



Sovereign Risk Insurance Ltd.
Bank of N.T. Butterfield Building
6th Floor
65 Front Street
Hamilton HM 12 Bermuda

441 296-4279 *main*
441 296-4281 *fax*

For Immediate Release

Media Contact: Price Lowenstein
(441) 296-4279
svnpl@ace.bm

**SOVEREIGN RISK ANNOUNCES COMPLETION OF SAMURAI/US
DOLLAR CAPITAL MARKETS TRANSACTION IN BRAZIL**

***Political Risk Insurance Assists Banco Itaú
Bond Issue in Achieving A3 Rating***

HAMILTON, Bermuda, September 7, 2001 - Sovereign Risk Insurance Ltd. ("Sovereign") has announced the issuance of two political risk insurance policies in connection with a capital markets transaction covering a two-tranche Yen and US Dollar-denominated notes issue by Banco Itaú. The policies were issued in support of an aggregate amount of US\$350 million of notes, US\$250 million equivalent of which was denominated in Japanese yen. The notes are general unsecured and unconditional obligations of Banco Itaú. The issue represents two "firsts" for Brazil -- it is both the first unwrapped A-rated deal and the first subordinated bond offering in Brazil.

The 10-year political risk insurance policies cover up to 18 months of interest payments on the notes against the risks of currency inconvertibility and currency nontransfer. Merrill Lynch served as sole placement agent for the bonds pursuant to a Rule 144A /Regulation S private placement.

Moody's assigned an "A3" rating to the subordinated notes, which is seven notches above the foreign currency debt rating of the Federal Republic of Brazil (rated B1).

Price Lowenstein, Sovereign's President & CEO commented, "We are pleased to have been able to assist Banco Itaú in achieving an investment grade rating on this transaction. This marks a further evolution in the use of political risk insurance in the capital markets. The fact that the notes were issued during a turbulent time in the Latin American markets testifies to the acceptance of the use of political risk insurance to enhance capital market issues in emerging markets. We are also extremely pleased to note the large interest in this issue in the Samurai market, which previously has not used political risk insurance."

Michael E. Lucente, Director of Merrill Lynch's Latin American Structured Finance Group, commented that "Sovereign was extremely effective. Their innovative and flexible approach ensured that the issue went ahead within the tight time frame we worked within. Sovereign's policies were tailored to the specifics of the deal and proved an efficient way of piercing the country ceiling, allowing our client, Banco Itaú, to get the rating enhancement it wanted."

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. Last year it underwrote exposure of more than \$2 billion in emerging markets. 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
