

11. This Agreement shall be binding upon and inure solely to the benefit of each party hereto and their respective successors and permitted assigns. Nothing in this Agreement, express or implied, is intended to or shall confer upon any other person any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement.

12. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provisions of this Agreement each of which shall remain in full force and effect.

(the next page is the signature page)

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed
by their respective duly authorized officers as of the date first above written.

AGC RISK MANAGEMENT GROUP, INC.

By: _____
Name:
Title:

ZENITH RISK MANAGEMENT, INC.

By: _____
Name:
Title:

SCHEDULE A

Assets

SCHEDULE B

Assumed Liabilities

OPINION OF
COUNSEL TO ZENITH

Counsel to Zenith will deliver one or more opinions, subject to customary assumptions, exceptions and conditions, to the effect that:

1. Each of Zenith, Zenith Insurance and Zenith National (collectively, the "Companies") has been duly incorporated and is validly existing and in good standing under the laws of the States of Florida, California and Delaware, respectively. Each of the Companies is qualified to do business and is in good standing as a foreign corporation under the laws of the States of _____.
2. Each of Zenith and Zenith Insurance is duly licensed as an insurance company in the State of Florida, authorized to write workers' compensation insurance.
3. Zenith Insurance is duly licensed or authorized as an insurance company in the State of California, authorized to write the following lines of business: _____.
4. Each of the Companies has the corporate power and corporate authority to execute, deliver and perform all of its obligations under the Agreement. The execution and delivery of the Agreement and the consummation by the Companies of the transactions contemplated thereby have been duly authorized by all requisite corporate action on the part of the Companies. The Agreement has been duly executed and delivered by the Companies.
5. The Agreement constitutes the valid and binding obligation of the Companies, enforceable against the Companies in accordance with its terms.
6. The execution and delivery by the Companies of the Agreement, and the performance by the Companies of their obligations under the Agreement, in accordance with its terms, do not conflict with the articles of incorporation, the certificate of incorporation or the bylaws of any of the Companies.
7. Neither the execution, delivery or performance by the Companies of the Agreement, nor the compliance by the Companies with the terms and provisions thereof will contravene any provision of any Applicable Law (as hereinafter defined). "Applicable Laws" shall mean those laws, rules and regulations of the States of California and Florida, the general corporate law of the State of Delaware and of the United States of America which, in our experience, are normally applicable to transactions of the type contemplated by the Agreement.
8. No Governmental Approval (as hereinafter defined), which has not been obtained or taken and is not in full force and effect, is required to authorize or is required in connection with the execution, delivery or performance of the Agreement by the Companies except (a) in connection with the applicable requirements of the HSR Act, (b) the filing of articles of merger pursuant to the FBCA, and the filing of an agreement of merger pursuant to the laws of the State of California, (c) the filing of appropriate documents with the relevant authorities of each state in which Zenith, Zenith Insurance or any of their Subsidiaries is authorized to do business, (d) the filing of appropriate documents with, and the approval of, the insurance regulatory authorities of the states of Florida, California, and other states in which Zenith

Insurance conducts its business. "Governmental Approval" means any consent, approval, license, authorization or validation of, or filing, recording or registration with, any Governmental Authority pursuant to Applicable Laws.

MANAGEMENT AGREEMENT

MANAGEMENT AGREEMENT (this "Agreement"), dated as of _____, 1996, by and between ZENITH AGC ACQUISITION INSURANCE COMPANY, a Florida corporation acting by and through its authorized Board of Directors (hereinafter referred to as the "Insurer"), and ZENITH RISK MANAGEMENT, INC., a Florida corporation ("ZRM").

I. PURPOSE OF AGREEMENT

The Insurer hereby appoints ZRM, and ZRM hereby acknowledges its appointment, as the Insurer's manager, for the purpose of providing, subject to the provisions of applicable statutes and rules, all services which are necessary and required in the planning, management and administration of the day-to-day operations, business and affairs of the Insurer with respect to the workers' compensation insurance business acquired from Associated General Commerce Self-Insurers Trust Fund ("AGC-SIF"). For purposes of this Agreement, all references to the business, operations, or affairs of the Insurer shall mean the business, operations or affairs of the Insurer transacted in the State of Florida and consisting of workers' compensation insurance business acquired from AGC-SIF and any other insurance business mutually agreed upon by the parties hereto.

II. DUTIES AND RESPONSIBILITIES OF ZRM

ZRM shall be responsible for managing and administering the affairs of the Insurer as set forth in Article I, including, but not limited to, marketing, underwriting, billing, claims administration, termination, reinstatement, safety and loss prevention, policy issuance, accounting, regulatory reporting, and general administration. Specifically, but without limitation, ZRM shall be responsible for the following:

A. Errors and Omissions and Fidelity Coverage.

1. ZRM shall secure, place and provide on behalf of the Insurer, errors and omissions coverage and fidelity coverage in an amount sufficient to comply with applicable regulations which may be adopted from time to time by the Florida Department of Insurance, hereinafter referred to as "Department."

2. ZRM with the concurrence of the Insurer, shall secure and place on behalf of the Insurer, such additional errors and omissions coverage and fidelity coverage as may be reasonably required from time to time to sufficiently protect and ensure the integrity and continued sound operation of the Insurer.

B. Claims Administration.

1. All claims shall be reported to the Insurer in a timely manner and all claims shall be adjusted by properly licensed persons.

the claim:

2. Notice shall be sent by ZRM to the Insurer as soon as it becomes known that

- (a) Exceeds the limit set by the Insurer;
- (b) Involves a coverage dispute;
- (c) Exceeds ZRM's claims settlement authority;
- (d) Is open for more than 6 months; or

(e) Is closed by payment of an amount set by the Department or an amount set by the Insurer, whichever is less.

3. All paper and electronic claims files shall be the joint property of the Insurer and ZRM. However, upon an order of liquidation of the Insurer, the paper and electronic claims and related application files shall become the sole property of the Insurer or its estate. ZRM shall have reasonable access to and the right to copy the claims files on a timely basis.

4. Any settlement authority granted to ZRM may be terminated for cause upon the Insurer's written notice to ZRM or upon the termination of this agreement. The Insurer may suspend the settlement authority during the pendency of any dispute regarding the cause for termination.

5. ZRM shall provide timely magnetic media transfer of data, as required by the Insurer or the Department.

C. Marketing.

ZRM shall provide a state-wide marketing program directed to licensed insurance agents, and shall furnish state-wide marketing services designed and tailored to ensure continued and orderly growth in both the number of policyholders of the Insurer and the annual premium of the Insurer.

D. Underwriting.

ZRM shall strictly adhere to the underwriting guidelines established by the Insurer. Said guidelines are more specifically set forth in Addendum "A" and made part of this Agreement. The Insurer may suspend the underwriting authority of ZRM during the pendency of any dispute regarding the cause for termination as set forth in Article IV. The Insurer or ZRM must fulfill all obligations on policies regardless of any disputes.

E. Loss Control.

1. ZRM shall be responsible for development of all safety programs, safety rules and regulations as are required by the Florida Insurance Laws and applicable provisions of the Florida Administrative Code, and shall further be responsible for the submittal of such safety programs, rules and regulations.

2. ZRM shall be responsible for securing approval of safety programs submitted in compliance with the Florida Insurance Laws and applicable provisions of the Florida Administrative Code.

3. ZRM shall be responsible for the coordination and implementation of approved loss control programs.

F. Data Processing and Reporting.

ZRM shall provide comprehensive data processing and reporting, on a timely basis, all reports, statistical data, and information necessary to ensure that all operations of the Insurer are conducted on a sound businesslike basis, including, but not limited to, claims processing, billing, termination, reinstatement, policy issuance, and disaster recovery capability in accordance with the Insurer's disaster recovery program adopted by ZRM.

G. Audit, Accounting and Administration.

1. ZRM shall require that all funds and/or remittances received from agents and/or insureds be payable directly to the Insurer.

2. ZRM shall provide such audit, accounting and administrative services as may be required from time to time to ensure the efficient and cost-effective operations of the Insurer.

3. ZRM shall render accounts to the Insurer detailing all transactions under the terms of this Agreement to the Insurer on a monthly or more frequent basis, as determined from time to time by the Insurer.

4. Separate records of business written by ZRM shall be maintained by ZRM. The Insurer shall have access and the right to audit and to copy all electronic and paper books, bank accounts and records related to its business, and such bank accounts and records shall be maintained in a form usable by the Insurer. The Department shall have access to all books, bank accounts, and records of ZRM, and such books, bank accounts and records shall be maintained in a form usable to the Department. The records shall be retained according to §626.561, Florida Insurance Laws.

H. Regulatory Reporting.

ZRM shall provide comprehensive regulatory reporting, on a periodic basis and upon prescribed forms, as required by Florida Statutes and applicable provisions of the Florida Administrative Code.

1. General Administration and Miscellaneous.

1. ZRM shall:

(a) At the request of the Insurer, represent the Insurer at all hearings, meetings, conventions and administrative inquiries involving the interests of the Insurer, and before any agency of the State of Florida, except those requiring representation by an attorney-at-law.

(b) Provide such services as may be necessary in the development of gross premiums, standard premiums, normal premiums, loss reserves and loss funds.

(c) Coordinate and facilitate provision of rehabilitative services to injured employees pursuant to the Florida Insurance Laws and applicable provisions of the Florida Administrative Code. Any rehabilitation services provided hereunder shall be from the approved list of providers of such services maintained by the appropriate state agencies.

(d) File with the Department such reports as are required from time to time, including, but not limited to: payroll records, accident experience and compensation payments, summary loss reports and reports of outstanding workers' compensation liabilities.

(e) Timely, routinely and as directed by the Insurer, provide to the Insurer and its actuaries and certified public accountants, the data necessary for a full, complete and ongoing evaluation of the Insurer's business which is the subject of this Agreement.

(f) Attend management meetings of the Insurer as requested.

(g) As directed by the Insurer, make such reports as are requested relating to matters of concern or general interest with respect to the Insurer.

(h) Provide sufficient personnel to perform ZRM's duties and obligations pursuant to this Agreement and maintain a sufficient number of experienced and qualified personnel, employed on a full-time basis, to meet the needs of the Insurer.

(i) Implement any managed care options required by Florida law.

2. ZRM shall not:

(a) Bind reinsurance or retrocessions on behalf of the Insurer.

(b) Commit the Insurer to participate in insurance or reinsurance syndicates.

(c) Appoint any producer without assuring that the producer is lawfully licensed to transact the type of insurance for which he is appointed.

(d) Without prior approval of the Insurer, pay or commit the Insurer to pay a claim over a specified amount, net of reinsurance, which exceeds \$125,000.

(e) Collect any payment from a reinsurer or commit the Insurer to any claims settlement with a reinsurer without prior approval of the Insurer. If prior approval is given, a report must be promptly forwarded to the Insurer.

(f) Permit a producer or subproducer to serve on its Board of Directors.

(g) Appoint a submanaging general agent.

(b) Enter into any contract or arrangement other than those necessary to perform the services contemplated hereunder, without the approval of the Insurer.

(i) Implement the hiring or firing of any senior officer of ZRM except as reasonably and jointly determined by ZRM and the Insurer.

III. DUTIES, RESPONSIBILITIES AND RIGHTS OF THE INSURER

1. In consideration for the services provided under this Agreement, the Insurer shall pay or advance funds to ZRM for all costs, fees and expenses (as reasonably and jointly determined by the Insurer and ZRM) incurred by ZRM in providing the services described under this Agreement. The Insurer shall pay the costs of reinsurance as provided in any reinsurance contract and shall pay the costs of any other insurance purchased in the name of, and for the protection of, the Insurer.

2. All funds received by the Insurer shall be held by said Insurer in a bank which is a member of the Federal Reserve System.

3. ZRM shall not share in interim profits.

IV. TERM AND TERMINATION

A. This Agreement shall become effective as of the Effective Time (as defined in the Agreement and Plan of Merger, dated as of October 7, 1996, by and among the Insurer, Zenith Insurance Company, Zenith National Insurance Corp., AGC-SIF and AGC Risk Management Group, Inc.) and shall remain in force for a period of five (5) years thereafter unless terminated earlier pursuant to the following sentence. This Agreement may be terminated:

1. By mutual agreement of the parties hereto;

2. Upon dissolution of the Insurer, whether voluntary or due to cessation of the Insurer's authority to operate within the State of Florida;

3. Upon dissolution of the Insurer due to insolvency or bankruptcy;

4. Upon ten (10) days' written notice by either party if the other party is in material breach of any term, covenant or condition contained herein; provided, however, that as a condition precedent to termination under this clause, the terminating party shall give written notice to the other party, who shall have thirty (30) days from the date of such notice to cure or correct the grounds for termination. If the grounds for termination are not corrected or cured during the thirty (30) day period, this Agreement may be terminated on the termination date specified in the notice, but not prior to the expiration of the thirty (30) day period described herein.

B. Should this Agreement be terminated, ZRM will cease providing services, turn over to the Insurer all paper and electronic records and files of the Insurer in the custody of ZRM, which shall include loss control records, reports, surveys and correspondence, underwriting surveys and premium

calculations, all active and closed claims files, Insured's files, and readable form copies of all regulatory filings. Notwithstanding the termination of this Agreement, ZRM will, at the request and expense of the Insurer, continue to:

1. Provide continued administration of the open claims files;
2. Assist in the preparation of a payroll audit and any regulatory audit, including but not limited to an annual financial audit, for the final year this Agreement is in effect;
3. Cooperate with any successor manager or the Insurer in the orderly transfer of all functions; and
4. Provide timely magnetic media transfer of data, as required by the Insurer or the Department.

V. ENTIRE AGREEMENT, ASSIGNMENT

This Agreement (a) constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all other prior agreements and understandings, both written and oral, among the parties or any of them with respect to the subject matter hereof and (b) may not be assigned in whole or in part by ZRM.

VI. INDEMNIFICATION

The Insurer agrees to indemnify and hold ZRM harmless from and against all costs, damages, judgments, attorney's fees, expenses, obligations and liabilities of whatsoever kind or nature, which, in good faith, ZRM may incur or sustain in connection with or arising from ZRM's performance hereunder, except such costs, damages, judgments, attorney's fees, expenses, obligations or liabilities which may be incurred by ZRM as a result of (a) a violation of a criminal law resulting in a conviction, (b) any deliberately dishonest or fraudulent act or omission, or (c) any act or omission committed in bad faith or with malicious purpose or constituting gross negligence.

ZRM agrees to indemnify and hold the Insurer harmless from and against all costs, damages, judgments, attorney's fees, expenses, obligations and liabilities of whatsoever kind or nature, which the Insurer may incur or sustain as a result of any acts or omissions within the scope of clauses (a), (b) or (c) of the immediately preceding paragraph.

VII. EXCLUSIVITY AND OWNERSHIP OF PROPERTY

- A. ZRM covenants that the Insurer shall be the only client of ZRM.
- B. The Insurer shall be the owner of all computer hardware and software (including software licenses) and any other property and property rights acquired or developed by ZRM for purposes of this Agreement and the Insurer shall have title to all such hardware, software, media, property and property

rights. The compensation payable to ZRM as provided for in Article III above shall be deemed to include fair compensation for all such hardware, software, property and property rights. ZRM shall execute all documents and take all actions necessary in the Insurer's opinion to perfect title in the Insurer as provided for herein.

VIII. EXPERIENCE AND QUALIFICATION OF ZRM; FIDUCIARY DUTY.

1. ZRM represents and warrants that its principals and employees have the experience and qualifications to meet the needs of the Insurer, including, without limitation, claims administration, overall planning and coordination of the business of the Insurer, providing summary data relating to the Insurer's costs of providing benefits, and the skill and experience to prevent and correct deficiencies which may arise in the operation of the Insurer.

2. ZRM acknowledges its fiduciary duty to the Insurer and agrees to exercise good faith in all transactions on behalf of the Insurer and agrees to fully, completely and promptly inform the Insurer of all of its material communications (both oral and written) to and from the Department or other regulatory authorities.

IX. NOTICES

Any notice, request, instruction or other document to be given hereunder by any party to the other parties shall be in writing and shall be deemed given when delivered personally, upon receipt of a transmission confirmation (with a confirming copy sent by overnight courier) if sent by telecopy or like transmission, and on the next business day when sent by Federal Express, Express Mail, or other reputable overnight courier, as follows:

(a) If to ZRM, to:

Zenith Risk Management, Inc.

Telephone: _____

Telecopy: _____

(b) If to the Insurer, to:

John J. Tickner, Esq.
Zenith AGC Acquisition Insurance Company
c/o Zenith Insurance Company
21255 Califa Street
Woodland Hills, CA 91367-5021
Telephone: (818) 594-5564
Telecopy: (818) 594-7269

with a copy to:

Bertil Lundqvist, Esq.
Skadden, Arps, Slate, Meagher & Flom
919 Third Avenue
New York, NY 10019
Telephone: (212) 735-3000
Telecopy: (212) 735-2000

and

Jerome L. Coben, Esq.
Skadden, Arps, Slate, Meagher & Flom
300 South Grand Avenue
Los Angeles, CA 90071
Telephone: (312) 687-5010
Telecopy: (312) 687-5600

X. CONSTRUCTION

This Agreement shall be governed by, and construed in accordance with, the laws of the State of Florida without giving effect to the principles of conflicts of laws thereof. Venue for the purposes of any cause of action, of whatsoever kind or nature, by either party against the other hereunder, shall be Orange County, Florida.

XI. COUNTERPARTS

For the convenience of the parties hereto, this Agreement may be executed in any number of counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts shall together constitute the same agreement.

XII. PARTIES IN INTEREST

This Agreement shall be binding upon and inure solely to the benefit of each party hereto and their respective successors and permitted assigns. Nothing in this Agreement, express or implied, is intended to or shall confer upon any other person any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement.

XIII. VALIDITY

The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, each of which shall remain in full force and effect.

XIV. CAPTIONS

The Section captions herein are for convenience of reference only, do not constitute part of this Agreement and shall not be deemed to limit or otherwise affect any of the provisions hereof.

IN WITNESS WHEREOF, the above-named parties have hereunto set their hands and seals on the day above written for themselves, their assigns and successors, and do hereby agree to fully perform the covenants and agreements as hereinabove set forth.

ZENITH AGC ACQUISITION
INSURANCE COMPANY

By: _____
Name:
Title:

Attest:

By: _____
Name:
Title: Secretary

ZENITH RISK MANAGEMENT, INC.

By: _____
Name:
Title:

Attest:

By: _____
Name:
Title: Secretary

ADDENDUM A

Underwriting Guidelines

Maximum annual premium volume:	\$60 million.
Basis of the rates to be charged:	Standard workers' compensation in accordance with the insurance laws of the State of Florida.
Types of risks which may be written:	Any risk except those excluded from time to time under Zenith reinsurance treaties.
Maximum limits of liability:	Statutory workers' compensation and \$2 million employers' liability.
Applicable exclusions:	None.
Territorial limitations:	United States, subject to required licenses.
Policy cancellation provisions:	Statutory as per policy.
Maximum policy periods:	One year.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized officers as of the date first above written.

Attest:

[seal]

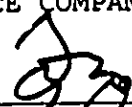


John J. Tickner

Secretary

ZENITH AGC ACQUISITION
INSURANCE COMPANY

By:


Name: Stanley R. Zax
Title: President

Attest:

[seal]



John J. Tickner

Secretary

ZENITH INSURANCE COMPANY

By:


Name: Stanley R. Zax
Title: President

Attest:

[seal]




John J. Tickner

Secretary

ZENITH NATIONAL INSURANCE CORP.

By:


Name: Stanley R. Zax
Title: President

Attest:

[seal]

ASSOCIATED GENERAL COMMERCE
SELF INSURERS' TRUST FUND

By:

Name:
Title:

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized officers as of the date first above written.

Attest:

ZENITH AGC ACQUISITION
INSURANCE COMPANY

[seal]

By: _____

Name: _____

Title: _____

Attest:

ZENITH INSURANCE COMPANY

[seal]

By: _____

Name: _____

Title: _____

Attest:

ZENITH NATIONAL INSURANCE CORP.

[seal]

By: _____

Name: _____

Title: _____

Attest:

ASSOCIATED GENERAL COMMERCE
SELF INSURERS' TRUST FUND

[seal]

Ronald C. Slap

By: _____

Name: Harold Brown

Title: Vice Chairman

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Attest:

[seal]



AGC RISK MANAGEMENT GROUP,
INC.

By:



Name: Doris M. Oberhardt

Title: President

10/11/96