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For Immediate Release

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**SOVEREIGN RISK ANNOUNCES COMPLETION OF SECOND
CAPITAL MARKETS TRANSACTION IN ARGENTINA**

***Political Risk Insurance Enables a \$95 Million
Mortgage Backed Bond Issue to Achieve A1/A+ Rating***

HAMILTON, Bermuda, March 7, 2001 - Sovereign Risk Insurance Ltd. (Sovereign) has announced the completion of its second political risk insurance policy for a capital markets transaction. The policy was issued in support of a \$95 million securitization of Senior Mortgage Bonds on behalf of BACS I Mortgage Trust. The bonds are backed by U.S. Dollar-denominated mortgage loans secured by residential properties in Argentina. The issuer, Banco de Crédito y Securitización S.A. (BACS) is an Argentine financial entity formed in September 2000 by the International Finance Corporation, Banco Hipotecario S.A. and Inversiones y Representaciones S.A. to create and develop the secondary mortgage market in Argentina. The senior bonds were part of the \$115.8 million BACS I 2001-1 issue of mortgage bonds, which is BACS' first issue since its formation.

The 12-year political risk insurance policy covers up to 15 months of interest payments on the notes against the risks of currency inconvertibility and currency nontransfer. Bear, Stearns & Co. Inc. served as sole placement agent for the senior bonds pursuant to a Rule 144A /Regulation S private placement.

Moody's assigned an "A1" rating to the senior bonds, which is the highest rating that can be assigned to a cross border bond supported by Argentine assets, while Fitch Inc. rated the transaction "A+". These ratings are 9 notches above Argentina's sovereign ceiling for Moody's and 7 notches for Fitch Inc.

Price Lowenstein, Sovereign's President & CEO commented, "We are pleased to have been able to assist BACS in achieving an investment grade rating on this transaction. This marks both a continued expansion of Sovereign's product development and a further evolution in the use of political risk insurance in the capital markets. We are confident that political risk insurance will be increasingly utilized to meet the need to elevate the ratings for emerging market securitizations above the sovereign ceiling in sub-investment grade countries."

Mia Koo, Director in Fitch Inc.'s International Structured Finance Group added: "The BACS transaction underscores the importance of political risk insurance as a risk mitigation tool for emerging market issuers. The use of PRI in an existing asset securitization effectively mitigates transfer and convertibility risk, one of the major constraints in attaining investment grade ratings out of Argentina."

Bermuda-based Sovereign is one of the world's leading providers of political risk insurance and reinsurance to financial institutions, national export credit agencies, multilateral developmental agencies and global equity investors. Sovereign has the ability to issue political risk insurance policies for amounts up to \$125 million and for periods up to 15 years. Sovereign is a 50-50 joint venture between ACE Bermuda Insurance, Ltd., a wholly owned subsidiary of ACE Limited (NYSE: ACL) and XL Insurance Ltd, a wholly owned subsidiary of XL Capital Ltd (NYSE: XL). More information can be found on Sovereign's website: www.sovereignbermuda.com
