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**For Immediate Release**

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***SOVEREIGN RISK ANNOUNCES SIGNING OF SECOND  
REINSURANCE CONTRACT WITH THE INTER-AMERICAN  
DEVELOPMENT BANK***

HAMILTON, Bermuda, June 15, 2001 - Sovereign Risk Insurance Ltd. (Sovereign) today announced the signing by Sovereign and the Inter-American Development Bank (IDB) of a contract providing reinsurance for a private sector guarantee issued by IDB for the Light project in Brazil.

Sovereign's US\$50 million reinsurance policy supports the IDB's Political Risk Guarantee issued to Citibank, N.A., as trustee for a bank syndicate, under an indenture between Citibank and the issuer, Light-Servicos de Eletricidade S.A., a company incorporated under the laws of the Federative Republic of Brazil. The indenture governs the issuance of promissory notes, the proceeds of which will be used to finance Light's investment programme to improve electric service and coverage in the State of Rio de Janeiro. The US\$100 million IDB guarantee covers risks associated with currency inconvertibility, transferability and funds expropriation. Under the reinsurance policy, Sovereign assumes a portion of the guarantee risk.

Use of reinsurance is one way in which IDB seeks to leverage its resources and enhance its capabilities to guarantee private sector transactions in its member countries. This is the second time IDB has used private sector reinsurance, and it follows the model used for the VBC transaction, also in Brazil, that closed earlier this year. Sovereign was the reinsurer for the VBC contract as well.

Mr. Hiroshi Toyoda, Manager of IDB's Private Sector Department, noted that reinsurance enables the IDB to leverage its own resources to better support private sector operations in the IDB's member countries throughout Latin America and the Caribbean. "We are delighted to be working with Sovereign as they are one of the world's leading political risk insurers and have the experience and financial strength to complement our private sector operations."

Price Lowenstein, President and Chief Executive Officer of Sovereign, commented that he was “very pleased to close a second reinsurance transaction with the IDB. We believe this transaction, along with the VBC transaction, signals the beginning of an exciting, mutually beneficial relationship between Sovereign and the IDB. We look forward to future transactions supporting the IDB's Guarantee Program.”

The Inter-American Development Bank was established in 1959 to help accelerate economic and social development in Latin America and Caribbean. With an active loan portfolio of US\$49 billion and 46 nations as members, including 26 beneficiary countries in Latin America and the Caribbean, it is the largest and the oldest regional multilateral development institution. In 1995, the IDB was authorized to funnel up to five percent of its ordinary capital resources to the private sector without government guarantees, complementing its lending in direct support of economic and social development. Additional information is available on the IDB’s website: [www.iadb.org](http://www.iadb.org).

Sovereign is a specialized political risk insurer and reinsurer based in Bermuda. Sovereign's portfolio exceeds US\$4 billion of exposure spread over 60 emerging markets. Sovereign's clients include financial institutions, national export credit agencies, multilateral institutions and multinational corporations. Sovereign is a joint venture between XL Insurance Ltd, a wholly-owned subsidiary of XL Capital Ltd (NYSE: XL) and ACE Bermuda Insurance Ltd., a wholly-owned subsidiary of ACE Limited (NYSE: ACL). Additional information is available on Sovereign's website: [www.sovereignbermuda.com](http://www.sovereignbermuda.com).

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