COLLATERALISED REINSURANCE (LETTER OF CREDIT) - INDIA

1. The Reinsurer hereby agrees to fund the Reinsurers' Obligations by providing a clean, irrevocable and unconditional Letter of Credit in the amount of the Reinsurers' Obligations, from a bank deemed acceptable to the IRDAI, to the Reinsured.

2. The Letter of Credit shall be issued within 30 days after the Reinsured has forwarded to the Reinsurer a detailed statement of the Reinsurer's Obligations. This statement must clearly demonstrate a direct correlation with the reserves held by the Reinsured, which are:

   a) filed with the IRDAI; or

   b) recorded in the Reinsured's books.

3. The Letter of Credit shall remain in effect for as long as the Reinsurers' Obligations to the Reinsured under this reinsurance policy persist, or until such time as the parties agree that the Letter of Credit is no longer needed.

4. The Letter of Credit shall have a minimum term of one year and shall automatically renew for successive one-year periods unless:

   a) the issuing bank provides notice of its intention not to extend the Letter of Credit for any additional period. Such notice shall be given in accordance with the terms of the Letter of Credit;

   b) all of the Reinsurers' liabilities have been paid and the Reinsurers' Obligations are zero, including but not limited to any agreed commutation;

   c) the parties agree that the Letter of Credit is no longer needed.

5. Notwithstanding clause 4 above, if the Reinsured enters insolvency, the Letter of Credit shall be drawn only to meet the Reinsurers' outstanding liabilities under this Contract and shall not be renewed, subject to credit being given to the Reinsurer in respect of such payments.

6. At annual intervals, or more frequently as agreed but never more frequently than quarterly, the Reinsured shall prepare a specific statement of the Reinsurer's Obligations, for the sole purpose of amending the Letter of Credit. If the statement shows that the Reinsurer's Obligations:

   a) exceed the balance of credit in the Letter of Credit as of the statement date, the Reinsurer shall, within thirty (30) days after receipt of notice of such excess, secure delivery to the Reinsured of an amendment to the Letter of Credit increasing the amount of credit by the amount of such difference.

   b) are less than the balance of credit in the Letter of Credit as of the statement date, the Reinsured shall, within thirty (30) days after receipt of written request from the Reinsurer, either:

      i. take all steps necessary to enable the Reinsurer to obtain an amendment to the Letter of Credit reducing the amount of credit available by the amount of such excess credit; or

ii. make refund of any sum to the Reinsurer which is in excess of the actual amount required to pay the Reinsurer's Obligations under this Contract, if elected by the Reinsurer;

7. The Reinsurer and Reinsured agree that the Letter of Credit may be utilised by the Reinsured:

   (a) to reimburse the Reinsured for the Reinsurer's Obligations, the payment of which is due under the terms of this reinsurance policy and which has not been otherwise paid;

   (b) make refund of any sum to the Reinsurer which is in excess of the actual amount required to pay the Reinsurer's Obligations under this Contract, if elected by the Reinsurer as per clause 6 (b)(ii) above.

8. In the event the amount drawn by the Reinsured on any Letter of Credit is in excess of the amount of the Reinsurer's Obligations, the Reinsured shall promptly return to the Reinsurer the excess amount so drawn, without diminution in all cases, including insolvency on the part of the Reinsured or the Reinsurer.

9. The issuing bank shall have no responsibility whatsoever in connection with the propriety of withdrawals made by the Reinsured or the disposition of funds withdrawn, except to ensure that withdrawals are made only upon the order of properly authorised representatives of the Reinsured.

Definitions

"IRDAI" shall mean the Insurance Regulatory and Development Authority of India

"Reinsurers' Obligations" shall mean the following items which are covered under this reinsurance policy:

(a) known outstanding losses that have been reported to the Reinsurer and allocated loss adjustment expense relating thereto;

(b) losses and allocated loss adjustment expense paid by the Reinsured but not recovered from the Reinsurer;

(c) reserves for losses incurred but not reported.

LMA5671
28 March 2025