

Reinsurance Agreements

A. All reinsurance agreements are to contain the following provisions/clauses (further revisions and amendments may be required depending upon our review of the reinsurance agreements):

- a. Parties (see q. below for multiple reinsureds)
- b. Date/Term of reinsurance agreement
- c. Scope/Retention (ceding insurer is required to retain a percentage of business; zero retention is unacceptable)
- d. Premium/Ceding Commission calculation
- e. Reports and remittances (not less than quarterly/payments within 30 days of report)
- f. Inspection of Records
- g. Right of Offset (if applicable; to be in accordance with Section 7427 of the New York Insurance Law, N.Y.I.L.)
- h. Insolvency clause (to be in accordance with Section 1308 of the N.Y.I.L.)
- i. Arbitration clause
- j. Amendment clause
- k. Termination clause (immediately upon mutual consent or by 60 days prior written notice by either party)
- l. Executory Clause (to be properly executed by all parties to the reinsurance agreement)
- m. Intermediary clause (if applicable)
- n. Run-off clause (if applicable)
- o. Ultimate net loss clause -- definition in agreement to include all losses for which the ceding company has paid or becomes liable to pay.
- p. Extra Contractual Obligation Clause

If the reinsurance agreement contains language providing for reimbursement for "fraud or bad faith", such language is to be deleted.

The company can retain this language in its reinsurance agreements provided an exclusionary clause with the following language is inserted in the applicable articles:

"If any provision of this contract shall be rendered illegal or unenforceable by the laws, regulations or public policy of any state, such provision shall be void in such state, but this shall not affect the validity or enforceability of such provision in any other jurisdiction."

q. MULTIPLE REINSUREDS

Any reinsurance agreement that names more than one reinsured must set forth, within the contract, the rights and obligations of each reinsured to the contract. The only time this requirement is relaxed, is where there is an underlying pooling arrangement which specifically sets forth each pool member's responsibility. In the absence of an underlying pooling arrangement the reinsurance contract must either be in the name of one reinsured or contain acceptable terminology covering multiple insureds.

Each of your reinsurance contracts with multiple reinsured companies must be modified either by having only one named reinsured per agreement or adding an article which defines the contract in terms of each individual reinsured.

An example of acceptable wording to reflect the individual contract terminology used to designate reinsured and reinsurers, is as follows:

"Each party to this contract agrees to honor the terms set forth herein as if the contract were a separate agreement between the Reinsurer and each individually named Reinsured. Balances payable or recoverable by any Reinsurer or each individual named Reinsurer or individual named Reinsured shall not serve to offset any balances payable or recoverable to or from any other Reinsured party to the contract.

Reports and remittances made to Reinsurers in accordance with Article _____ are to be in sufficient detail to identify both the Reinsurers loss obligations due each Reinsured and each Reinsured's premium remittance under the report."

This approach is consistent with the requirements put forth under Statements of Statutory Accounting Principles No. 62R paragraph 9.

B. Letters of credit and trust agreements are to conform, respectively, to Regulations 133 and 114 of the Insurance Division of the New York State Department of Financial Services. Please submit.

C. If the Company is a participant in a pooling arrangement, please indicate how the amount of unauthorized reinsurance applicable to each pool member is determined.

The above listing is not meant to be inclusive. Further modifications and changes may be required depending on the content of the agreement(s) submitted.

PLEASE INDICATE WITH MARGINAL NOTES, WHERE THE AFOREMENTIONED CLAUSES APPEAR IN YOUR REINSURANCE AGREEMENTS.