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For Immediate Release

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***SOVEREIGN RISK SIGNS AGREEMENT WITH THE ADB FOR
VIETNAMESE POWER PROJECT – FIRST ISSUED UNDER ADB
COGUARANTEE PROGRAM***

HAMILTON, Bermuda, December 17, 2002: Sovereign Risk Insurance Ltd. (Sovereign) announced the signing of a landmark political risk insurance agreement with the Asian Development Bank (ADB) for a project in Vietnam. Sovereign is supporting ADB's Political Risk Guarantee (PRG) that covers a commercial financing tranche for the Phu My 2.2 power project.

This transaction marks the first Political Risk Guarantee issued by ADB under its Coguarantee Program. The \$25 million, 12.5-year Political Risk Guarantee covers a syndicate of commercial lenders. ANZ Investment Bank, Société Générale and Sumitomo Mitsui Bank are acting as co-lead arrangers for this ADB PRG facility.

Phu My 2.2 is a 715 MW gas-fired power project located near Vung Tau in southern Vietnam. It is the first build-operate-transfer (BOT) power project in Vietnam and is the first large, international project financing in Vietnam. The project's sponsors are EDF International of France, Tokyo Electric Power and Sumitomo Corporation of Japan. Other lenders to the project include JBIC, ADB, Proparco (a French development bank) and the World Bank. The Phu My 2.2 project was recently named "Project Finance Deal of the Year" by *Finance Asia* and *AsiaMoney* and "Asian Power Deal of the Year" by *Project Finance*.

Commenting on the transaction, Sovereign's President Price Lowenstein noted that: "We are very proud to have been the private political risk insurer selected by ADB to support the structuring and launching of ADB's inaugural Political Risk Guarantee under the Coguarantee Program. We believe that this structure, which brings private sector underwriting experience and capacity under an ADB Political Risk Guarantee, will be applicable for other large infrastructure project financings in Asia. Sovereign works with financial institutions and bilateral and multilateral agencies on a global basis, and we are very pleased to be the first private sector underwriter to participate in an ADB PRG transaction."

Martin Endelman, ADB's Senior Cofinancing Officer, noted that "this is a groundbreaking transaction that will allow ADB to further support private sector operations in one of its developing member countries." He added that: "Mobilizing private sector political risk insurance support for vital infrastructure projects in challenging markets is one of the key objectives of ADB's PRG Coguarantee Program. We were impressed by Sovereign's underwriting skills, flexibility, and knowledge of project finance. Sovereign's experience in working with both commercial banks and multilateral agencies was a real asset in closing this complex transaction, and it highlighted the importance of close collaboration between public and private sector PRI providers."

Said Vikas Batra, Director, Project & Structured Finance of ANZ in Singapore, the ADB PRG Coordinator, "We found Sovereign to be willing to tailor the product to the unique requirements of this project. As with any transaction that is 'first of its kind', the Guarantor of Record structure raised a number of complex risk allocation and documentation issues, all of which were addressed by Sovereign with a pragmatic approach."

ADB is the leading multilateral development finance institution in Asia and the Pacific, committed to reducing poverty in the region. ADB helps its developing member countries through loans, grants, equity investments and guarantees, including those covering specified noncommercial risks. Established in 1966, ADB today has 61 members. To learn more about ADB, please go to the Bank's website at: <http://www.adb.org>.

Sovereign is a specialized political risk insurer and reinsurer based in Bermuda. Sovereign's portfolio exceeds \$6 billion of exposure spread over 65 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 (Bermuda) 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.
