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Sovereign Announces Landmark Reinsurance Agreement with French

Government Insurer COFACE

March 25, 1998. Hamilton, BERMUDA - Sovereign Risk Insurance Ltd. (Sovereign) today announces the signing of a landmark reinsurance agreement with the French Government Export Credit Agency, COFACE.

The agreement, which will go into effect on April 1, will provide COFACE with \$80 million of private sector reinsurance coverage for COFACE's portfolio of French equity investments located in China. Bermuda-based Sovereign will be the lead reinsurer for this China-specific reinsurance facility, providing \$70 million in capacity. SCOR, the publicly traded French reinsurer, will provide the balance of \$10 million. The term of the reinsurance agreement between Sovereign, SCOR and COFACE is 10 years.

French Finance Ministry officials noted that this reinsurance arrangement marks the first time that either COFACE, or any other European Export Credit Agency, has enlisted the support of the private political risk insurance market in a cooperative reinsurance arrangement. COFACE was authorized to take this step by French Finance Minister Dominique Straus-Kahn. The French Finance Ministry said in a statement released last Friday that, "this first operation reflects the growing importance of the private political risk insurance market and exemplifies cooperation between public and private guarantees."

Price Lowenstein, Sovereign's President and Chief Executive Officer commented, "We are extremely pleased to have been selected by COFACE as the lead reinsurer for this transaction, particularly as this is the first time that COFACE has entered into a formal risk sharing arrangement with the private political risk market. We think this is an important development in the trend toward greater cooperation between the national agencies and the private market. This treaty is also a significant milestone in Sovereign's development and is a great credit to our underwriting personnel, our approach to new business opportunities as well as the vision and financial strength of our parent companies."

Sovereign underwrites political risk on behalf of A.C.E. Insurance Company, Ltd., a wholly owned subsidiary of ACE Limited (NYSE: ACL), X.L. Insurance Company, Ltd., a wholly owned subsidiary of EXEL Limited (NYSE: XL) and Risk Capital Reinsurance Company (NYSE: RCHI). Sovereign was formed in April 1997 and started formal underwriting operations on July 1, 1997.

COFACE (Compagnie Francaise d'Assurance pour le Commerce Exterieur) is the French export credit and investment insurance group which underwrites medium and long-term political risk guarantees on behalf of the French government.

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