SPECIAL PURPOSE ARRANGEMENT: QUOTA SHARE REINSURANCE

REINSURED: THE MEMBERS OF LLOYD'S SYNDICATE No. [ ] as constituted for the 20[ ] Underwriting Year of Account acting through their managing agent

REINSURER: THE MEMBERS OF LLOYD'S SYNDICATE No. [ ] as constituted for the 20[ ] Underwriting Year of Account (a Special Purpose Arrangement) acting through their managing agent

TYPE: Whole Account Quota Share Treaty

PERIOD: All business underwritten by the Reinsured to the 20[ ] Underwriting Year of Account [***or*** All that business underwritten by the Reinsured to the 20[ ] Underwriting Year of Account in the classes set out in Schedule 1][1] [to include, for the purposes of this clause, reinsurance to close of prior Underwriting Years of Account].

CESSION: The Reinsured shall cede and the Reinsurer shall accept hereunder:

Reinsured's Underwriting Year of Account

a quota share participation of all business underwritten by the Reinsured to the 20[ ] Underwriting Year of Account [***or*** all that business underwritten by the Reinsured to the 20[ ] Underwriting Year of Account in the classes set out in Schedule 1][2] such that:

(i) if the Gross Net Premium Income of the Reinsured is no more than £[ ], the quota share percentage shall be [ ]%;

(ii) if the Gross Net Premium Income of the Reinsured is more than £[ ], the quota share percentage shall be that percentage which £[ ] bears to the Gross Net Premium Income.

[RITC of prior Underwriting Years of Account of Reinsurer

A cession of those liabilities of the Reinsured which are attributable to prior Underwriting Years of Account of the Reinsurer for which the Reinsured is liable, directly or indirectly, by reason of its reinsurance to close of prior Underwriting Years of Account of the Reinsurer.][3]

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[1] Appropriate for SPA of specific classes
[2] Appropriate for SPA of specific classes
[3] To be included where the SPA is to assume the RITC of prior years of the SPA.

TERRITORIAL SCOPE: Wherever arising, as original

COMMENCEMENT OF LIABILITY It is agreed that the liability of the Reinsurer shall commence simultaneously with that of the Reinsured in respect of all cessions hereunder which shall be subject to the same terms, clauses, conditions, warranties, periods, extensions of period, continuations and all other conditions on the original policies and/or contracts and shall follow unconditionally all original settlements and/or agreements (including compromise and ex-gratia settlements) of the Reinsured in every respect, and the Reinsurer shall benefit for its share of any salvage, subrogation and other applicable recoveries, it being the intention that the Reinsurer hereon shall follow the fortunes of the Reinsured in all matters within the terms and conditions of this Contract.

CLAIMS SETTLEMENT The Reinsured may at its sole discretion commence, continue, defend, compromise, settle or withdraw from actions, suits or proceedings and generally action all such matters relating to any claim or loss which in its judgment may be beneficial. The payments and expenses so incurred (other than the salaries of the employees and the office expenses of the Reinsured) shall be borne by the Reinsurer for the Reinsurer's Share and its share shall be debited or paid in accordance with the provisions of this Contract.

PREMIUM: The Reinsurer's Share of the Reinsured's Gross Net Premium Income [attributable to the business underwritten by the Reinsured to the 20[ ] Underwriting Year of Account in the classes set out in Schedule 1][4] .

COMMISSION: [ ]% of Gross Net Premium Income ceded hereunder.

PROFIT COMMISSION: On the Closure Date, the Reinsurer shall pay to the Reinsured a profit commission of:

(i) [ ]%, if the Net Profit as a percentage of the Reinsurer's capacity is less than [ ]%; or

(ii) [ ]%, if the Net Profit as a percentage of the Reinsurer's capacity is equal to or more than [ ]%

The Net Profit shall be the excess of the sum of the Income over the sum of the Outgo as shown in an Experience Account statement prepared in accordance with the Experience Account clause as at the date of the calculation of the profit commission.

[4] Appropriate for SPA of specific classes

Profit commission shall be payable in GBP. For the purposes of determining the Net Profit all Income and Outgo in currencies other than GBP shall be converted into GBP at the rates of exchange adopted by Lloyd's as at the date that the Net Profit is calculated.

TAXES: If applicable, as original

REINSURER EXPENSES The Reinsured shall pay:

(i) on behalf of the Reinsurer from the funds withheld (but not otherwise) any annual fee and profit commission of the Reinsurer's managing agent. Such sums paid shall be debited from the account of the Reinsurer and shown in the Experience Account; and

(ii) any Lloyd's levies, costs and expenses attributable to the Reinsurer (and the Reinsured acknowledges that this is included in the amount that the Reinsurer has agreed to pay in the Commission clause).

to the extent these sums relate to the 20[ ] Year of Account.

EXPERIENCE ACCOUNT: Each [***month/quarter/half year – to be agreed by parties***] the Reinsured will prepare and submit to the Reinsurer an Experience Account statement. This Experience Account statement shall include:

<u>Income</u>:

(a) the premium due to the Reinsurer;

(b) any investment income, capital gains and exchange rate gains that accrue to the account of the Reinsurer in accordance with the Funds Withheld Clause;

(c) the Reinsurer's Share of all applicable reinsurance, salvage, subrogation and other applicable recoveries on paid losses and loss expenses;

(d) the Reinsurer's Share of all applicable reinsurance, salvage, subrogation and other applicable recoveries on outstanding losses and loss expenses; and

(e) the Reinsurer's Share of all applicable reinsurance, salvage, subrogation and other applicable recoveries on incurred but not reported (IBNR) losses and loss expenses

<u>Outgo</u>:

(f) all paid losses and loss expenses due from the Reinsurer;

(g) all outstanding losses and loss expenses due from the Reinsurer;

(g) any incurred but not reported (IBNR) losses and loss expenses due from the Reinsurer;

(h) the Reinsurer's Share of all premium (and other costs) for reinsurances that inure to the benefit of the Reinsurer;

(i) the commission due from the Reinsurer in accordance with the Commission clause;

(j) any investment costs, capital losses and exchange rate losses that accrue to the account of the Reinsurer in accordance with the Funds Withheld clause;

(k) any annual fee and profit commission of the Reinsurer's managing agent paid in accordance with the Reinsurer Expenses clause; and

(l) any interest expense to which the Reinsured is entitled in accordance with the final paragraph of this Experience Account clause.

If the average Experience Account balance as shown on the Experience Account statement in any [***month/quarter/half year – to be agreed by parties***] is negative, the Reinsured may charge an interest expense. The interest expense will be calculated on the monthly average of such negative balance at the rate of the relevant currency six month duration treasury bills + 1.5% [***or as applicable***].

ACCOUNTS: The Reinsured will provide the Reinsurer with a quarterly syndicate technical accounts report to be rendered within [***as applicable***] days of the relevant quarter. Such technical accounts to be presented on the basis of a QMR 110.

FUNDS WITHHELD: This contract shall operate on a "funds withheld" basis and the funds shall be held in the Reinsured's premium trust funds at Lloyd's subject to the terms of the Reinsured's Premium Trust deeds. Investment income, capital gains or losses, and exchange rate gains and losses attributable to the Underwriting Year of Account [***or*** that business underwritten by the Reinsured to the Underwriting Year of Account in the classes set out in Schedule 1][5] shall accrue to the account of the Reinsurer pro rata and on the same basis used by the Reinsured in its audited statutory accounts. No payments will be made to the Reinsurer prior to thirty-six months after commencement of the 20[ ] Year of Account.

[5] Appropriate for SPA of specific classes

Notwithstanding the previous paragraph, the Reinsured may make early releases of funds under this Contract. The amount released will depend on Lloyd's applicable Requirements and predicted cash flows of the assets and liabilities withheld by the Reinsured under this Contract. If an early release of profits is made to the Reinsured in relation to the 20[ ] Underwriting Year of Account, it is required to consider if an equivalent payment can be made under this Contract to the Reinsurer.

CASH CALL

The Reinsured may at its sole discretion request the Reinsurer to make an immediate payment for the Reinsurer's Share of any gross claims paid, gross claims outstanding or gross claims incurred but not reported or any funding in accordance with the Lloyd's US Funding Regulations. [Any cash calls shall only be made simultaneously with or following a cash call on the Reinsured in accordance with (i) the Reinsured's managing agent's right under the managing agent's agreement with such member to make cash calls and (ii) Lloyd's Requirements relating to the same.][6]

REINSURANCE

The Reinsured shall at its full discretion purchase reinsurance (excess of loss or otherwise, treaty or facultative) to protect it and the Reinsurer pro rata their respective interests ("**Common Account Reinsurance**"). The Reinsurer shall be liable for the Reinsurer's Share of the cost of any Common Account Reinsurance purchased and the Reinsurer's Share of the cost of and recoveries under such Common Account Reinsurance shall be debited/credited and shown separately in the Experience Account. Any intra-group reinsurance of the Reinsured shall be excluded from the Common Account Reinsurances. The allocation of costs and claim recoveries for reinsurances shared with Underwriting Years of Account not covered by this contract will follow the basis utilised by the Reinsured in its audited statutory accounts.

SETTLEMENT & REINSURANCE TO CLOSE (RITC)

It is the intention of the parties that the SPA Closure shall take place immediately prior to the 20[ ] Underwriting Year of Account of the Reinsured being reinsured to close (the "**Closure Date**"). It is understood and agreed that, subject to Lloyd's Requirements, the intended date for closure of the 20[ ] Underwriting Year of Account of the Reinsured is 31 December 20[ ].

At the time of the SPA Closure:

(a) the parties shall bring into account all sums then owing by the Reinsured to the Reinsurer or by the Reinsurer to the Reinsured under this Contract as shown in the Experience Account; and

[6] This sentence may need to be deleted where the SPA is of specific classes.

(b) the parties shall enter into a contract of reinsurance to close the 20[ ] Underwriting Year of Account of the Reinsurer. The premium to be paid under the RITC shall be an amount agreed by the parties which is equal in value to the Reinsurer's Share of [that part of][7] the premium to be paid by the Reinsured to RITC its 20[ ] Underwriting Year of Account [for that part which is attributable to the classes set out in Schedule 1][8], subject to any necessary adjustments (it being noted that RITC requires independent audit and an independent statement of actuarial opinion). For the avoidance of doubt, in determining the amount payable under this sub-paragraph (b), any part of the RITC premium payable by the Reinsured to close its 20[ ] Underwriting Year of Account that is attributable to prior Underwriting Years of Account closed by RITC into the 20[ ] Underwriting Year of Account of the Reinsured shall be ignored.

Promptly following the SPA Closure (or at such date as the parties may agree) the net balance of the sums referred to in sub-paragraphs (a) and (b) above shall be paid by the Reinsured to the Reinsurer or by the Reinsurer to the Reinsured as appropriate.

If the 20[ ] Underwriting Year of Account of the Reinsured is left open at its intended closure date, at that time the parties may nevertheless agree to settle the sums then due under the Contract and RITC the 20[ ] Underwriting Year of Account of the Reinsurer on mutually agreeable terms. If a RITC cannot be agreed then this Contract shall continue on a "funds withheld" basis and the Reinsured shall make an offer to RITC this Contract at the end of each subsequent year. Upon agreement of the terms of a RITC, or at such time as the 20[ ] Underwriting Year of Account of the Reinsured is to close the terms of the previous paragraphs of this clause shall apply.

RE-OFFER CLAUSE

Subject to all necessary Lloyd's approvals should the Reinsured intend to re-offer this Contract for the 20[ ] Year of Account the Reinsured agrees that the Reinsurer shall be given first refusal to participate in the re-offer for a percentage share at least equal to the Reinsurer's Share on the 20[ ] Underwriting Year of Account on terms to be agreed by both parties.

PRO RATA XPL/ ECO INCLUSION

The Reinsurer shall be liable in respect of any cession under this contract, and in addition to the amount ceded hereunder, for its proportionate share of any loss and/or expense arising from any extra contractual obligation and/or excess of policy limits award (defined as any award made by a court of

[7] Appropriate for SPA of specific classes
[8] Appropriate for SPA of specific classes

competent jurisdiction against an insurer or reinsurer which award is not within the coverage granted by any insurance and/or reinsurance contract made between the parties in dispute) awarded against the Reinsured or incurred by the Reinsured by reason of being required in its reasonable judgment to pay its share of any extra contractual obligation and/or excess of policy limits award awarded against one or more of its Insureds, Reinsureds, co-Insurers or co-Reinsurers.

Nothing herein shall obligate the Reinsurer to make any payment in respect of any excess of policy limits award and/or extra contractual obligation arising from the fraud of a director or officer of the Reinsured acting individually or collectively or in collusion with an individual or corporation or with any other organisation or party involved in the presentation defence or settlement of any claim.

US LOSS RESERVE

In respect of all business protected hereunder which comes within the definition of US reinsurance and/or US surplus lines, the Reinsurer agrees to fund known, reported outstanding losses and incurred but not reported losses to this Contract in accordance with the Lloyd's US funding requirements if requested to do so by the Reinsured.

Such funding shall be by the issue of a clean, irrevocable letter of credit in a form satisfactory to the Reinsured containing an evergreen clause and shall be issued by a bank acceptable to the Reinsured.

Any amount so funded shall be adjusted on a quarterly basis (or otherwise to follow the Reinsured's funding obligations) to reflect the known, reported outstanding losses and incurred but not reported losses to this Contract and any balance due to/from the Reinsured shall be settled within 30 days of the Reinsured's request.

LOSS RESERVE (NON-US RISKS)

If the Reinsured is required by the law or insurance regulations of the applicable jurisdiction in which a loss occurred, the Reinsurer shall provide at the request of the Reinsured a Letter of Credit in respect of its proportion of any reserves which the Reinsured is required, by law or regulation, to establish for outstanding losses. Such Letter of Credit shall be clean, irrevocable, in a form satisfactory to the Reinsured and contain an evergreen clause and shall be issued by a bank which is acceptable to the Reinsured.

ERROR & OMMISSIONS

No inadvertent delays, omissions or errors made in connection with this contract shall relieve either party from any liability that would have attached to them hereunder if such delay, omission or error had not occurred provided that rectification is made upon discovery.

NON WAIVER The failure of the Reinsured or the Reinsurer to insist on compliance with this Contract or to exercise any right or remedy hereunder shall not constitute a waiver of any rights or remedy contained herein nor stop either party from thereafter demanding full and complete compliance nor prevent either party from exercising such rights or remedy in the future.

NO THIRD PARTY RIGHTS This Contract is solely between the Reinsured and the Reinsurer, and in no instance shall any insured, claimant or any other third party have any rights under this Contract which they would not have but for the Contracts (Rights of Third Parties) Act 1999.

ALTERATIONS This Contract may only be altered in any of its terms and conditions by an addendum signed by the parties.

INSPECTION The Reinsurer or representatives duly authorised by them may at any time during normal office hours of the Reinsured and at the offices of the Reinsured or at a place to be mutually agreed between the parties, inspect and take copies of such of the Reinsured's records and documents which relate to business covered under this Contract. It is agreed that the Reinsurer's right of inspection will continue as long as either party has a claim against the other arising out of this Contract or whilst any liability remains hereunder.

The Reinsurer has the right to request an audit of the books and records relating to the business hereby reinsured at any time, including the right to appoint an independent auditor and/or actuary. The cost of such audits will be borne by the Reinsurer.

CONFIDENTIALITY All terms and conditions of this Contract and any materials provided in the course of inspection will be kept confidential by the Reinsurer as against third parties, unless the disclosure is required pursuant to process of arbitration or law, or unless the disclosure is to the Reinsurer's retrocessionaires, legal counsel, financial auditors or governing regulatory bodies. Disclosing or using this information for any purpose beyond the scope of this Contract, or beyond the exceptions set forth in this Contract, is expressly forbidden without the prior written consent of the Reinsured.

WAIVER OF REMEDIES As regards this Contract and each inward policy which is to be reinsured by the Reinsurer pursuant to this Contract it is expressly understood and agreed by the Reinsured and the Reinsurer as follows in this clause.

The Reinsured and the Reinsurer each acknowledge and agree that:

(i) the Reinsured shall have no duty under section 3 of the Insurance Act 2015 to make to the Reinsurer a fair presentation of the risk in relation this Contract or in relation to any reinsurance of an inward policy made pursuant to this Contract; and

(ii) the Reinsured owes no duty to make any disclosure of any matter in relation to this Contract or in relation to any reinsurance of an inward policy made pursuant to this Contract other than any disclosures expressly required by this Contract.

The Reinsurer agrees that no representation or warranty, express or implied, has been made or given by the Reinsured or any of its agents or employees, and that nothing has been said by the Reinsured or any of its agents or employees, which influenced or induced the Reinsurer or its managing agent on the Reinsurer's behalf to enter into this Contract and on which the Reinsurer has relied.

The Reinsurer acknowledges that the Reinsurer has made this Contract with the Reinsured:

(i) based on the Reinsurer's own investigations (which includes investigations through its managing agent) and not based on representations by any other person, including the Reinsured or any of its agents or employees; and

(ii) without relying on any action taken or not taken by the Reinsured;

and that the Reinsurer has made this Contract with the Reinsured and will accept each reinsurance of an inward policy made pursuant to this Contract:

(iii) in full recognition of the facts and with each party assuming the risk that facts might be discovered which might be different from those believed, known or understood by the parties at the time of execution of this Contract or at the time of reinsurance of that inward policy; and

(iv) in full recognition that the Reinsured may be or hereafter become liable for claims which are not or might not be in the reasonable contemplation of the parties, or either of them, as possible.

There shall be no right, under this Contract or otherwise, on the part of the Reinsurer against the Reinsured:

(i) to avoid or rescind this Contract or any reinsurance of an inward policy made pursuant to this Contract;

(ii) to require that this Contract be treated as if it had been entered into on different terms;

(iii) to refuse wholly or in part to pay any claim hereunder;

(iv) to claim damages; or

(v) to seek any other remedy;

on the ground of deliberate, reckless, negligent or innocent non-disclosure or misrepresentation by any person whatsoever or on the ground of fraudulent non-disclosure or misrepresentation by any person acting on behalf of the Reinsured in connection with this Contract or in connection with any reinsurance of an inward policy made pursuant to this Contract other than the Reinsured itself or any officer or employee of the Reinsured.

The Reinsured and the Reinsurer acknowledge and agree that the effect of this clause is to exclude the application of the remedies referenced in section 8, and described in schedule 1, of the Insurance Act 2015.

ARBITRATION

All disputes and differences arising under or in connection with this contract shall be referred to arbitration under ARIAS Arbitration Rules.

The Arbitration tribunal shall consist of three arbitrators, one to be appointed by the Reinsured, one to be appointed by the Reinsurer and the third to be appointed by the two appointed arbitrators.

The third member of the tribunal shall be appointed as soon as practicable (and no later than 28 days) after the appointment of the two party-appointed arbitrators. The tribunal shall be constituted upon the appointment of the third arbitrator.

The arbitrators shall be persons (including those who have retired) with not less than ten years' experience of insurance or reinsurance within the industry or as lawyers or other professional advisers serving the industry.

Where a party fails to appoint an arbitrator within 14 days of being called upon to do so or where the two party-appointed arbitrators fail to appoint a third within 28 days of their appointment, then upon application ARIAS (UK) will appoint an arbitrator to fill the vacancy. At any time prior to the appointment by ARIAS (UK) the party or arbitrators in default may make such appointment.

The tribunal may in its sole discretion make such orders and directions as it considers to be necessary for the final determination of the matters in dispute. The tribunal shall have the widest discretion permitted under the law governing the arbitral procedure when making such orders or directions.

The seat of arbitration shall be London, England.

The award of the arbitration tribunal shall be in writing and binding upon the parties who hereby covenant to carry out the same. If a party fails to carry out the award the other(s) may apply for its enforcement to the High Court of Justice in England or to a court of competent jurisdiction in any territory in which the party in default is domiciled or has assets or carries on business.

CHOICE OF LAW The proper law of this contract shall be the law of England and Wales.

DEFINITIONS The following expressions have the meaning shown:

Closure Date has the meaning given in the Settlement & Reinsurance to Close clause;

Experience Account means a statement recording all transactions relating to this account prepared in accordance with the Experience Account clause;

Gross Net Premium Income means the gross premium income written by the Reinsured for the 20[ ] Underwriting Year of Account net of all acquisition costs (including fees, brokerage, commissions, premium tax), returns and cancellations;

Lloyd's Requirements shall mean the requirements of the Council as that phrase is defined in the Definitions Byelaw (No.7 of 2005);

Net Profit has the meaning given in the Profit Commission Clause;

Reinsurer's Share means the quota share percentage as determined in accordance with the Cession Clause;

Requirements shall have the same meaning as "requirements of the Council" in the Definition Byelaw (No. 7 of 2005)

SPA Closure means closure of the Reinsurer in accordance with the Settlement and Reinsurance to Close (RITC) Clause;

Underwriting Year of Account means all policies and/or contracts allocated by the Reinsured to a Year of Account, excluding the reinsurance to close from any prior Underwriting Year of Account of the Reinsured;

Year of Account means annual period commencing with 1 January and ending with the immediately following 31 December.

REINSURER'S LIABILITY CLAUSE (LMA 3333) <u>Reinsurer's liability several not joint</u>

The liability of a reinsurer under this contract is several and not joint with other reinsurers party to this contract. A reinsurer is liable only for the proportion of liability it has underwritten. A reinsurer is not jointly liable for the proportion of liability underwritten by any other reinsurer. Nor is a reinsurer otherwise responsible for any liability of any other reinsurer that may underwrite this contract.

The proportion of liability under this contract underwritten by a reinsurer (or, in the case of a Lloyd's syndicate, the total of the proportions underwritten by all the members of the syndicate taken together) is shown next to its stamp. This is subject always to the provision concerning "signing" below.

In the case of a Lloyd's syndicate, each member of the syndicate (rather than the syndicate itself) is a reinsurer. Each member has underwritten a proportion of the total shown for the syndicate (that total itself being the total of the proportions underwritten by all the members of the syndicate taken together). The liability of each member of the syndicate is several and not joint with other members. A member is liable only for that member's proportion. A member is not jointly liable for any other member's proportion. Nor is any member otherwise responsible for any liability of any other reinsurer that may underwrite this contract. The business address of each member is Lloyd's, One Lime Street, London EC3M 7HA. The identity of each member of a Lloyd's syndicate and their respective proportion may be obtained by writing to Market Services, Lloyd's, at the above address.

<u>Proportion of liability</u>

Unless there is "signing" (see below), the proportion of liability under this contract underwritten by each reinsurer (or, in the case of a Lloyd's syndicate, the total of the proportions underwritten by all the members of the syndicate taken together) is shown next to its stamp and is referred to as its "written line".

Where this contract permits, written lines, or certain written lines, may be adjusted ("signed"). In that case a schedule is to be appended to this contract to show the definitive proportion of liability under this contract underwritten by each reinsurer (or, in the case of a Lloyd's syndicate, the total of the proportions underwritten by all the members of the syndicate taken together). A definitive proportion (or, in the case of a Lloyd's syndicate, the total of the proportions underwritten by all the members of a Lloyd's syndicate taken together) is referred to as a "signed line". The signed lines shown in the schedule will prevail over the written lines unless a proven error in calculation has occurred.

Although reference is made at various points in this clause to "this contract" in the singular, where the circumstances so require this should be read as a reference to contracts in the plural.

WORDING: The production of and agreement to a separate contract wording is not required.

INFORMATION: ***[As appropriate]***