diluted by a third party, such Grantor shall, unless such Grantor shall reasonably determine that such Intellectual Property would not reasonably be likely to, in the aggregate, effect the aggregate economic value of the Intellectual Property, taken as a whole, (i) take such actions as such Grantor shall reasonably deem appropriate under the circumstances to protect such Intellectual Property and (ii) if such Intellectual Property is of material economic value, promptly notify the Administrative Agent after it learns thereof and take all reasonable steps to terminate the infringement, misappropriation or dilution.

SECTION 6. REMEDIAL PROVISIONS

6.1 PLEDGED STOCK. (a) Unless an Event of Default shall have occurred and be continuing and the Administrative Agent shall have given notice to the relevant Grantor of the Administrative Agent's intent to exercise its corresponding rights pursuant to Section 6.1(b), each Grantor shall be permitted to receive all cash dividends paid in respect of the Pledged Stock, to the extent permitted in the Credit Agreement, and to exercise all voting and corporate rights with respect to the Pledged Stock; PROVIDED, HOWEVER, that no vote shall be cast or corporate right exercised or other action taken which, in the Administrative Agent's reasonable judgment, would impair the Collateral or which would be inconsistent with or result in any violation of any provision of the Credit Agreement, this Agreement or any other Loan Document.

(b) If an Event of Default shall occur and be continuing and the Administrative Agent shall give notice of its intent to exercise such rights to the relevant Grantor or Grantors, (i) the Administrative Agent shall have the right to receive any and all cash dividends, payments or other Proceeds paid in respect of the Pledged Stock and make application thereof to the Obligations in the order set forth in Section 6.3, and (ii) any or all of the Pledged Stock shall be registered in the name of the Administrative Agent or its nominee, and the Administrative Agent or its nominee may thereafter exercise (x) all voting, corporate and other rights pertaining to such Pledged Stock at any meeting of shareholders of the relevant Issuer or Issuers or otherwise and (y) any and all rights of conversion, exchange and subscription and any other rights, privileges or options pertaining to such Pledged Stock as if it were the absolute owner thereof (including, without limitation, the right to exchange at its discretion any and all of the Pledged Stock upon the merger, consolidation, reorganization, recapitalization or other fundamental change in the corporate structure of any Issuer, or upon the exercise by any Grantor or the Administrative Agent of any right, privilege or option pertaining to such Pledged Stock, and in connection therewith, the right to deposit and deliver any and all of the Pledged Stock with any committee, depository, transfer agent, registrar or other designated agency upon such terms and conditions as the Administrative Agent may determine), all without liability except to account for property actually received by it, but the Administrative Agent shall have no duty to any Grantor to exercise any such right, privilege or option and shall not be responsible for any failure to do so or delay in so doing.

(c) Each Grantor hereby authorizes and instructs each Issuer of any Pledged Stock pledged by such Grantor hereunder to (i) comply with any instruction received by it from the Administrative Agent in writing that (x) states that an Event of Default has occurred and is continuing and (y) is otherwise in accordance with the terms of this Agreement, without any other or further instructions from such Grantor, and each Grantor agrees that each Issuer shall be fully protected in so complying, and (ii) unless otherwise expressly permitted hereby, pay any dividends or other payments with respect to the Pledged Stock directly to the Administrative Agent.

6.2 PROCEEDS TO BE TURNED OVER TO ADMINISTRATIVE AGENT. If an Event of Default shall occur and be continuing, all Proceeds received by any Grantor

consisting of cash, checks and Instruments shall be held by such Grantor in trust for the Administrative Agent and the Lenders, segregated from other funds of such Grantor, and shall, forthwith upon receipt by such Grantor, (if the Administrative Agent shall so request) be turned over to the Administrative Agent in the exact form received by such Grantor (duly indorsed by such Grantor to the Administrative Agent, if required). All Proceeds received by the Administrative Agent hereunder shall be held by the Administrative Agent in a Collateral Account maintained under its sole dominion and control. All Proceeds while held by the Administrative Agent in a Collateral Account (or by such Grantor in trust for the Administrative Agent and the Lenders) shall continue to be held as collateral security for all the Obligations and shall not constitute payment thereof until applied as provided in Section 6.3.

6.3 APPLICATION OF PROCEEDS. At such intervals as may be agreed upon by the Borrower and the Administrative Agent, or, if an Event of Default shall have occurred and be continuing, at any time at the Administrative Agent's election, the Administrative Agent may apply all or any part of Proceeds constituting Collateral, whether or not held in any Collateral

Account, and any proceeds of the guarantee set forth in Section 2, in payment of the Obligations in the following order:

FIRST, to pay incurred and unpaid fees and expenses of the Administrative Agent under the Loan Documents;

SECOND, to the Administrative Agent, for application by it towards payment of amounts then due and owing and remaining unpaid in respect of the Obligations, PRO RATA among the Lenders according to the amounts of the Obligations then due and owing and remaining unpaid to the Lenders;

THIRD, to the Administrative Agent, for application by it towards prepayment of the Obligations, PRO RATA among the Lenders according to the amounts of the Obligations then held by the Lenders; and

FOURTH, any balance of such Proceeds remaining after the Obligations shall have been paid in full, no Letters of Credit shall be outstanding and the Commitments shall have terminated shall be paid over to the relevant Borrower or to whomsoever may be lawfully entitled to receive the same.

6.4 CODE AND OTHER REMEDIES. If an Event of Default shall occur and be continuing, the Administrative Agent, on behalf of the Lenders, may exercise, in addition to all other rights and remedies granted to them in this Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the New York UCC or any other applicable law. Without limiting the generality of the foregoing, the Administrative Agent, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon any Grantor or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of the Administrative Agent or any Lender or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Administrative Agent or any Lender shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in any Grantor, which right or equity is hereby waived and released. Each Grantor further agrees, at the Administrative Agent's request, to assemble the Collateral and make it available to the Administrative Agent at places which the Administrative Agent shall reasonably select, whether at such Grantor's premises or elsewhere. The Administrative Agent shall apply the net proceeds of any action taken by it pursuant to this Section 6.4, after deducting all reasonable costs and expenses of every kind incurred in connection therewith or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Administrative Agent and the Lenders hereunder, including, without limitation, reasonable attorneys' fees and disbursements, to the payment in whole or in part of the Obligations, in such order as the Administrative Agent may elect, and only after such application

and after the payment by the Administrative Agent of any other amount required by any provision of law, including, without limitation, Section 9-504(1)(c) of the New York UCC, need the Administrative Agent account for the surplus, if any,

to any Grantor. To the extent permitted by applicable law, each Grantor waives all claims, damages and demands it may acquire against the Administrative Agent or any Lender arising out of the exercise by them of any rights hereunder. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least 10 days before such sale or other disposition.

6.5 REGISTRATION RIGHTS. (a) If the Administrative Agent shall determine to exercise its right to sell any or all of the Pledged Stock pursuant to Section 6.4, and if in the opinion of the Administrative Agent it is necessary or advisable to have the Pledged Stock, or that portion thereof to be sold, registered under the provisions of the Securities Act, the relevant Grantor will cause the Issuer thereof to (i) execute and deliver, and cause the directors and officers of such Issuer to execute and deliver, all such instruments and documents, and do or cause to be done all such other acts as may be, in the opinion of the Administrative Agent, necessary or advisable to register the Pledged Stock, or that portion thereof to be sold, under the provisions of the Securities Act, (ii) use its best efforts to cause the registration statement relating thereto to become effective and to remain effective for a period of one year from the date of the first public offering of the Pledged Stock, or that portion thereof to be sold, and (iii) make all amendments thereto and/or to the related prospectus which, in the opinion of the Administrative Agent, are necessary or advisable, all in conformity with the requirements of the Securities Act and the rules and regulations of the Securities and Exchange Commission applicable thereto. Each Grantor agrees to cause such Issuer to comply with the provisions of the securities or "Blue Sky" laws of any and all jurisdictions which the Administrative Agent shall designate and to make available to its security holders, as soon as practicable, an earnings statement (which need not be audited) which will satisfy the provisions of Section 11(a) of the Securities Act.

(b) Each Grantor recognizes that the Administrative Agent may be unable to effect a public sale of any or all the Pledged Stock, by reason of certain prohibitions contained in the Securities Act and applicable state securities laws or otherwise, and may be compelled to resort to one or more private sales thereof to a restricted group of purchasers which will be obliged to agree, among other things, to acquire such securities for their own account for investment and not with a view to the distribution or resale thereof. Each Grantor acknowledges and agrees that any such private sale may result in prices and other terms less favorable than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner. The Administrative Agent shall be under no obligation to delay a sale of any of the Pledged Stock for the period of time necessary to permit the Issuer thereof to register such securities for public sale under the Securities Act, or under applicable state securities laws, even if such Issuer would agree to do so.

(c) Each Grantor agrees to use its best efforts to do or cause to be done all such other acts as may be necessary to make such sale or sales of all or any portion of the Pledged Stock pursuant to this Section 6.5 valid and binding and in compliance with any and all other applicable Requirements of Law. Each Grantor further agrees that a breach of any of the covenants contained in this Section 6.5 will cause irreparable injury to the Administrative Agent

and the Lenders, that the Administrative Agent and the Lenders have no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained in this Section 6.5 shall be specifically enforceable against such Grantor, and such Grantor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that no Event of Default has occurred under the Credit Agreement.

6.6 WAIVER; DEFICIENCY. Each Grantor waives and agrees not to assert any rights or privileges which it may acquire under Section 9-112 of the New York UCC. Each Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay its Obligations and the fees and disbursements of any attorneys employed by the Administrative Agent or any Lender to collect such deficiency.

SECTION 7. THE ADMINISTRATIVE AGENT

7.1 ADMINISTRATIVE AGENT'S APPOINTMENT AS ATTORNEY-IN-FACT, ETC. (a) Each Grantor hereby irrevocably constitutes and appoints the Administrative Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Grantor and in the name of such Grantor or in its own name, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement, and, without limiting the generality of the foregoing, each

Grantor hereby gives the Administrative Agent the power and right, on behalf of such Grantor, without notice to or assent by such Grantor, to do any or all of the following:

(i) in the name of such Grantor or its own name, or otherwise, take possession of and indorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys with respect to any Collateral and file any claim or take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Administrative Agent for the purpose of collecting any and all such moneys with respect to any Collateral whenever payable;

(ii) in the case of any Intellectual Property, execute and deliver, and have recorded, any and all agreements, instruments, documents and papers as the Administrative Agent may request to evidence the Administrative Agent's and the Lenders' security interest in such Intellectual Property and the goodwill and general intangibles of such Grantor relating thereto or represented thereby;

(iii) pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, effect any repairs or any insurance called for by the terms of this Agreement and pay all or any part of the premiums therefor and the costs thereof;

(iv) execute, in connection with any sale provided for in Section 6.4 or 6.5, any indorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral; and

(v) (1) direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Administrative Agent or as the Administrative Agent shall direct; (2) ask or demand for, collect, and receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (3) sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (4) commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any portion thereof and to enforce any other right in respect of any Collateral; (5) defend any suit, action or proceeding brought against such Grantor with respect to any Collateral; (6) settle, compromise or adjust any such suit, action or proceeding and, in connection therewith, give such discharges or releases as the Administrative Agent may deem appropriate; (7) assign any Copyright, Patent or Trademark (along with the goodwill of the business to which any such Copyright, Patent or Trademark pertains), throughout the world for such term or terms, on such conditions, and in such manner, as the Administrative Agent shall in its sole discretion determine; and (8) generally, sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Administrative Agent were the absolute owner thereof for all purposes, and do, at the Administrative Agent's option and such Grantor's expense, at any time, or from time to time, all acts and things which the Administrative Agent deems necessary to protect, preserve or realize upon the Collateral and the Administrative Agent's and the Lenders' security interests therein and to effect the intent of this Agreement, all as fully and effectively as such Grantor might do.

Anything in this Section 7.1 (a) to the contrary notwithstanding, the Administrative Agent agrees that it will not exercise any rights under the power of attorney provided for in this Section 7.1(a) unless an Event of Default shall have occurred and be continuing.

(b) If any Grantor fails to perform or comply with any of its agreements contained herein, the Administrative Agent, at its option, but without any obligation so to do, may perform or comply, or otherwise cause performance or compliance, with such agreement.

(c) The expenses of the Administrative Agent incurred in connection with actions undertaken as provided in this Section 7.1, together with interest thereon at a rate per annum equal to the rate per annum at which interest would then be payable on past due Base Rate Loans under the Credit Agreement, from the date of payment by the Administrative Agent to the date reimbursed by the relevant Grantor, shall be payable by such Grantor to the Administrative Agent on demand.

(d) Each Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. All powers, authorizations and

agencies contained in this Agreement are coupled with an interest and are irrevocable until this Agreement is terminated and the security interests created hereby are released.

7.2 DUTY OF ADMINISTRATIVE AGENT. The Administrative Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the New York UCC or otherwise, shall be to deal with it in the same manner as the Administrative Agent deals with similar property for its own account. Neither the Administrative Agent, any Lender nor any of their respective officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any Grantor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof. The powers conferred on the Administrative Agent and the Lenders hereunder are solely to protect the Administrative Agent's and the Lenders' interests in the Collateral and shall not impose any duty upon the Administrative Agent or any Lender to exercise any such powers. The Administrative Agent and the Lenders shall be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

7.3 EXECUTION OF FINANCING STATEMENTS. Pursuant to Section 9-402 of the New York UCC and any other applicable law, each Grantor authorizes the Administrative Agent to file or record financing statements and other filing or recording documents or instruments with respect to the Collateral without the signature of such Grantor in such form and in such offices as the Administrative Agent reasonably determines appropriate to perfect the security interests of the Administrative Agent under this Agreement. A photographic or other reproduction of this Agreement shall be sufficient as a financing statement or other filing or recording document or instrument for filing or recording in any jurisdiction.

7.4 AUTHORITY OF ADMINISTRATIVE AGENT. Each Grantor acknowledges that the rights and responsibilities of the Administrative Agent under this Agreement with respect to any action taken by the Administrative Agent or the exercise or non-exercise by the Administrative Agent of any option, voting right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Agreement shall, as between the Administrative Agent and the Lenders, be governed by the Credit Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Administrative Agent and the Grantors, the Administrative Agent shall be conclusively presumed to be acting as agent for the Lenders with full and valid authority so to act or refrain from acting, and no Grantor shall be under any obligation, or entitlement, to make any inquiry respecting such authority.

SECTION 8. MISCELLANEOUS

8.1 AMENDMENTS IN WRITING. None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except in accordance with Section 10.1 of the Credit Agreement.

8.2 NOTICES. All notices, requests and demands to or upon the Administrative Agent or any Grantor hereunder shall be effected in the manner provided for in Section 10.2 of the Credit Agreement; PROVIDED that any such notice, request or demand to or upon any Grantor other than the Parent and the Borrower shall be addressed to such Grantor at its notice address set forth on SCHEDULE 1.

8.3 NO WAIVER BY COURSE OF CONDUCT; CUMULATIVE REMEDIES. Neither the Administrative Agent nor any Lender shall by any act (except by a written instrument pursuant to Section 8.1), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default. No failure to exercise, nor any delay in exercising, on the part of the Administrative Agent or any Lender, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Administrative Agent or any Lender of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Administrative Agent or such Lender would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

8.4 ENFORCEMENT EXPENSES; INDEMNIFICATION. (a) Each Guarantor agrees to pay, or reimburse each Lender and the Administrative Agent for, all its costs and expenses incurred in collecting against such Guarantor under the guarantee contained in Section 2 or otherwise enforcing or preserving any rights under this Agreement and the other Loan Documents to which such Guarantor is a party, including, without limitation, the fees and disbursements of counsel to each Lender and of counsel to the Administrative Agent.

(b) Each Guarantor agrees to pay, and to save the Administrative Agent and the Lenders harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Agreement.

(c) Each Guarantor agrees to pay, and to save the Administrative Agent and the Lenders harmless from, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement to the extent the Borrower would be required to do so pursuant to Section 10.5 of the Credit Agreement.

(d) The agreements in this Section shall survive repayment of the Obligations and all other amounts payable under the Credit Agreement and the other Loan Documents.

8.5 SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon the successors and assigns of each Grantor and shall inure to the benefit of the Administrative Agent and the Lenders and their successors and assigns; PROVIDED that no Grantor may assign, transfer or delegate any of its rights or obligations under this Agreement without the prior written consent of the Administrative Agent.

8.6 SET-OFF. Each Grantor hereby irrevocably authorizes the Administrative Agent and each Lender at any time and from time to time while an Event of Default pursuant to Section 7(a) of the Credit Agreement shall have occurred and be continuing, without notice to such Grantor or any other Grantor, any such notice being expressly waived by each Grantor, to set-off and appropriate and apply any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by the Administrative Agent or such Lender to or for the credit or the account of such Grantor, or any part thereof in such amounts as the Administrative Agent or such Lender may elect, against and on account of the obligations and liabilities of such Grantor to the Administrative Agent or such Lender hereunder and claims of every nature and description of the Administrative Agent or such Lender against such Grantor, in any currency, whether arising hereunder, under the Credit Agreement, any other Loan Document or otherwise, as the Administrative Agent or such Lender may elect, whether or not the Administrative Agent or any Lender has made any demand for payment and although such obligations, liabilities and claims may be contingent or unmatured. The Administrative Agent and each Lender shall notify such Grantor promptly of any such set-off and the application made by the Administrative Agent or such Lender of the proceeds thereof, PROVIDED that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Administrative Agent and each Lender under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Administrative Agent or such Lender may have.

8.7 COUNTERPARTS. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

8.8 SEVERABILITY. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

8.9 SECTION HEADINGS. The Section headings used in this Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

8.10 INTEGRATION. This Agreement and the other Loan Documents represent the agreement of the Grantors, the Administrative Agent and the

Lenders with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent or any Lender relative to subject matter hereof and thereof not expressly set forth or referred to herein or in the other Loan Documents.

8.11 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

8.12 ACTION REQUIRING APPROVAL. (a) If an Event of Default shall have occurred and be continuing, each Grantor shall take any action which the Administrative

Agent may request in the exercise of its rights and remedies under this Agreement in order to transfer or assign the Collateral to the Administrative Agent or to such one or more third parties as the Administrative Agent may designate, or to a combination of the foregoing. To enforce the provisions of this Section 8.12, the Administrative Agent is empowered to seek from any Governmental Authority, to the extent required, consent to or approval of any involuntary transfer of control of any entity whose Capital Stock is Collateral under this Agreement for the purpose of seeking a bona fide purchaser to whom control will ultimately be transferred. Each Grantor agrees to cooperate with any such purchaser and with the Administrative Agent in the preparation, execution and filing of any forms and providing any information that may be necessary or helpful in obtaining any applicable Governmental Authority's consent to the assignment to such purchaser of the Collateral. Each Grantor hereby agrees to consent to any such involuntary transfer of control upon the request of the Administrative Agent after and during the continuation of an Event of Default and, without limiting any rights of the Administrative Agent under this Agreement, to authorize the Administrative Agent to nominate a trustee or receiver to assume control of the Collateral, subject only to required judicial or other consent required by governmental authorities, in order to effectuate the transactions contemplated in this Section 8.12. Such trustee or receiver shall have all the rights and powers as provided to it by law or court order, or to the Administrative Agent under this Agreement. Each Grantor shall cooperate fully in obtaining the approval or consent of each Governmental Authority required to effectuate the foregoing.

(b) If an Event of Default shall have occurred and be continuing, each Grantor shall use its best efforts to assist in obtaining consent or approval of any Governmental Authority, if required, for any action or transactions contemplated by this Agreement, including without limitation, the preparation, execution and filing of the transferor's or assignor's portion of any application or applications for consent to the transfer of control or assignment necessary or appropriate under applicable rules and regulations for approval of the transfer or assignment of any portion of the Collateral.

(c) Notwithstanding the foregoing or any other provision of this Agreement or of the Credit Agreement or any of the documents executed pursuant hereto or thereto to the contrary, the Administrative Agent will not take any action pursuant to this Agreement, or any such documents, which would constitute or result in a direct or indirect acquisition or exercise of control of any Insurance Subsidiary (including, without limitation, any direct or indirect voting or act transferring control of any Pledged Stock) without first obtaining the approval (or an exemption from the requirement to obtain such approval) of the Applicable Insurance Regulatory Authority (in the case of General Accident Reinsurance Company, the approval of the California Department of Insurance pursuant to Section 1215.2 of the California Insurance Code).

8.13 SUBMISSION TO JURISDICTION; WAIVERS. Each Grantor hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the Courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such Grantor at its

address referred to in Section 8.2 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

8.14 ACKNOWLEDGEMENTS. Each Grantor hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents to which it is a party;

(b) neither the Administrative Agent nor any Lender has any fiduciary relationship with or duty to any Grantor arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Grantors, on the one hand, and the Administrative Agent and Lenders, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among the Grantors and the Lenders.

8.15 ADDITIONAL GRANTORS. Each Subsidiary of the Borrower that is required to become a party to this Agreement pursuant to Section 6.10(b) of the Credit Agreement shall become a Grantor for all purposes of this Agreement upon execution and delivery by such Subsidiary of an Assumption Agreement in the form of Annex 1 hereto.

8.16 RELEASES. (a) At such time as the Loans, the Reimbursement Obligations and the other Obligations (other than Borrower Hedge Agreement Obligations) shall have been paid in full, the Commitments have been terminated and no Letters of Credit shall be outstanding, the Collateral shall be released from the Liens created hereby, and this Agreement and all obligations (other than those expressly stated to survive such termination) of the Administrative Agent and each Grantor hereunder shall terminate, all without delivery of any instrument or performance of any act by any party, and all rights to the Collateral shall revert to the Grantors. At the request and sole expense of any Grantor following any such termination, the Administrative Agent shall deliver to such Grantor any Collateral held by the Administrative Agent hereunder, and execute and deliver to such Grantor such documents as such Grantor shall reasonably request to evidence such termination.

(b) If any of the Collateral shall be sold, transferred or otherwise disposed of by any Grantor in a transaction permitted by the Credit Agreement, then the Administrative Agent, at the request and sole expense of such Grantor, shall execute and deliver to such Grantor all releases or other documents reasonably necessary or desirable for the release of the Liens created hereby on such Collateral. At the request and sole expense of the Borrower, a Subsidiary Guarantor shall be released from its obligations hereunder in the event that all the Capital Stock of such Subsidiary Guarantor shall be sold, transferred or otherwise disposed of in a transaction permitted by the Credit Agreement; PROVIDED that the Borrower shall have delivered to the Administrative Agent, at least ten Business Days prior to the date of the proposed release, a written request for release identifying the relevant Subsidiary Guarantor and the terms of the sale or other disposition in reasonable detail, including the price thereof and any expenses in connection therewith, together with a certification by the Borrower stating that such transaction is in compliance with the Credit Agreement and the other Loan Documents.

8.17 WAIVER OF JURY TRIAL. EACH GRANTOR AND, BY ACCEPTANCE OF THE BENEFITS HEREOF, THE ADMINISTRATIVE AGENT AND EACH LENDER, HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

IN WITNESS WHEREOF, each of the undersigned has caused this Amended and Restated Guarantee and Collateral Agreement to be duly executed and delivered as of the date first above written.

FUND AMERICAN ENTERPRISES HOLDINGS,

INC. (f/k/a TACK HOLDING CORP.)

By: _____

Title:

FUND AMERICAN COMPANIES, INC. (f/k/a
TACK ACQUISITION CORP.)

By: _____

Title:

ONEBEACON INSURANCE GROUP LLC

By: _____

Title:

ONEBEACON ASSET MANAGEMENT, INC.

By: _____

Title:

ONEBEACON FINANCE CORPORATION

By: _____

Title:

BEACON ADVERTISING CORPORATION

By: _____

Title:

ONEBEACON RISK MANAGEMENT, INC.

By: _____

Title:

ONEBEACON LLOYD'S INC.

By: _____

Title:

TCH INSURANCE AGENCY, INC.

By: _____

Title:

ONEBEACON SERVICES CORPORATION

By: _____
Title:

NEW JERSEY SKYLANDS MANAGEMENT CORPORATION

By: _____
Title:

Schedule 1

NOTICE ADDRESSES OF GUARANTORS

Guarantor
Notice
Address --
----- --

-- Fund
American
Enterprises
Holdings,
Inc. One
Beacon
Street
Boston, MA
02108 Fund
American
Companies,
Inc. One
Beacon
Street
Boston, MA
02108
OneBeacon
Insurance
Group LLC
One Beacon
Street
Boston, MA
02108
OneBeacon
Asset
Management,
Inc. One
Beacon
Street
Boston, MA
02108
OneBeacon
Finance
Corporation
One Beacon
Street
Boston, MA
02108
Beacon
Advertising
Corporation
One Beacon
Street
Boston, MA
02108
OneBeacon
Risk
Management,
Inc. One
Beacon
Street
Boston, MA
02108

OneBeacon
Asset
200,000
Shares
100,000
Shares
OneBeacon
100,000
Shares 6
Management,
Inc. /
Common /
\$1 Common
Insurance
Group
Common LLC
/ 100%
OneBeacon
Finance
1,000
Shares /
100 Shares
OneBeacon
100 Shares
3
Corporation
Common /
\$1 Common
Insurance
Group
Common LLC
/ 100%
Beacon
Advertising
1,000
Shares /
100 Shares
OneBeacon
100 Shares
4
Corporation
Common /
\$1 Common
Insurance
Group
Common LLC
/ 100%
OneBeacon
Risk 1,000
Shares /
600 Shares
OneBeacon
600 Shares
6
Management,
Inc.
Common /
\$1 Common
Insurance
Group
Common LLC
/ 100%
OneBeacon
Lloyds,
1,000
Shares /
100 Shares
OneBeacon
100 Shares
3 Inc.
Common /
\$1 Common
Insurance
Group
Common LLC
/ 100% TCH
Insurance
100,000
Shares 100
Shares
OneBeacon

100 Shares
 3 Agency /
 Common /
 \$1 Common
 Insurance
 Group
 Common LLC
 / 100%
 National
 Farmers
 5,000,000
 3,000,000
 OneBeacon
 3,000,000
 5 Union
 Property
 and Shares
 / Common
 Shares
 Common
 Insurance
 Group
 Shares
 Common
 Casualty
 Company /
 \$1 LLC /
 100%
 Houston
 General
 Common /
 \$10
 1,000,000
 OneBeacon
 1,000,000
 11
 Insurance
 Company
 Shares
 Common
 Insurance
 Group
 Shares
 Common LLC
 / 100%

| | | | | | |
|--|--|----------------------------|--|----------------------------|--------|
| OneBeacon Insurance Company | 600,000 Shares / Common / \$10.50 | 400,000 Shares Common | OneBeacon Insurance Group LLC / 100% | 400,000 Shares Common | 25 |
| Potomac Insurance Company | 1,000,000 Shares / Common / \$2.35 | 1,000,000 Shares Common | OneBeacon Insurance Group LLC / 100% | 1,000,000 Shares Common | 3 |
| Homeland Central Insurance Company | 1,800,000 Shares / Common / \$2.50 | 267,198 Shares Common | OneBeacon Insurance Group LLC / 26.72% | 267,198 Shares Common | 3770 |
| | 1,500 Shares / Preferred/ \$100 | 0 Shares Preferred | | | |
| | 16,000 Shares / Preferred / \$50 | | | | |
| The Camden Fire Insurance Association | 500,000 Shares / Common / \$8.40 | 500,000 Shares Common | OneBeacon Insurance Group LLC / 100% | 500,000 Shares Common | L66150 |
| Pennsylvania General Insurance Company | 90,000 Shares / Common / \$70 | 60,000 Shares Common | OneBeacon Insurance Group LLC / 100% | 60,000 Shares Common | 85 |
| OneBeacon Services Corporation | 1,500 Shares / Common / \$1 | 1,500 Shares Common | OneBeacon Insurance Group LLC / 100% | 1,500 Shares Common | 3 |

02114-9660
UCC
Recorder
Boston City
Clerk City
Hall, Room
601 1 City
Hall Plaza
Boston, Ma
02201
OneBeacon
Asset
Management,
One Beacon
Street UCC
Division
Inc.
Boston, MA
02108
Secretary
of State
Suffolk
County P.O.
Box 793
Dover, DE
19903 UCC
Division
Secretary
of the
Commonwealth
One
Ashburton
Place Room
1711
Boston, MA
02108 UCC
Recorder
Suffolk
County
Register of
Deeds P.O.
Box 9660
Boston, MA
02114-9660
UCC
Recorder
Boston City
Clerk City
Hall, Room
601 1 City
Hall Plaza
Boston, Ma
02201
OneBeacon
Finance
Corporation
One Beacon
Street UCC
Division
Boston, MA
02108
Secretary
of State
Suffolk
County P.O.
Box 793
Dover, DE
19903 UCC
Division

Grantor
Offices UCC
Filing
Offices - -

02201
OneBeacon
Services
Corporation
One Beacon
Street UCC
Division
Boston, MA
02108
Secretary
of State
Suffolk
County P.O.
Box 793
Dover, DE
19903 UCC
Division
Secretary
of the
Commonwealth
One
Ashburton
Place Room
1711
Boston, MA
02108 UCC
Recorder
Suffolk
County
Register of
Deeds P.O.
Box 9660
Boston, MA
02114-9660
UCC
Recorder
Boston City
Clerk City
Hall, Room
601 1 City
Hall Plaza
Boston, Ma
02201 New
Jersey
Skylands
131
Morristown
Road UCC
Division
Management
Corporation
Basking
Ridge, NJ
07920
Secretary
of State
P.O. Box
793 Dover,
DE 19903

PATENT AND TRADEMARK FILINGS

Filing of Guarantee & Collateral Agreement and Schedules with U.S. Department of Commerce Patent and Trademark Office accompanied by Form PTO-1618A Recordation Form Cover.

ACTIONS WITH RESPECT TO PLEDGED STOCK

Delivery of stock certificates to Administrative Agent with undated stock power executed in blank.

OTHER ACTIONS

None.

Jurisdiction
of Official
Identification
Guarantor
Organization
Number - ----

--- Fund
American
Enterprises,
Holdings,
Inc. Delaware
3291231 Fund
American
Companies,
Inc. Delaware
3291234
OneBeacon
Insurance
Group LLC
Delaware
3461266
OneBeacon
Asset
Management,
Inc. Delaware
0640320
OneBeacon
Finance
Corporation
Delaware
2185685
Beacon
Advertising
Corporation
Delaware
0870143
OneBeacon
Risk
Management,
Inc. Delaware
0810732
OneBeacon
Lloyds, Inc.
Texas
124318600 TCH
Insurance
Agency, Inc.
Massachusetts
n/a OneBeacon
Services
Corporation
Delaware
2344327 New
Jersey
Skylands
Management
Corporation
Delaware
3503312

Schedule 5

INTELLECTUAL PROPERTY

I. Copyrights and Copyright Licenses:

None.

II. Patents and Patent Licenses:

NOW, THEREFORE, IT IS AGREED:

1. AMENDED AND RESTATED GUARANTEE AND COLLATERAL AGREEMENT. By executing and delivering this Assumption Agreement, the Additional Grantor, as provided in Section 8.15 of the Amended and Restated Guarantee and Collateral Agreement, hereby becomes a party to the Amended and Restated Guarantee and Collateral Agreement as a Grantor thereunder with the same force and effect as if originally named therein as a Grantor and, without limiting the generality of the foregoing, hereby expressly assumes all obligations and liabilities of a Grantor thereunder. The information set forth in Annex 1-A hereto is hereby added to the information set forth in Schedules _____* to the Amended and Restated Guarantee and Collateral Agreement. The Additional Grantor hereby represents and warrants that each of the representations and warranties contained in Section 4 of the Amended and

- -----

* Refer to each Schedule which needs to be supplemented.

Annex I-2

Restated Guarantee and Collateral Agreement is true and correct on and as the date hereof (after giving effect to this Assumption Agreement) as if made on and as of such date.

Annex I-3

2. GOVERNING LAW. THIS ASSUMPTION AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the undersigned has caused this Assumption Agreement to be duly executed and delivered as of the date first above written.

[ADDITIONAL GRANTOR]

By:

Name:
Title:

Annex II
to
Amended and Restated
Guarantee and Collateral Agreement

ACKNOWLEDGEMENT

The undersigned hereby acknowledges receipt of a copy of the Amended and Restated Guarantee and Collateral Agreement dated as of October 30, 2002 (the "AGREEMENT"), made by the Grantors parties thereto for the benefit of LEHMAN COMMERCIAL PAPER INC., as Administrative Agent.

The undersigned further acknowledges that pursuant to the terms of the Agreement [insert appropriate Grantor] has assigned and transferred to the Administrative Agent, and has granted to the Administrative Agent, for the ratable benefit of the Lenders, a security interest in, all Collateral now owned by such Grantor, including the issued and outstanding shares of all classes of the Capital Stock of the undersigned, as collateral security for the prompt and complete payment and performance when due of such Grantor's Obligations. As provided by Section 8.12 of the Agreement, the Administrative Agent may not take any action pursuant to the Agreement that would constitute or result in a direct or indirect act of control of [INSURANCE COMPANY] without first obtaining the approval of the Applicable Regulatory Authority.

[NAME OF ISSUER]

By: -----

Name:

Title:

Address for Notices:

Fax: -----