

ACIS 2015-5

**QUOTA SHARE  
REINSURANCE CONTRACT No. [REDACTED]**

Effective June 30, 2015  
(the "Contract")

entered into by and between

[REDACTED]

(hereinafter referred to as the "Company")

and

The Subscribing Reinsurer(s)  
(hereinafter individually and collectively referred to as the "Reinsurer")

By means of their respective execution of the  
Interests and Liabilities Agreement(s)  
into which this Contract is Incorporated and Forms a Part

Collectively, the Company and the Reinsurer may be referred to as the "parties" and individually, each may be referred to as the "party." Certain capitalized terms appearing in but not defined in this Contract that are defined in the Policy (as defined below), the Assumption of Liability Endorsement (i.e., the "Endorsement"), the Trust Agreement (as defined below), or any applicable Actual Net Loss Trust Agreement (as defined below) shall have the meaning set forth therein.

**ARTICLE 1**

**BUSINESS COVERED & QUOTA SHARE CESSION; CONTRACTUAL FRAMEWORK**

- A. The Company will cede to the Reinsurer, and the Reinsurer will accept from the Company, a 100% quota share of the Company's 100% share in the interests and liabilities (i.e., the "Business Covered") arising out of directly or indirectly, in whole or in part or in connection with the credit insurance policy (policy number [REDACTED]), effective June 30, 2015, including any amendments, endorsements, or addenda thereto (hereinafter referred to as the "Policy"), issued to the Federal Home Loan Mortgage Corporation, McLean, Virginia (hereinafter referred to as the "Original Insured").
- B. A copy of the Policy is attached to, forms part of, and is incorporated into this Contract as Attachment 1.

- C. Each Reinsurer shall execute an Interests and Liabilities Agreement ("I&L Agreement") evidencing its interests and liabilities under this Contract. Each Reinsurer shall also execute the Endorsement, the Trust Agreement and any applicable Actual Net Loss Trust Agreement in respect of its percentage shares hereunder. Each Endorsement, Trust Agreement and any Actual Net Loss Trust Agreement is attached to each Reinsurer's I&L Agreement as Exhibits A, B and C, respectively. This Contract and its Attachment 1 shall form part of, and is hereby expressly incorporated into each I&L Agreement for each Reinsurer as Exhibit D.
- D. Notwithstanding its incorporation into the I&L Agreement, the Endorsement is also directly incorporated into and forms a part of this Contract and the Policy by this reference.
- E. For the avoidance of doubt, upon a Reinsurer's signing of the I&L Agreement by a duly authorized officer of such Reinsurer, it shall be and is thereby bound to (i) this Contract (including the Policy and the Endorsement), and (ii) the I&L Agreement (including the Endorsement, this Contract and the Policy). Upon the Company's signing of this Contract and the I&L Agreement by a duly authorized officer of the Company, it shall be and is thereby bound to (iii) this Contract (including the Policy and the Endorsement), and (iv) the I&L Agreement (including the Endorsement, this Contract and the Policy). The parties shall become bound to the Trust Agreement and any Actual Net Loss Trust Agreement by the signatures of their respective duly authorized officers thereon.

## **ARTICLE 2**

### **COMMENCEMENT AND TERMINATION**

- A. This Contract shall become effective at 12:01 a.m., Eastern Standard Time, June 30, 2015, with respect to the Company's liability arising out of directly or indirectly, in whole or in part or in connection with the Policy, and shall continue in force thereafter until the Policy is terminated or until the Contract is otherwise terminated in accordance with the terms set forth herein.
- B. The liability of the Reinsurer shall follow that of the Company under the provisions of the Policy.

## **ARTICLE 3**

### **CONCURRENCY OF TERMS; FOLLOW THE FORTUNES**

- A. Without limiting the generality of the COMMENCEMENT AND TERMINATION Article, the liability of the Reinsurer will commence obligatorily and simultaneously with that of the Company under the Policy, and will be subject in all respects to the same rates, terms, clauses, conditions, interpretations, alterations, modifications, cancellations and waivers under the Policy. The Reinsurer will indemnify the Company for any liability incurred by the Company that directly or indirectly, in whole or in part, arises out of or in connection with the

Policy, the true intent of this Contract being that the Reinsurer will, in every case, follow the settlements and fortunes of the Company.

- B. For the avoidance of doubt, the Reinsurer's liability hereunder will be subject in all respects to the same terms, conditions, interpretations, compromises, waivers, modifications, alterations, cancellations and commutation settlements as contained in or effected with respect to the Policy.
- C. Notwithstanding any other term or condition of this Contract, should any regulatory or other legal restriction require modification of the Policy, the liability of the Reinsurer will follow that of the Company.
- D. In the event of a conflict between any term, operating procedure (including any timing requirement) or provision of this Contract and any term, operating procedure (including such timing requirement) or provision of the Policy, the Policy shall prevail.
- E. The Company agrees to transmit all notices and information pertaining to the subject matter of this Contract to the Reinsurer as promptly as possible (including any Proof of Loss); but in no event later than three (3) Business Days after receipt thereof from the Original Insured.

#### **ARTICLE 4**

##### **PARTIES TO THE CONTRACT; EXPRESS INTENDED THIRD-PARTY BENEFICIARY**

- A. This Contract as incorporated into the I&L Agreement as set forth in the BUSINESS COVERED & QUOTA SHARE CESSION; CONTRACTUAL FRAMEWORK Article, is solely between the Company and the Reinsurer. Performance of the obligations of each party under this Contract will be rendered solely to the other party. Except as otherwise provided in this Contract, in no instance will any other party have any rights under this Contract.
- B. The foregoing notwithstanding, the Original Insured is an express intended third-party beneficiary of this Contract for purposes of enforcing its rights under this Contract pursuant to the REPORTS & REMITTANCES; SUBORDINATION, ASSUMPTION OF LIABILITY, TRUST ACCOUNT, ACTUAL NET LOSS TRUST ACCOUNT and ALTERNATE PAYEE Articles. Otherwise, no liability to any third party is created hereunder.
- C. The rights and obligations of the parties to this Contract will not be affected by the termination of this Contract and all necessary transactions relating to this Contract will continue in accordance with the terms and conditions stipulated herein until all obligations of each party to the other are fully concluded.

## **ARTICLE 5**

### **COVERED AMOUNTS AND ACTUAL NET LOSS AMOUNTS**

The Reinsurer shall be liable for its 100% quota share of the Company's liability that directly or indirectly, in whole or in part arises out of or in connection with the Policy including, but not limited to, the Business Covered and all Covered Amounts (and any Actual Net Loss Amounts, to the extent applicable) paid or payable by the Company under the Policy, including, if applicable, any Covered Amount and/or Actual Net Loss Amount due to the Original Insured by the Company under the Policy pursuant to the ASSUMPTION OF LIABILITY, ACTUAL NET LOSS TRUST ACCOUNT and ALTERNATE PAYEE Articles.

## **ARTICLE 6**

### **REPRESENTATIONS AND WARRANTIES OF THE REINSURER**

The Reinsurer hereby agrees, represents and warrants the following as of the effective date hereof:

- A. The Reinsurer is an insurance or reinsurance company duly organized, validly existing and in good standing under the laws of its domiciliary jurisdiction and has all requisite company power and authority to own and lease its properties and to carry on its business as conducted by it.
- B. The Reinsurer is licensed to conduct an insurance and reinsurance business and possesses the necessary licenses and authorizations to enter into and perform its obligations under this Contract.
- C. The Reinsurer has taken all corporate action required to authorize the execution and delivery of this Contract and the performance of its obligations hereunder.
- D. The Reinsurer has the corporate power and authority to execute and deliver, and perform its obligations under this Contract.
- E. This Contract, when executed and delivered will constitute a legal, valid and binding obligation of the Reinsurer, enforceable except to the extent that enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect affecting creditors' rights generally and subject to the application of equitable principles and the availability of equitable remedies.
- F. The execution and delivery by the Reinsurer of this Contract and the performance by the Reinsurer hereunder do not and will not require the Reinsurer to possess, obtain, make, provide or deliver any consent, waiver, approval, license, permit, order, designation or authorization of, notice to, or registration, filing, qualification or declaration with, any Governmental Entity or other Person, other than (i) any of which have been unconditionally obtained or effected (as appropriate) and are in full force and effect or (ii) any of which the failure to possess, obtain, make, provide or deliver do not or will not, individually or together with any one or more such other failures, result in the Company or the Original Insured

incurring any liability, or have a material adverse effect on (a) the ability of the Reinsurer to perform and comply with its respective obligations under this Contract or (b) the consummation of the transactions contemplated under this Contract.

- G. The Reinsurer is, and will use its best efforts to remain, in compliance at all times and in all material respects with all applicable laws, including but not limited to the insurance laws of its domiciliary jurisdiction.
- H. The Reinsurer meets all financial solvency and regulatory requirements of its domiciliary jurisdiction and has not received notice from any insurance regulatory body raising questions with respect to its financial condition or seeking restrictions on its licensing status.
- I. The Reinsurer is solvent, including by all applicable standards of its domicile.
- J. There are no pending or, to the Reinsurer's knowledge, threatened actions, suits, investigations or proceedings ("Proceedings") by or against it which are material to its business, at law or in equity or otherwise before any court, tribunal, agency, official, arbitrator or other Governmental Entity and the Reinsurer has not been the subject of any such Proceedings in the last two years.
- K. Without derogating from the generality of paragraph G above, none of the Reinsurer, any of its direct or indirect subsidiaries, any shareholder that holds ten percent (10%) or more of the outstanding capital of the Reinsurer (directly or, to the knowledge of the Reinsurer, indirectly) ("Principal Shareholder"), any director or officer of the Reinsurer or any of its Principal Shareholders or any of their direct or indirect subsidiaries, or, to the knowledge of the Reinsurer, any employee, agent, or affiliate of the Reinsurer or any of its Principal Shareholders or its direct or indirect subsidiaries is an individual or entity ("Person") that is, or is owned or controlled by a Person that is, (i) the target of any sanctions administered or enforced by the U.S. Department of the Treasury's Office of Foreign Assets Control or the U.S. Department of State (collectively, "Sanctions"), or (ii) located, organized, or resident in any country or territory that is, or whose government is, the target of Sanctions (currently, Cuba, Iran, North Korea, Sudan and Syria).
- L. The Reinsurer has such knowledge and experience in financial, business and insurance matters that it is capable of evaluating the merits and risks of this reinsurance transaction. It has conducted its own independent review and analysis of the underwriting risk and acknowledges and agrees that it has received sufficient information for this purpose.
- M. The Reinsurer acknowledges and agrees that both the Company and the Original Insured are relying upon the representations and warranties of the Reinsurer set forth above.
- N. Without derogating from the generality of paragraph G above, the Reinsurer is compliant with the U.S. Foreign Account Tax Compliance Act.

## ARTICLE 7

### EXCLUSIONS

This Contract does not apply to and specifically excludes any loss or liability arising from any exposure not insured or otherwise not covered by the Policy.

## ARTICLE 8

### SPECIAL TERMINATION

- A. The Company, upon consultation with and approval of the Original Insured (which approval shall not be unreasonably withheld), may terminate a Reinsurer's quota share participation in this Contract on a cut-off basis at any time by giving written notice to the Reinsurer and the Original Insured in the event of any of the following circumstances:
1. A State Insurance Department or other legal authority orders the Reinsurer to cease writing business or has imposed upon it any other restrictions on or conditions relating to the Reinsurer's license or conduct of business in any jurisdiction; or
  2. The Reinsurer becomes insolvent or is placed into liquidation or receivership (whether voluntary or involuntary), or there are instituted against it proceedings for the appointment of a receiver, liquidator, rehabilitator, conservator, trustee in bankruptcy, or other agent known by whatever name, to take possession of its assets or control of its operations; or
  3. The Reinsurer announces intentions to cease underwriting operations; or
  4. The Reinsurer voluntarily ceases underwriting operations; or
  5. The Reinsurer reinsures all, or substantially all, of its liability under this Contract, other than to an affiliate of the Reinsurer as of the effective date of this Contract; provided however, that any such affiliate is a duly licensed insurance company that has authority to reinsure the Policy and has an official rating by Standard & Poor's, [REDACTED]; or
  6. The Reinsurer, directly or through the actions of a parent company or an affiliated entity, attempts to assign, novate, or transfer the Reinsurer's rights and/or obligations under this Contract, including any attempt to transfer its rights and/or obligations under any U.S. or foreign statute, legislation, or jurisprudence, without the Company's prior written consent; or
  7. The Reinsurer, directly or through the actions of a parent company or an affiliated entity, invokes any U.S. or foreign statute, legislation, or jurisprudence which purports to enable the Reinsurer to require the Company to settle its liabilities, including but not limited to any estimated or undetermined claims liabilities under this Contract, on an accelerated basis. This condition does not apply to any attempt to enforce a

settlement of liabilities under a commutation process to which the parties have agreed;  
or

8. The Reinsurer has hired an unaffiliated run-off claims manager for the Business Covered hereunder that is compensated on a contingent basis or is otherwise provided with financial incentives based on the quantum of claims paid; or
9. The Reinsurer fails to remit payment hereunder in accordance with paragraph B of the REPORTS & REMITTANCES; SUBORDINATION Article; or
10. The Reinsurer fails to provide adequate funding in accordance with the TRUST ACCOUNT and/or ACTUAL NET LOSS TRUST ACCOUNT Articles; or
11. The Reinsurer has failed to meet any of the conditions set forth in the REPRESENTATIONS AND WARRANTIES OF THE REINSURER Article; or
12. The Reinsurer, any of its Principal Shareholders or its direct or indirect subsidiaries, any director or officer of the Reinsurer or any of its Principal Shareholders or any of their direct or indirect subsidiaries, or any employee, agent, or affiliate of the Reinsurer or any of its Principal Shareholders or its direct or indirect subsidiaries is a Person that is, or is owned or controlled by a Person that is, (i) the target of any Sanctions, or (ii) located, organized, or resident in any country or territory that is, or whose government is, the target of Sanctions (currently, Cuba, Iran, North Korea, Sudan and Syria); or
13. The Reinsurer enters into a definitive agreement to become merged with, acquired, or controlled by any unaffiliated company, corporation, or individual(s) not controlling the Reinsurer's operations at the inception of this Contract and results in a Credit Rating Downgrade (as defined immediately below); or
14. The Reinsurer experiences a Credit Rating Downgrade [REDACTED]. "Credit Rating Downgrade" means:
  - a. As respects a Reinsurer that possesses a financial strength rating at the inception of this Contract, a downgrade or withdrawal of such rating by Standard & Poor's or other similar rating agency; or
  - b. As respects a Reinsurer that is in the process of obtaining a financial strength rating at the inception of this Contract, a subsequent downgrade or withdrawal of such rating by Standard & Poor's or other similar rating agency after the rating has been obtained.

**B. Remedies:**

1. If one or more of the circumstances enumerated above occur, the Company may elect to terminate the Reinsurer's participation on a cut-off basis upon consultation with and approval of the Original Insured (which approval shall not be unreasonably withheld).
2. Should the Reinsurer experience a Credit Rating Downgrade, but only to the extent that it is based upon an official rating action by Standard & Poor's or A.M. Best, then

upon consultation with and approval of the Original Insured (which approval shall not be unreasonably withheld) the Company may require that the Reinsurer place additional Assets into the Trust Account as set forth in the Trust Agreement. The deposit of such additional Assets shall be in lieu of terminating the Reinsurer's participation on a cut-off basis as per subparagraph B(1) above with respect to any termination triggers set forth in subparagraph A(14) above.

- C. In the event the Reinsurer's participation is terminated pursuant to this SPECIAL TERMINATION Article, any amounts held in trust shall remain in trust until all losses, both known and Incurred But Not Reported (IBNR) as determined by the Company (upon consultation with and approval from the Original Insured) in order to comply with statutory reporting requirements at the effective date of termination, are finally settled.
- D. The options set forth in this Article shall survive the termination of this Contract.

## ARTICLE 9

### **CANCELLATION**

- A. The Company may cancel this Contract upon cancellation of the Policy.
- B. No cancellation by the Reinsurer is permitted except for non-payment by the Original Insured of the Policy premium.
- C. This Contract may be cancelled by the Reinsurer pursuant to paragraph B above by sending written notice to the Company and the Original Insured stating when, not less than thirty (30) days thereafter, the cancellation shall be effective. Confirmation by the relevant courier of delivery of such notice shall be sufficient proof of notice and the effective date of cancellation stated in the notice shall become the date of cancellation hereunder, unless payment of the Policy premium is made to the Company prior to this specified date of cancellation, in which case this Contract shall continue in full force and effect.
- D. Cancellation of this Contract in accordance with any of the SPECIAL TERMINATION or CANCELLATION Article provisions shall not prejudice any rights of or remedies available at law or in equity to the Company or the Reinsurer existing prior to the effective date of such cancellation, including the Company's right to withhold Policy premium payment once it forms a reasonable belief that any Reinsurer representation or warranty has been breached.

## ARTICLE 10

### **PREMIUM**

- A. The Company will cede to the Reinsurer 100% of the gross premiums paid to the Company under the Policy.



- B. The premium due the Reinsurer shall be remitted by the Company as promptly as possible; provided, however in no event later than one (1) Business Day after the Company receives premiums under the Policy.

## ARTICLE 11

### TRUST ACCOUNT

#### A. Scope

1. As security for the performance of its obligations under this Contract, each Reinsurer shall establish and fund, within thirty (30) days after the Effective Date, a trust account for the benefit of the Original Insured ("Trust Account").
2. The Trust Account shall be subject in all respects to the Policy, this Contract and the I&L Agreement, as well as the trust agreement entered into by and between the Reinsurer, the trustee and the Original Insured as supplemented from time to time (along with each such supplement, the "Trust Agreement"). A copy of the Trust Agreement is attached to the Reinsurer's I&L Agreement. In the event of a conflict between the four documents with respect to the Trust Account, the I&L Agreement and this Contract as incorporated into the I&L Agreement shall take priority over the Trust Agreement, and the Trust Agreement shall take priority over the Policy.
3. Only Eligible Assets shall be deposited into the Trust Account.
4. In the event that the Reinsurer does not remit a payment to the Original Insured, whether directly or through the Company, in accordance with the REPORTS & REMITTANCES; SUBORDINATION Article, the Original Insured may withdraw the amount of such payment from the Trust Account.

#### B. Initial Assets

Within thirty (30) days after the Effective Date, the Reinsurer shall deposit or cause to be deposited into the Trust Account an amount equal to the Initial Assets as set forth in the I&L Agreement.

#### C. Other Definitions

1. "Collateral Calculation Date" means the Business Day that is the end of a calendar month, and which date is used to determine the Outstanding Collateral Amount and the Security Amount.
2. "Collateral Requirement" means that certain percentage of the then-remaining Business Covered ceded to the Reinsurer under the I&L Agreement as determined and assessed by the Original Insured in order to collateralize the Reinsurer's claims payment obligations hereunder, which such percentage is subject to change based on changes in certain financial strength ratings of the Reinsurer, all as established in accordance with the Trust Agreement.

3. "Outstanding Collateral Amount" means, as of the applicable Collateral Calculation Date, the aggregate fair market value of the Assets held in the Trust Account.
4. "Security Amount" with respect to a Reinsurer means, as of the applicable Collateral Calculation Date, an amount equal to:
  - a. The product of the (i) percentage set forth in Section 1(A)(i), (ii) Insured Percentage as defined in the Policy, (iii) then-applicable Collateral Requirement, and (iv) corresponding Class Notional Amount as of such date for the Class M-1H Reference Tranche; plus
  - b. The product of the (i) percentage set forth in Section 1(A)(ii), (ii) Insured Percentage as defined in the Policy, (iii) then-applicable Collateral Requirement, and (iv) corresponding Class Notional Amount as of such date for the Class M-2H Reference Tranche; plus
  - c. The product of the (i) percentage set forth in Section 1(A)(iii), (ii) Insured Percentage as defined in the Policy, (iii) then-applicable Collateral Requirement, and (iv) corresponding Class Notional Amount as of such date for the Class M-3H Reference Tranche; plus
  - d. The product of the (i) percentage set forth in Section 1(A)(iv), (ii) Insured Percentage as defined in the Policy, (iii) then-applicable Collateral Requirement, and (iv) corresponding Class Notional Amount as of such date for the Class B-H Reference Tranche.

All Section references in the foregoing definition of Security Amount are to the I&L Agreement.

Without limiting the generality of the preamble to this Contract, capitalized terms appearing but not defined in this TRUST ACCOUNT Article shall have the meanings ascribed to them in the Policy.

D. Adjustments and Withdrawals

1. The Reinsurer agrees to maintain the Assets such that the Outstanding Collateral Amount shall be equal to or greater than the Security Amount as of the end of each calendar month.
2. Within five (5) Business Days after the end of each calendar month, the Reinsurer shall deliver to the Company and the Original Insured a statement showing the updated Security Amount as of such month-end, which shall be calculated based on information regarding the Class of Reference Tranches received in accordance with Article V(A) of the Policy. If the statement shows that the Security Amount exceeds the Outstanding Collateral Amount, the Reinsurer shall, within five (5) Business Days after delivery of the statement, deposit additional Assets in the Trust Account by the amount of such difference. If, however, the statement shows that the Outstanding Collateral Amount exceeds the Security Amount, the Original Insured shall, within five

(5) Business Days after receipt of the statement, allow the release to the Reinsurer of Assets from the Trust Account with an aggregate fair market value no greater than such excess, and in furtherance of the foregoing the Original Insured shall undertake all actions that shall reasonably be necessary to allow such release of Assets, including but not limited to delivery of any notices that might be required by the trustee. For the avoidance of doubt, the Reinsurer's obligations shall be subject to the Reinsurer's obtaining information regarding the Class of Reference Tranches and the Outstanding Collateral Amount as provided in Article V(A) of the Policy.

3. Subject to the ASSUMPTION OF LIABILITY and ALTERNATE PAYEE Article, the Original Insured shall have the right to withdraw Assets from the Trust Account, and the Reinsurer hereby agrees and permits the Original Insured to withdraw from the Trust Account, any and all amount(s) owed by the Reinsurer to the Original Insured under the REPORTS & REMITTANCES; SUBORDINATION Article, without diminution because of insolvency on the part of the Company or the Reinsurer, which amount(s) are not otherwise paid by the Reinsurer (whether directly to the Original Insured or through the Company) within five (5) Business Days after the payment becomes due under the terms of Article V of the Policy. In the event the amount drawn by the Original Insured from the Trust Account is in excess of the actual amount finally determined to be due to the Original Insured, which determination must be made by a court of competent jurisdiction in the event of a dispute unless the Original Insured, the Company and the Reinsurer mutually agree otherwise, the Original Insured shall promptly return to the Trust Account the excess amount so drawn and any such excess withdrawn amount shall accrue interest at the rate specified in Article V(D) of the Policy.
4. Notwithstanding anything contained herein to the contrary, and subject to the proviso below, if at any time the Outstanding Collateral Amount is equal to or less than ten percent (10%) of the Initial Assets, the Original Insured shall allow the release to the Reinsurer of all remaining Assets in the Trust Account, and in furtherance of the foregoing the Original Insured shall undertake all actions that shall reasonably be necessary to allow such release of Assets including but not limited to delivery of any notices that might be required by the trustee; provided, however, that the Reinsurer shall not be entitled to the release of any Assets under this subparagraph D(4) (and the Original Insured shall have no obligation hereunder) if the Original Insured has withdrawn Assets as permitted under subparagraph D(3) above, but only to the extent such Assets have been withdrawn pursuant to subparagraph D(3) above. The Trust Account and the Trust Agreement shall be terminated immediately upon release of remaining Assets to the Reinsurer as permitted under this subparagraph D(4).
5. In the event that the Reinsurer experiences a Credit Rating Downgrade (whether during the term of this Contract or thereafter), the Reinsurer agrees that any non-cash Assets held in the Trust Account immediately will be converted to cash.

#### E. Special Termination Application

Should the Company elect to terminate the Reinsurer's participation on a cut-off basis pursuant to subparagraph B(1) of the SPECIAL TERMINATION Article, the Company (with the consent of the Original Insured, which will not be unreasonably withheld) will provide the

Reinsurer with a written statement of the Security Amount as of the date of termination, such statement to constitute the Reinsurer's sole notice hereunder. If the Outstanding Collateral Amount as of the termination date is less than the Company's written statement of the Security Amount as of the effective date of termination, the Reinsurer will, within five (5) Business Days, top up the Trust Account to an amount equal to the Security Amount.

## **ARTICLE 12**

### **ACTUAL NET LOSS TRUST ACCOUNT**

- A. The Business Covered hereunder may arise out of a Policy to which is attached an Actual Net Loss Addendum. To the extent applicable, the Reinsurer shall pay Claim Proceeds into the Actual Net Loss Trust Account, pursuant to any such Actual Net Loss Addendum, and the terms of this ACTUAL NET LOSS TRUST ACCOUNT Article shall apply. The Actual Net Loss Trust Account shall be subject in all respects to the Policy, this Contract, and the I&L Agreement, as well as the trust agreement entered into by and between the Reinsurer, the trustee for the Actual Net Loss Trust Account and the Original Insured (the "Actual Net Loss Trust Agreement"). In the event of a conflict between the four documents with respect to the Actual Net Loss Trust Account, the Policy shall take priority over the Actual Net Loss Trust Agreement, and the Actual Net Loss Trust Agreement shall take priority over the I&L Agreement and this Contract as incorporated into the I&L Agreement.
- B. With respect to the Class M-1H, M-2H, M-3H and B-H Reference Tranches, Sections 2(i), (ii), (iii) and (iv), respectively, of the I&L Agreement notwithstanding, the Reinsurer's ultimate funding obligation hereunder shall be an amount equal to (1) the Reinsurer's quota share of the Company's obligation to collateralize the Security Amount corresponding to the Class M-1H, M-2H, M-3H and B-H Reference Tranches as set forth in Sections 2(i), (ii), (iii) and (iv), respectively, of the I&L Agreement; plus (2) the total of Claim Proceeds deposited by the Reinsurer into the Actual Net Loss Trust, not to exceed the Reinsurer's quota share of the Insurer's applicable Policy Limit of Liability pursuant to Section 5.1 of the Actual Net Loss Addendum attached to the Policy.

## **ARTICLE 13**

### **REPORTS & REMITTANCES; SUBORDINATION**

- A. The Company will provide to the Reinsurer a report no later than ten (10) days following the end of each calendar month. Said report will provide a summary of the following for the month just ended (and cumulative year to date): gross ceded premium and paid losses, and will also include copies of the monthly reports provided by the Global Agent as identified in the Policy.
- B. Should payment become due from the Reinsurer hereunder, the Company may give the Reinsurer notice of its obligation to make such payment on a certain date, and the Reinsurer agrees to remit such payment within five (5) Business Days of such notice, consistent with the payment terms of the Policy as applied to the Company.

- C. Any right of the Company to receive payments from the Reinsurer hereunder is expressly subordinated to the right of the Original Insured to receive payments directly from the Reinsurer and/or the Trust Account and/or Actual Net Loss Trust Account, as the case may be, pursuant to the ASSUMPTION OF LIABILITY Article, the ALTERNATE PAYEE Article, the Trust Agreement, any Actual Net Loss Trust Agreement, the Policy and the Endorsement. The foregoing notwithstanding, the Company and the Reinsurer (i) agree that any payments due from the Reinsurer to the Original Insured shall be made directly to the Original Insured through Aon Benfield, Inc. ("Aon Benfield"), and (ii) hereby expressly authorize Aon Benfield to make such payments directly to the Original Insured.

#### **ARTICLE 14**

##### **OFFSET**

The Company and the Reinsurer shall have no right to offset any balance or amounts due from one party to the other under the terms of this Contract, except as otherwise provided for in the INSOLVENCY Article.

#### **ARTICLE 15**

##### **TAXES**

Any tax imposed by any taxing authority on the Reinsurer with respect to this Contract or on any payments made by the Company or by the Original Insured to the Reinsurer under this Contract shall be borne solely by the Reinsurer. The Original Insured is not responsible for grossing up any payment subject to withholding.

#### **ARTICLE 16**

##### **FOREIGN ACCOUNT TAX COMPLIANCE ACT ("FATCA")**

- A. On or before the effective date of this Contract, the Reinsurer shall provide to the Company the FATCA-required documentation (including a valid IRS Form W-8BEN-E or W-9 or such other documentation approved for use by the U.S. Internal Revenue Service as the case may be) that confirms that the Reinsurer is not subject to any withholding.
- B. In the event that a Reinsurer fails to provide the Company with such FATCA-required documentation in accordance with paragraph A above, the Company shall withhold 100% of the total reinsurance premium otherwise due such Reinsurer for a period of thirty (30) days, and shall notify the Reinsurer accordingly. If the Reinsurer fails to provide the Company with such FATCA-required documentation upon the expiration of the thirtieth (30<sup>th</sup>) day, the Company shall withhold from such Reinsurer 30% of the reinsurance premium otherwise due such Reinsurer with respect to U.S. risks for payment to the U.S. Internal Revenue Service in accordance with FATCA. The remaining reinsurance premium shall be ceded to the Reinsurer.

- C. For purposes hereof, (i) interest shall not be assessed against the Company with respect to such premium if ceded after the premium due date hereunder as a result of the Reinsurer's failure to timely provide the Company with its FATCA-compliant documentation; and (ii) such amounts shall not be subject to offset under the OFFSET Article.
- D. If interest is payable by the Original Insured to the Reinsurer pursuant to subparagraph D(3) of the TRUST ACCOUNT Article, and/or any similar provision in an applicable Actual Net Loss Trust Agreement, this Article shall be applicable to all such payments made by the Original Insured, and the Reinsurer shall provide the forms set forth in paragraph A above to the Original Insured and otherwise comply with FATCA in accordance with its representations and warranties set forth herein.

## ARTICLE 17

### CURRENCY

Whenever the word "Dollars" or the "\$" sign appears in this Contract, they will be construed to mean United States Dollars and all transactions under this Contract will be in United States Dollars.

## ARTICLE 18

### ACCESS TO RECORDS

- A. The Reinsurer or its duly authorized representatives shall have the right to visit the offices of the Company to inspect, examine, audit, and verify any of the policy, accounting or claim files ("Records") relating to business reinsured under this Contract during regular business hours, except for the following:
  - 1. Materials considered by the Company to be Proprietary or Privileged Materials;
  - 2. Policy files more than three (3) years after the Contract has been cancelled or has been terminated;
  - 3. Audit, premium and/or accounting files more than three (3) years after the premium has been calculated; or
  - 4. Closed claim files more than three (3) years after the claim has been closed.

The Reinsurer shall notify the Company at least fifteen (15) business days prior to inspection of the nature of the inspection, who is conducting the inspection and the Records they wish to review.

- B. Notwithstanding the above, the Reinsurer shall not have any right of access to the Records of the Company if it is not current in all undisputed payments due the Company or if any funding required under the provisions of the TRUST ACCOUNT and/or ACTUAL NET LOSS TRUST ACCOUNT Articles is either not in place or deficient in some manner. For

the purposes of this paragraph, whether a payment is undisputed shall be determined in accordance with the NAIC rules regarding payments more than ninety (90) days overdue.

- C. Within sixty (60) days after the completion of any inspection of the Company's Records, the Reinsurer or its duly authorized representatives shall meet with the Company (either in person or by teleconference) and provide the Company with a written report regarding such inspection of the Company's Records.
- D. "Proprietary or Privileged Materials" as used herein shall mean files, records, documents or books; (1) concerning trade secrets of the Company ("trade secrets" shall have the meaning provided in Section 1839 of the United States Economic Espionage Act of 1996), (2) subject to the work product privilege or attorney-client privilege related to dispute, litigation, or arbitration among the parties to this Contract, or (3) concerning individual private information that as a matter of law cannot be disclosed by the Company.

## ARTICLE 19

### CONFIDENTIALITY

- A. The information, data, statements, representations and other materials provided by the Company or the Reinsurer to the other arising from consideration and participation in this Contract whether contained in the reinsurance submission, this Contract, or in materials or discussions arising from or related to this Contract, constitute confidential or proprietary information unless expressly indicated otherwise by the disclosing party ("Disclosing Party") in writing from time to time to the other party or the respective parties ("Confidential Information"). This Confidential Information is intended for the sole use of the parties to this Contract (and their affiliates involved in management or operation of assumed reinsurance business, reinsurers, prospective reinsurers, intermediaries involved in such placements, respective auditors, third-party service providers, and legal counsel) as may be necessary in analyzing and/or accepting a participation in and/or executing their respective responsibilities under or related to this Contract. Disclosing or using Confidential Information relating to this Contract, without the prior written consent of the Disclosing Party, for any purpose beyond (i) the scope of this Contract, (ii) the reasonable extent necessary to perform rights and responsibilities expressly provided for under this Contract, (iii) the reasonable extent necessary to administer, report to and effect recoveries from retrocessional reinsurers, (iv) the reporting to regulatory or other governmental authorities as may be legally required or (v) persons with a need to know the information, (all of the preceding persons or entities who are legally obligated by either written agreement or otherwise to maintain the confidentiality of the Confidential Information) is expressly forbidden. Copying, duplicating, disclosing, or using Confidential Information for any purpose beyond this expressed purpose is forbidden without the prior written consent of the Disclosing Party.
- B. Should a party ("Receiving Party") receive a third party demand pursuant to subpoena, summons, or court or governmental order or request, to disclose Confidential Information that has been provided by another party to this Contract, the Receiving Party shall provide the Disclosing Party with written notice of any subpoena, summons, or court or governmental order or request, at least ten (10) days prior to such release or disclosure.

Unless the Disclosing Party has given its prior permission to release or disclose the Confidential Information, the Receiving Party shall not comply with the subpoena prior to the actual date required by the subpoena. If a protective order or appropriate remedy is not obtained, the Receiving Party may disclose only that portion of the Confidential Information that it is legally obligated to disclose.

- C. Paragraphs A and B above notwithstanding, the parties hereby acknowledge the public dissemination of redacted versions of the Policy and this Contract once each is executed.
- D. The party drafting any news release or other public announcement or communication shall provide the other party and the Original Insured with reasonable advance notice and reasonable time to review and comment upon a draft of such news release or other public announcement or communication.

## **ARTICLE 20**

### **INDEMNIFICATION, ERRORS AND OMISSIONS**

- A. The Reinsurer is reinsuring the obligations of the Company arising out of or in connection with the Policy. The Company will be the sole judge as to:
  - 1. What will constitute a claim or loss covered under the Policy;
  - 2. The Company's liability thereunder;
  - 3. The amount or amounts that it will be proper for the Company to pay thereunder.
- B. The Reinsurer will be bound by the judgment of the Company as to the obligation(s) and liability(ies) of the Company under the Policy.
- C. Any inadvertent error, omission or delay in complying with the terms and conditions of this Contract will not be held to relieve either party hereto from any liability that would attach to it hereunder if such error, omission or delay had not been made, provided such error, omission or delay is rectified immediately upon discovery.

## **ARTICLE 21**

### **INSOLVENCY**

- A. Subject to the ASSUMPTION OF LIABILITY and ALTERNATE PAYEE Articles below, in the event of the Company's insolvency, the reinsurance afforded by this Contract will be payable by the Reinsurer on the basis of the Company's liability under the Policy without diminution because of the Company's insolvency or because its liquidator, receiver, conservator, or statutory successor has failed to pay all or a portion of any claims, subject however to the right of the Reinsurer to offset against such funds due hereunder, any sums that may be payable to them by said insolvent Company in accordance with applicable law. The reinsurance will be payable by the Reinsurer directly to the Company, or to its



liquidator, receiver, conservator, or statutory successor except (1) where this Contract specifically provides for another payee of such reinsurance in the event of the Company's insolvency or (2) where the Reinsurer, with the consent of the Original Insured, has assumed such Policy obligations of the Company as direct obligations of itself to the payee under such Policy in substitution for the Company's obligation to such payee.

- B. The Company's liquidator, receiver, conservator, or statutory successor will give written notice of the pendency of a claim against the Company under the Policy within a reasonable time after such claim is filed in the insolvency proceeding. During the pendency of such claim, the Reinsurer may investigate said claim and interpose in the proceeding where the claim is to be adjudicated, at its own expense, any defense that it may deem available to the Company, or to its liquidator, receiver, conservator, or statutory successor. The expense thus incurred by the Reinsurer will be chargeable against the Company, subject to court approval, as part of the expense of conservation or liquidation to the extent that such proportionate share of the benefit will accrue to the Company solely as a result of the defense undertaken by the Reinsurer.
- C. The provisions of the ALTERNATE PAYEE Article are intended to take precedence over this Article. This Article shall apply to the extent the Reinsurer has any liability to the Company, or to its liquidator, receiver, or statutory successor, after the operation of the ALTERNATE PAYEE Article.
- D. This Article and the laws of [REDACTED] will apply in the event of the insolvency of the Company. In the event of a conflict between any provision of this Article and the laws of [REDACTED], the laws of [REDACTED] will prevail.

## ARTICLE 22

### ASSUMPTION OF LIABILITY

Pursuant to the Endorsement, the Reinsurer has agreed to become directly liable to the Original Insured for its percentage share of 100% of any Covered Amount and/or Actual Net Loss Amount ceded to the Reinsurer hereunder and under the I&L Agreement, but only and to the extent that the Company fails to make a payment of a Covered Amount and/or Actual Net Loss Amount to the Original Insured as required under the Policy.

## ARTICLE 23

### ALTERNATE PAYEE

- A. Pursuant to the ASSUMPTION OF LIABILITY Article, the Reinsurer shall make payments directly to the Original Insured, in lieu of payment to the Company, or its liquidator, receiver, or statutory successor in the event the Company fails to remit any Covered Amount and/or Actual Net Loss Amount due to the Original Insured in accordance with the Policy.
- B. In such event, the following will apply:

1. The Reinsurer will make payment thereof directly to the Original Insured, in lieu of payment to the Company, or its liquidator, receiver, or statutory successor; and
  2. The Reinsurer shall be credited with any amount equal to such payment and shall be relieved of its corresponding responsibility and liability to the Company, or its liquidator, receiver, or statutory successor under the INSOLVENCY Article, for the amount of such payment for any sum or sums owed or owing under this Contract; and
  3. All provisions of this Contract shall apply to the Original Insured in the same manner as if the Original Insured were substituted for the Company as the reinsured party hereunder.
- C. With regard to any unpaid Covered Amount and/or Actual Net Loss Amount owed to the Original Insured by the Company under the Policy, in the event that the Original Insured is directly paid by the Reinsurer, or if the Original Insured draws down on the Trust Account and/or the Actual Net Loss Trust Account, then, to the extent of any such Covered Amount and/or Actual Net Loss Amount so received by the Original Insured, the Company is relieved of all corresponding responsibility and liability to the Original Insured under the Policy, and the Reinsurer is thereby relieved of its corresponding responsibility and liability to the Company under this Contract and to the Original Insured pursuant to the Endorsement for any such Covered Amount and/or Actual Net Loss Amount so received by the Original Insured.
- D. Notwithstanding anything to the contrary herein, in no event will the Reinsurer be subject to duplicate liability, to or on behalf of the Company, its liquidator, receiver, or statutory successor or to any other entity or person claiming by, through, or under this Contract, including, without limitation, the Original Insured.
- E. This Article may not be amended or cancelled without the express written consent of the Original Insured.

## ARTICLE 24

### **DISPUTE RESOLUTION; VENUE**

Any dispute arising out of or in connection with this Contract, the Policy, the I&L Agreement, the Endorsement, the Trust Agreement and/or any Actual Net Loss Trust Agreement (*i.e.*, the "Reinsurance Documents") shall be settled in a proceeding brought in the United States District Court for the Eastern District of Virginia. Each of the Company and the Reinsurer irrevocably submits to the personal and in rem jurisdiction and venue of the United States District Court for the Eastern District of Virginia for the purposes thereof and hereof, and expressly waives any claim of lack of personal jurisdiction and improper venue and any claim that any such Court is an inconvenient forum. The Company and the Reinsurer hereby irrevocably consent to the service of process in such court in any such suit, action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the address provided to the parties as set forth below, such service to become effective ten (10) days after such mailing. It is further agreed that service of process in any suit instituted against a party will be made upon the other

party and that in any such suit the Company and the Reinsurer will abide by the final decision of such Virginia court, including any appellate court in the event of an appeal. Any award of money damages in such proceeding shall be consistent with the Reinsurer's pro rata share of liability as set forth in this Contract, the I&L Agreement and the Endorsement.

## **ARTICLE 25**

### **GOVERNING LAW**

This Contract and any dispute, controversy or claim arising out of or relating to the Reinsurance Documents (except with respect to the INSOLVENCY ARTICLE, the Trust Agreement and any Actual Net Loss Trust Agreement) shall be governed by Delaware Law. For the avoidance of doubt, (a) the laws of [REDACTED] shall prevail in the event of a conflict between such laws and the INSOLVENCY ARTICLE, and (b) any dispute, controversy or claim directly related to the Trust Agreement and/or any Actual Net Loss Trust Agreement shall be governed by the terms and conditions of the Trust Agreement and/or any Actual Net Loss Trust Agreement, as applicable, including the choice of law provision set forth therein.

## **ARTICLE 26**

### **NON-WAIVER**

No waiver by any party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Contract shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

## **ARTICLE 27**

### **ENTIRE AGREEMENT AND INTERPRETATION**

- A. The Reinsurance Documents constitute the entire agreement between the Company and the Reinsurer with respect to the Business Covered, and supersede all prior understandings, negotiations, and discussions, whether oral or written, by or between the Company and the Reinsurer. There are no general or specific warranties, representations, or other agreements by or among the Company and the Reinsurer in connection with entering into the Reinsurance Documents except as specifically set forth in the Reinsurance Documents.
- B. Any amendment or modification to the Policy made by the Company and the Original Insured shall be effective when made unless it can be demonstrated by the Reinsurer that such amendment or modification would have a material adverse effect on the Reinsurer's

obligations and liabilities under this Contract, the I&L Agreement and the Endorsement. In such case, prior express written consent of the Reinsurer will be required. However, in the event such amendment or modification is made to the Policy without such consent, the Reinsurer's obligations and liabilities shall continue in effect as if such amendment or modification had not been made.

- C. The purposes of the Reinsurance Documents are not to be defeated by a narrow or technical legal interpretation of its provisions. The Reinsurance Documents will be construed as an honorable undertaking and should be interpreted for the purpose of giving effect to the intentions of the parties hereto.

## **ARTICLE 28**

### **ASSIGNMENT, NOVATION OR TRANSFER**

This Contract will be binding upon and inure to the benefit of the Company and the Reinsurer and their respective successors and assigns provided, however, that this Contract may not be assigned, novated, or transferred, including any attempted transfer of rights and/or obligations under any U.S. or foreign statute, legislation, or jurisprudence, by either the Company or the Reinsurer, or as the result of the actions of a parent company or an affiliated entity of either, without the prior written consent of the other party and of the Original Insured. In the event of any assignment, novation, or transfer, the assignor, novator, or transferor will remain liable, under this Contract, and further guarantees the performance of all obligations of any assignee, novatee, or transferee under this Contract. Notwithstanding the foregoing, the Company may assign this Contract to an affiliated entity without the Reinsurer's written consent; however, prior written consent of the Original Insured is required.

## **ARTICLE 29**

### **COUNTERPARTS**

This Contract may be executed in one or more counterparts, each of which will be deemed an original, but all of which taken together will constitute one and the same instrument.

## **ARTICLE 30**

### **CONSTRUCTION**

- A. The headings and titles to the articles of this Contract are inserted for convenience only and shall not be deemed a part hereof or affect the construction of any provision hereof.
- B. This Contract is the result of arms-length negotiations between the parties and has been prepared jointly by the parties. In applying and interpreting the provisions of this Contract, there shall be no presumption that either the Company or the Reinsurer prepared this Contract, or that this Contract shall be construed in favor of or against either the Company or the Reinsurer.

## ARTICLE 31

### SEVERABILITY

If any provision of the Reinsurance Documents will be rendered illegal or unenforceable by the laws, regulations, or public policy of any state, such provision will be considered void in such state, but this will not affect the validity or enforceability of any other provision of this Contract or the enforceability of such provision in any other jurisdiction.

## ARTICLE 32

### DUTIES OF AGENTS

[REDACTED] Aon Risk Services (Northeast) Inc. ("ARS") has separately undertaken to act in a brokerage capacity for the Original Insured, and, as such, has undertaken to likewise perform a number of operational and administrative functions for and on behalf of its brokerage client, the Original Insured, and has further undertaken to avoid any conflicts that would interfere with its duties to the Original Insured. In all negotiations with Reinsurers, ARS

[REDACTED] shall act solely on behalf of and in the best interests of the Original Insured. [REDACTED]

[REDACTED] Aon Benfield has not been engaged by, is not the agent of and is not otherwise representing the interests of the Company hereunder. [REDACTED]

[REDACTED] All communications (including but not limited to notices, statements, premiums, return premiums, taxes, losses and loss settlements) relating to this Contract shall be transmitted between and among the Original Insured, the Company and/or the Reinsurer through [REDACTED]. Payments by and through the Company to [REDACTED] shall be deemed payment to the Reinsurer. Payments by the Reinsurer to and through the Company and Aon Benfield to the Original Insured shall be deemed payment to the Original Insured only to the extent that such payments are actually received by the Original Insured.

In Witness Whereof, the Company by its duly authorized representative has executed this Contract as of the date specified below:

This \_\_\_\_\_ day of \_\_\_\_\_ in the year \_\_\_\_\_.

\_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

**ATTACHMENT 1**

**Credit Insurance Policy**  
**(Policy Number: [REDACTED])**

*(Attached)*

