



MEMBERS NOTE – POOL RE REINSURANCE

TRANSFORMATION OF THE POOL RE SCHEME FROM A FACULTATIVE TO AGGREGATE EXCESS OF LOSS TREATY BASED REINSURANCE SCHEME

This document has been prepared to provide Pool Re Members with an explanation of the changes that Pool Re proposes to make to the Pool Re scheme documentation as it transforms from a facultative obligatory treaty to an aggregate excess of loss treaty. Please note the proposed changes remain subject to His Majesty's Treasury ("**HM Treasury**") sign off and as such this note and the scope of the agreement may be subject to change.

This note is comprised of three parts:

- **Part A** sets out a summary of those elements of the Reinsurance Agreements between Members and Pool Re that will remain the same and of those that will change.
- **Part B** sets out an overview of material changes proposed to the remaining existing scheme documents ("**Scheme Documentation**") as a consequence of or to facilitate the transformation to the new treaty mechanism.
- **Part C** comprises a clause by clause mapping of the changes that are proposed to the Reinsurance Agreement, together with a narrative to explain the reasons for those changes.



Part A – Summary of proposed changes

NO CHANGES TO THE FUNDAMENTAL PRINCIPLES OF THE SCHEME

- 1.1 The fundamental principles of the scheme will remain the same:
 - 1.1.1 It will remain a government backed reinsurance treaty providing Pool Re Members with commercial property and business interruption terrorism coverage for losses incurred as a result of an Act of Terrorism as certified by HM Treasury which commenced during the treaty period.
 - 1.1.2 Although there will be changes to how risks will attach to the Reinsurance (addressed at paragraph [1.2.14-2.1](#) below), there will be no actual change to the coverage provided by the scheme – the same losses that currently fall for cover under the scheme will fall for cover under the revised scheme.
 - 1.1.3 The unlimited nature of cover with HM Treasury backing will be unchanged.
 - 1.1.4 The rules of membership and eligibility will remain as defined in the current scheme. Membership of the scheme will remain open to all insurance companies and Lloyd's Managing Agents acting on behalf of a Syndicate authorised to and writing commercial property or business interruption terrorism insurance coverage in Great Britain and on meeting certain prescribed rules.
 - 1.1.5 An Act of Terrorism will remain as defined in the Reinsurance (Acts of Terrorism Act) 1993 and subject to certification by HM Treasury.
 - 1.1.6 The protections against adverse selection for Pool Re (HM Treasury and ultimately the taxpayer) derived from the "cede all business" and "all or nothing" rules will remain as in the current scheme. For the same reasons it will also require the existing "general cover" rule to be maintained.



KEY CHANGES IN THE TRANSFORMATION FROM FACULTATIVE TO TREATY BASED REINSURANCE

- 1.2 It is proposed that the scheme be provided on an aggregate treaty rather than facultative treaty basis, as follows:
- 1.2.1 **The scheme will provide cover on a losses occurring basis i.e., all losses arising from an Act of Terrorism that commences during the Underwriting Period will fall for cover under the Reinsurance.** The scheme currently operates on a "risks attaching" basis i.e., all relevant insurance policies that incept or renew during the underwriting period attach to the Reinsurance Agreement.
 - 1.2.2 **Class A (Property Damage / Business Interruption) and Class B (Non-Damage Business Interruption) cover will be provided under a single Reinsurance Treaty.** There are currently separate Class A and Class B reinsurance agreements. The transformation from facultative to treaty based reinsurance will mean that where the eligibility criteria is met, Members will remain free to buy cover for either Class A or Class B categories, or both but under one single Reinsurance Treaty.
 - 1.2.3 **Members' premiums will be calculated on the basis of the whole portfolio ceded using an actuarial terrorism risk model developed by Pool Re subject to a smoothing mechanism.** Under the existing scheme, premium payable to Pool Re for each individual Class A risk ceded, is set by reference to a tariff calculated by reference to four postcode-based zones for property damage and one that is scheme-wide for business interruption. For individual Class B risks ceded, premium is charged by reference to the number of policies and the split for each of the risk types in the tariff (or, if the Member is unable to provide the relevant split, by reference to an estimated split for each of the risk types, calculated by applying an assumed profile algorithm).
 - 1.2.4 **The scheme will have a Treaty Schedule which will contain two aggregate retentions: (i) a Section 1 annual aggregate retention for Chemical, Biological, Radiological, Nuclear ("CBRN") and Cyber Acts of Terrorism; and (ii) a Section 2 annual aggregate retention for all other terrorism events. The Member's maximum exposure will be the higher of the two retentions. There will be a separate sub-limited annual aggregate in respect of Class B (Non-Damage Business Interruption) cover. The treaty addresses a clash of retentions to ensure Members are not carrying multiple retentions. The current scheme involves two retentions within each of Class A and Class B: an event retention and an aggregate retention. Pool Re sets the two retention levels for the whole scheme, then each of the Member retentions is calculated based on their market share of the estimated Pool Re premium. The new scheme will dispense with the event retention (see 1.2.5 below). Pool Re will set 'Minimum Retentions' for each Member below which the Member will be unable to buy cover with Pool Re. Members can choose to agree a retention above the Minimum Retentions in return for a lower premium. In the first year of the new scheme, the Minimum Retentions will be set at a level equivalent to Members' event retentions in the prior year. It is expected that using pricing incentives, buying down to the Minimum Retentions will become less attractive over time.**
 - 1.2.5 **There will be an annual underwriting period for the treaty, running from 1st April to 31st March each year, rather than the current continuous, rolling contract, meaning there will be the requirement for an annual renewal of the contract.**
 - 1.2.6 **For each Underwriting Period, the wording of the Reinsurance will be the same for each Member (as is currently the case), but each Member will receive a Member-specific Treaty Schedule setting out the Member's individual Premium and Retentions. The pricing methodology is consistent for all Members.**



- 1.2.7 **The Class A Underwriting Manual effective 1 October 2022 ("Class A UW Manual") and the Class B Underwriting Manual effective 15 February 2019 ("Class B UW Manual") will no longer form part of the Reinsurance contract (although some of its provisions have been incorporated within the contract). It will be replaced by a guidance document.**
- 1.3 The advantages of the proposed changes to the scheme are that:
- 1.3.1 The scheme will work in a more sophisticated and risk reflective way. The current scheme is based on a simple zonal tariff that does not take into account the shape and size of an individual Member's portfolio, or the accumulation of risk being added to the pool. The current tariff rate also fails to help Members accurately rate the marginal impact of new risks on their own retention, or truly reflect the risk to Pool Re.
- 1.3.2 It will no longer be necessary to ask Members to submit their ceded risks on a quarterly basis. The new treaty will act as other property aggregate treaties – an annual price covering all terrorism risks carried by a Member during the period of the treaty. Reporting will simplify, with only the annual exposure return required, thus reducing administrative burdens on Members. This portfolio approach to coverage will reduce the sales friction inherent within the current scheme, and we hope that this will assist with terrorism becoming part of the standard coverage in many more UK Commercial package/composite products.
- 1.3.3 Members will have the ability to rate their terrorism cover in the same way that they do for any other peril. The Pool Re tariff has, since the inception of the scheme, largely dictated the UK Commercial terrorism rating environment. Part of our remit from HM Treasury is to both return risk to as well as help generate confidence within the private market. By providing help, data and understanding to the terror perils we model, we believe Members will, over time, gain a stronger understanding of terrorism, which will in turn help to develop their own risk appetite.
- 1.3.4 Members are able to increase their retentions above the minimum and so take on more terrorism risk, which would serve to move some risk away from the taxpayer. The choice and flexibility built into our new aggregate treaty allows Members to choose their own preferred retention level, subject to a Minimum Retention specified by Pool Re. The additional feature of bifurcating the peril allows Members further choice to refine risk appetite – for example they may wish to continue to pass to Pool Re as much CBRN/cyber property damage terror loss as possible, but be happy to carry a higher deductible for all other types of terrorism exposures. With direction from HM Treasury to distance the taxpayer as far from loss as possible, we see our proposed treaty as an efficient vehicle through which to encourage higher retentions at levels all Members are comfortable with.



Part B—Summary of proposed changes to the remaining Scheme Documentation

2. A review of the full suite of documentation that comprises the Pool Re scheme has been undertaken to ensure that changes required in consequence of the revised Reinsurance Agreements are identified and made. We have identified a small number of changes to the following documents, which will be made available to Members for review ahead of the Member vote in March:
 - 2.1.1 Deed Supplemental to Reinsurance Agreement: this is an historic document that is no longer relevant to the Scheme. References to it in the Reinsurance Agreement will be removed and the updated Membership Agreement will provide for termination of any which remain in place.
 - 2.1.2 Membership Agreement: Clause 3.1 (b) will be amended to alter the requirement for prospective new Members to notify Pool Re of the likely volumes of premium it will pay under a Reinsurance Agreement to instead refer to the information Pool Re would need to assess the prospective Members' risk exposures; the termination clause (clause 6) will be amended to make clear that upon termination of the agreement, due to the move to a "losses occurring" basis of indemnity under the revised scheme, there will be no automatic run-off cover for live risks/binding quotes. Instead, as provided for in the revised Reinsurance Agreement, Members will have the right to purchase run-off cover calculated, to the extent reasonably practicable, on the same basis as their original Premium (and provided the additional premium specified by Pool Re is paid within 14 days, the transition to the run-off cover will be seamless with no period when the Member is not reinsured for remaining live risks/binding quote; the competition law clause (clause 16) will also be updated to remove EU law references. A small number of additional minor changes will also be made.
 - 2.1.3 Articles of Association: An amendment to the Company's Articles of Association will be made to align the process for calculating Members' voting entitlements to Pool Re's new 31 March year end. Currently, voting entitlements are calculated by reference to premium ceded in the prior calendar year, which aligned to Pool Re's prior 31 December year end. A small number of other minor amendments will also be proposed. The vote itself to adopt new Articles reflecting these changes will be proposed at Pool Re's AGM in September 2024.



Part C – Mapping of the Proposed Changes to the existing Reinsurance Agreement

Proposed amendments by reference to the terms of the existing Class A Reinsurance Agreement	Explanation
<p style="text-align: center;"><u>Pool Re Treaty Schedule</u></p> <p><u>Date:</u> 1 April [YEAR]</p> <p><u>Reinsured:</u> [INSERT]</p> <p><u>Reinsurer:</u> <u>Pool Reinsurance Company Limited</u></p> <p><u>Underwriting Period:</u> <u>[00.00] 1 April [2025] to [23.59] 31 March [2026] inclusive</u></p> <p><u>Premium:</u> £[XXX]</p> <p><u>Premium payment terms:</u> Payable in four equal instalments due on:</p> <ul style="list-style-type: none"> <input type="checkbox"/> 1 April [2025] <input type="checkbox"/> 1 July [2025] <input type="checkbox"/> 1 October [2025] <input type="checkbox"/> 1 January [2026] <p><u>[Where there is more than one Reinsured entity [each of the Reinsureds will be jointly and severally liable for payment of the Premium] / [the first named Reinsured shall be responsible for paying Premium on behalf of all Reinsureds]</u></p>	<p>The Treaty Schedule has been introduced to reflect the introduction of annual underwriting periods to replace the current evergreen contract. This will enable individual Retentions to be selected by Members and the corresponding Premium to be calculated on a portfolio basis.</p> <p>Premium is flat/non-adjusted for the period, subject to provisions in Article 14 around material changes in exposure.</p>



Proposed amendments by reference to the terms of the existing Class A Reinsurance Agreement	Explanation
<p><u>Retentions:</u></p> <ul style="list-style-type: none"> <input type="checkbox"/> Section 1 Retention (as defined in the Reinsurance Agreement) £[XXX] [XXX] in the annual aggregate: <ul style="list-style-type: none"> <input type="checkbox"/> Section 1 Retention sub-limited to [no less than 40% of the Section 1 Minimum Retention] in respect of the Class B Head of Cover. <input type="checkbox"/> Section 2 Retention (as defined in the Reinsurance Agreement) £[XXX] in the annual aggregate: <ul style="list-style-type: none"> <input type="checkbox"/> Section 2 retention sub-limited to [no less than 40% of the Section 2 Minimum Retention] in respect of the Class B Head of Cover. <p>[Where there is more than one Reinsured entity [the Retentions above are combined Retentions which will apply to all of the Reinsureds collectively] / [there will be separate Retentions for each of the Reinsureds]]</p> <p><u>Minimum Retentions:</u></p> <p><u>Wording:</u> <u>Per Pool Re Aggregate Excess of Loss Treaty Reinsurance Agreement wording [latest version as at date of inception]</u></p>	



<p align="center"><u>AGGREGATE EXCESS OF LOSS TREATY REINSURANCE AGREEMENT</u></p>	<p>The title of the agreement has been updated; these amendments reflect the move from facultative obligatory treaty reinsurance to an aggregate excess of loss treaty reinsurance agreement.</p>
<p>THIS REINSURANCE AGREEMENT is made on the date set out in <u>the Treaty Schedule</u>³</p> <p>BETWEEN</p> <p>(A) (1)THE PERSON <u>(S)</u> named in<u>as the Reinsured in the Treaty Schedule</u> 3³ ("the Reinsured"); and</p> <p>(B) (2)POOL REINSURANCE COMPANY LIMITED whose registered office is at Hanover House, 14 Hanover Square⁷ <u>Savoy Court</u>, London W1S 1HP^{WC2R 0EX} ("the Reinsurer").</p>	<p>The parties section has been amended to reflect Pool Re's new business address and clarify that the scheme can be entered into on a group basis.</p>
<p>ARTICLE 1 - SCOPE</p> <p><u>ARTICLE 1 - SCOPE</u></p> <p>1.1 This Reinsurance Agreement applies to contracts of direct insurance which incept or are renewed during the period of application of this Reinsurance Agreement in respect of any Head of Cover and which are written on the Specified Terms.</p> <p>1.2 Where a contract of direct insurance is effected on a continuous basis or for a period longer than twelve calendar months every additional period in excess of the original twelve calendar months shall be deemed for the purposes of this Reinsurance Agreement to constitute a new contract of direct insurance incepting on the anniversary date of the original date of inception.</p> <p>1.1 <u>This Reinsurance Agreement applies to Covered Loss.</u></p>	<p>These amendments reflect the move from a "risks attaching" basis to a "losses occurring" indemnity basis. The deleted wording – to the effect that all relevant insurance policies that incept or renew during the underwriting period attach to the Reinsurance Agreement – is not applicable on a losses occurring indemnity basis.</p>
<p>ARTICLE 2 - LIMITS OF INDEMNITY</p> <p>a.2.1 <u>The Reinsurer hereby undertakes (subject to the provisions of this Reinsurance Agreement) to indemnify the Reinsured for the amount of the Reinsured's Ultimate Net Loss which</u></p>	<p>These amendments reflect the move to two aggregate retentions and the deletion of the per Event Retention.</p>

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<p>exceeds the Retention applicable Retention(s) in respect of Covered Loss relating to Property. The operation of the Retentions is addressed in Error! Reference source not found. <u>Schedule 2.</u></p> <p>2.1</p>	<p>The deletion of the words "relating to Property" in clause 2.1 reflect the fact that the revised Reinsurance will provide both Class A and Class B Heads of Ccover.</p>
<p>ARTICLE 3 - PERIOD</p> <p>3.1 <u>3.1</u> This Reinsurance Agreement shall be deemed to have commenced on the Effective Date and shall continue in full force and effect unless and until terminated pursuant to and in accordance with the provisions of Article 16 <u>Article 16</u> applies to the Underwriting Period specified in the Treaty Schedule.</p> <p>3.2 <u>3.2</u> Each twelve month period commencing 1 April shall be a separate Underwriting Period.</p> <p>3.3 <u>3.3</u> Unless terminated in accordance with the provisions of Error! Reference source not found. <u>Article 17</u> or where notice is served by the Reinsured in accordance with Article 3.4, and provided that the Reinsured has complied with its obligations under Article 15.1, the Reinsurance Agreement will automatically renew on 1 April on the Reinsurer's standard terms and conditions as at the date of renewal and subject to the Premium and Retentions determined by the Reinsurer unless an alternative Premium and Retentions are agreed between the Reinsured and the Reinsurer not less than 14 days prior to renewal.</p> <p>3.4 <u>3.4</u> The Reinsured may elect not to renew the Reinsurance Agreement by service on the Reinsurer of written notice of its intention not to renew the Reinsurance Agreement not less than 7 days before midnight on 31 March in the year in which the renewed Reinsurance Agreement is due to incept.</p>	<p>These amendments reflect the fact that there will be separate Underwriting Periods from 1 April 2023 each year, rather than a continuous agreement until the agreement is terminated. It is proposed that the Reinsurance Agreement will automatically renew on the Reinsurer's standard terms and conditions at the date of renewal and subject to the Member complying with its obligations in terms of providing exposure information in advance of renewal, with the Premium and Retentions to be determined by the Reinsurer unless agreed between the Reinsured and the Reinsurer no less than 14 days prior to renewal. The Reinsured may elect not to renew the Reinsurance Agreement by providing Pool Re with written notice no less than seven days before renewal.</p> <p>The only terms that are expected to change from Underwriting Period to Underwriting Period are Premium and Retentions, which will be set out in the Treaty Schedule.</p>
<p>ARTICLE 4 - TERRITORY</p> <p>4.1 <u>4.1</u> This Reinsurance Agreement applies only to Property <u>and/or premises</u> located within the Territory.</p>	<p>The words "and/or premises" in Article 4.1 reflect the fact that the revised Reinsurance will provide both Class A and Class B Heads of Cover (where the latter refers to premises rather than Property).</p>

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<p><u>4.2</u> <u>Where a Relevant Instrument covers Property and/or premises both within and outside of the Territory, this Reinsurance Agreement will only apply to the Property and/or premises located within the Territory.</u></p>	<p>Article 4.2 clarifies that there is only cover for Property and/or premises within the Territory. This clarification was previously provided in the Underwriting Manuals.</p>
<p>ARTICLE 5- EXCLUDED LOSSES 5.1 The Reinsurer shall not be liable for any of the Excluded Losses set out in Schedule 1.</p>	<p>No change, however, note that the definition of Excluded Losses has been updated – see Schedule 1.</p>
<p>ARTICLE 6 - COVERED LOSS <u>6.1</u> 6.1 “Covered Loss” in this Reinsurance Agreement means all losses arising under Relevant Instruments:</p> <p>(a) under any of the Heads-Class A Head of Cover, as a result of damage to or the destruction of Property in the Territory, the proximate cause of which is an Act of Terrorism; <u>that commences during the Underwriting Period; or</u></p> <p>(b) <u>under the Class B Head of Cover, as a result of interruption or interference with the business of the Original Insured in consequence of:</u></p> <p>(i) <u>access to, exit from or use of any premises located within the Territory owned or occupied by an Original Insured being impaired or prevented due to the actions of the police, competent authority or any other statutory authority, the proximate cause of which is an Act of Terrorism that commences during the Underwriting Period; and/or</u></p> <p>(ii) <u>an Act of Terrorism that commences during the Underwriting Period in the vicinity of, but in no event further than one (1) mile from, any premises within the Territory owned or occupied by the Original Insured which results in the business carried on at such premises having a diminished attraction to customers and solely in consequence</u></p>	<p>Article 6.1(a) has been amended to reflect the fact that the scheme will provide cover on a losses occurring basis i.e. all losses arising from an Act of Terrorism that commences during the Underwriting Period will fall for cover under the Reinsurance Agreement irrespective of when the underlying policy is accepted.</p> <p>Article 6.1(b) has been added to reflect the fact that Class A and Class B Heads of Cover will both be provided under the same Reinsurance Agreement. Per the approach to clause 6.1(a), it has also been updated to reflect the fact that the scheme will provide cover on a losses occurring basis.</p>

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<p><u>thereof, an identifiable reduction in the business of an Original Insured, but in no event shall the maximum period of indemnity for such interruption or interference with the business exceed three months.</u></p>	
<p>ARTICLE 7- RELEVANT INSTRUMENTS</p> <p><u>7.1 A "Relevant Instrument" in this Reinsurance Agreement means a contract of General Cover underwritten by the Reinsured for a term not exceeding twelve calendar months in total, or part(s) thereof, that provides:</u></p> <p><u>(a) as a minimum, fire or explosion cover (but that can provide cover for other perils in addition) in respect of one or more of the Class A Head of Cover or the Class B Head of Cover; and</u></p> <p><u>(b) cover in respect of an Act of Terrorism on the same terms and conditions as the General Cover (save in respect of the premium).</u></p> <p><u>7.2 Where a contract of direct insurance is effected on a continuous basis or for a period longer than twelve calendar months every additional period of twelve calendar months in excess of the original twelve calendar months shall be deemed for the purposes of this Reinsurance Agreement to constitute a new Relevant Instrument incepting on the anniversary date of the original date of inception.</u></p> <p><u>7.3 For the avoidance of doubt, the "same terms" in Article 7.1(b)7.1(b) includes, but is not limited to, the applicable sum(s) insured, limit(s) of indemnity and the deductible(s) applicable to the Original Insured.</u></p>	<p>The introduction of the "Relevant Instruments" definition reflects the guidance previously provided in the Class A UW Manual and Class B UW Manual for Class A and Class B Heads of Cover as to the scope of risks that are eligible for cession to the scheme. This amendment is required given that the underwriting manuals will no longer be contractually binding.</p> <p>The introduction of Article 7 also sets out that cover is provided under the Reinsurance Agreement for a twelve-month period and cover for each Underwriting Period will only be provided for losses arising from an Act of Terrorism that commenced during that Underwriting Period. The wording of Article 7.2 was previously provided at Article 1.2 in the current Class A Reinsurance Agreement. It has been moved to Article 7 and now refers to Relevant Instruments to reflect the "losses occurring during" nature of the cover.</p>
<p>ARTICLE 7ARTICLE 8 - ULTIMATE NET LOSS</p> <p><u>8.1 7.4</u>In this Reinsurance Agreement "Ultimate Net Loss" means the total sum actually paid by the Reinsured in respect of Covered Loss, including litigation and other expenses</p>	<p>Article 7 has become Article 8 following the addition of the Relevant Instrument provision.</p> <p>Article 8.1 (Article 7.1 in the current Class A Reinsurance Agreement) has been amended to reflect the fact that Class A and Class B Heads of Cover</p>

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reasonably incurred by the Reinsured in connection with the adjustment thereof, excluding office expenses and salaries of the Reinsured attributable thereto and after deduction of all salvage payments and/or recoveries (including recoveries due from all other reinsurances inuring for the benefit of the Reinsured whether collected or not, other than reinsurance purchased by the Reinsured in respect of any Underwriting Period underwriting period commencing on or after 1st January 1993 (or in respect of the Class B Head of Cover, on or after 1st January 2019) to the extent that such reinsurance is specifically to limit the Reinsured's exposure within the Retention-Retentions and other than recoveries due or received under Reinsurance to Close Contracts) ~~and for these purposes all salvage. Subject to Article 12.242-2, recoveries or payments recovered or received subsequent to any loss settlement hereunder shall be applied as if recovered or received prior to the aforesaid settlement and all adjustments as shall be necessary to reflect the above shall be made by the Parties. No no~~ liability shall be incurred by the Reinsurer to the Reinsured unless and until the Reinsured has made actual payment to the Original Insured or to its order under the original contract of direct insurance; subject to that proviso, however, nothing in this Article shall be construed to mean that recovery cannot be made by the Reinsured from the Reinsurer until the Reinsured's Ultimate Net Loss has been finally ascertained and the Reinsured will be taken to have made actual payment for these purposes when it has complied with the requirements specified ~~from time to time in the Underwriting Manual in ARTICLE 10~~ Article 10 of this Reinsurance Agreement relating to the payment of a claim.

8.2 ~~For the purposes of Article 88-4 all salvage, recoveries or payments recovered or received subsequent to any loss settlement hereunder shall be applied as if recovered or received prior to the aforesaid settlement and all adjustments as shall be necessary to reflect such changes shall be made by the Reinsurer and the Reinsured.~~

8.3 ~~7-2~~In the event that the Reinsured shall not, for any reason, have paid the Original Insured (or to its order) within 60 days of payment becoming due and payable, the Reinsurer may at its

both be provided under one Reinsurance Agreement and that there will be two separate aggregate Retentions.

Article 8.2 has been introduced but is not a substantive change. It is part of the former Article 7.1 with amendments to allow it to stand as an independent paragraph. This change, although not substantive, has made the paragraph more consistent with the provisions of the HM Treasury Retrocession Agreement dated 5 May 2022 relating to Ultimate Net Loss (see Article 4.2).

Article 8.4 has been introduced to maintain Pool Re's contractual right to set-off. The right to set-off was previously provided to Pool Re pursuant to paragraph 7.14 of the Class A UW Manual. Paragraph 7.14 provided Pool Re with the right to set-off any reinsurance recovery payable against any monies due to Pool Re from that Member and this is reflected in Article 8.4.

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<p>option pay directly to the Original Insured (or to its order) such amount as would have been due under this Reinsurance Agreement but for such nonpayment<u>non-payment</u>; any such payment (if and when made by the Reinsurer) shall operate as a pro tanto discharge of the Reinsurer's liability to the Reinsured.</p> <p><u>8.4 The Reinsurer may set off any monies due to it from the Reinsured against any claim payable under this Reinsurance Agreement.</u></p>	
<p>ARTICLE 8ARTICLE 9 - GENERAL CONDITIONS PRECEDENT</p> <p><u>9.1</u> 8.1Notwithstanding anything contained to the contrary in this Reinsurance Agreement (with the exception of <u>ARTICLE 14</u>Article 1413 to the provisions of which this Article is subject) it is a condition precedent to the Reinsurer's liability that:</p> <p><u>(a)</u> (a)there has been no dishonest, fraudulent or criminal act or omission or involvement in any financial crime on the part of the Reinsured relating to the operation of this Reinsurance Agreement; <u>and</u></p> <p><u>(b)</u> the Reinsured will notify the Reinsurer in writing as soon as reasonably practicable of any of the events and/or circumstances which would entitle the Reinsurer to terminate this Reinsurance Agreement pursuant to Article 1747.2 below.</p> <p>(b) the Reinsured complies with the Underwriting Manual in all respects;</p> <p>the Reinsured pays the premium to the Reinsurer in accordance with Article 10.4.</p> <p><u>(c)</u> —</p> <p><u>8.2</u> The Reinsurer shall not be obliged to make any payment to the Reinsured where such payment would be unlawful in accordance with any applicable law.</p>	<p>Article 9.1(b) sets out the requirement that the Reinsured notify the Reinsurer of any of the events and/or circumstances which would entitle the Reinsurer to terminate this Reinsurance Agreement. It has been changed from a warranty to a condition precedent.</p> <p>Article 9.1(c) (Article 8.1(b) in the current Class A Reinsurance Agreement) has been deleted in its entirety. This amendment has been made to reflect the fact that the Class A UW Manual and Class B UW Manual are no longer a contractual part of the Reinsurance Agreement.</p> <p>Article 8.2 in the current Class A Reinsurance Agreement has been merged with the sanctions clause at Article 27.2 (see below).</p>

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ARTICLE 9 ARTICLE 10 ARTICLE 9 - CLAIMS CO-OPERATION AND REPORTING

10.1 9.4 Notwithstanding anything contained to the contrary in this Reinsurance Agreement (with the exception of ARTICLE 14 Article 14 to the provisions of which this Article is subject) it is a condition precedent to the Reinsurer's liability that:

(a) ~~(a)~~ the Reinsured gives ~~immediate~~ written notice to the Reinsurer as soon as reasonably practicable, or within such timeframe as the Reinsurer otherwise directs, after the Reinsured has:

(i) ~~been notified of any claim against the Reinsured under contracts of direct insurance reinsured hereunder (and a Relevant Instrument which may give rise to a claim against the Reinsurer) or of the Reinsured becoming aware of any circumstances which could give rise to such a claim;~~

(ii) become aware of circumstances which could give rise to a claim under a Relevant Instrument including any circumstances which the Reinsured considers might constitute an Act of Terrorism or where the Reinsured seeks certification of an Act of Terrorism in accordance with the process set out at ARTICLE 22 Article 22; or

(iii) become aware of any claim by an Original Insured against the Reinsured that is, or has become, a Large Loss Claim;

(b) ~~(b)~~ the Reinsured furnishes the Reinsurer with all reasonable information ~~known to the Reinsured~~ in respect of claims or circumstances notified in

Article 10 is an updated version of Article 9 in the current Class A Reinsurance Agreement.

Article 10.1(a) has been amended to reflect the introduction of the "Relevant Instruments" definition (addressed above).

Article 10.1(a) has been amended to clarify when the Reinsured is required to provide Pool Re with notice of circumstances which could give rise to a claim and specifically circumstances the Reinsured considers might constitute - or where it seeks certification of - an Act of Terrorism. The requirement for immediate notice of claims and circumstances has been replaced with a requirement for notice "*as soon as reasonably practicable or within such timeframe as the Reinsurer otherwise directs...*".

Article 10.1(a)(iii) and Article 10.1(c) have been amended to regulate the notification and co-operation requirements for a Large Loss Claim, which is defined as a claim by an Original Insured against the Reinsured reserved a above 50% of the lower of the Reinsured's Minimum Retentions.

Article 10.1(b) removes the reference to the Class A UW Manual, which will no longer form part of the Reinsurance contract, but adds in a requirement from the existing Class A UW Manual as to the provision of a Claim Information Summary (Clause 7.3 of the Class A UW Manual).

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accordance with ~~(a)~~ above and thereafter keeps the Reinsurer informed of developments ~~to the extent required by the Underwriting Manual relating thereto~~ as soon as practicable after they occur, ~~including but not limited to providing the Reinsurer with a Claims Information Summary and any further information reasonably requested by the Reinsurer within 30 days of an event occurring which the Reinsured believes may constitute an Act of Terrorism;~~

~~(c)~~ ~~(e)~~ the Reinsured if requested by the Reinsurer, ~~and in any case in respect of a Large Loss Claim,~~ co-operates fully with the Reinsurer and any other person or persons designated by the Reinsurer to oversee the investigation, adjustment and settlement of any claim notified to the Reinsurer ~~as aforesaid relating to an event or events that is / are certified as an Act of Terrorism~~ and the Reinsured shall not, if so requested by the Reinsurer, litigate or settle any such claim without ~~consulting obtaining the written consent of~~ the Reinsurer or such person or persons;

~~(d)~~ the Reinsured must appoint a Loss Adjuster on all ~~claims that have, or the Reinsured reasonably expects will have, a 100% gross reserve in excess of £100,000; and~~

~~(e)~~ ~~(d)~~ save as otherwise provided in ~~the Underwriting Manual this Reinsurance Agreement~~ or to the extent that the Parties and an Original Insured otherwise agree in writing, the total amount of the Reinsured's liability to an Original Insured in respect of the Covered Loss concerned has been finally determined either by judgment or award against the Reinsured made by a court or arbitration tribunal of competent jurisdiction ~~or by the written agreement of an Original Insured and the Parties.~~

10.2 Unless otherwise provided for in this Reinsurance Agreement or directed by the Reinsurer, and strictly in accordance with the other terms and conditions of this Reinsurance Agreement, the Reinsured may negotiate and settle any claims with a 100%

Article 10.1(d) has been added to reflect the requirement in the existing underwriting manuals (see for example, paragraph 7.4 of the Class A UW Manual) with an amendment to the claim reserve value at which a Loss Adjuster must be appointed: the existing requirement of 100% gross reserve in excess of £10,000 has been increased to 100% gross reserve in excess of £100,000. The amendment to the claim reserve value remains subject to the agreement of HM Treasury.

Article 10.2 allows the Reinsured (unless otherwise provided for in the agreement or directed by Pool Re) to negotiate and settle any claims reserved below £100,000. This provision is an updated version of existing paragraph of the Class A UW Manual, with an increase to the claim reserve value at which such rights can be exercised, from 100% gross reserve in excess of £10,000 to 100% gross reserve in excess of £100,000.

Article 10.3 introduces a *Hill v M&G* type follow the settlement provision into the agreement for the benefit of the Reinsureds.

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<p><u>gross reserve below £100,000 itself or delegate this function to third party contractors, provided it is the Reinsured's usual practice to adjust claims of this value in this manner and that such adjustment is undertaken in accordance with Article ARTICLE 11(d)44.4(a).</u></p> <p>10.3 Where the Reinsured has complied with the terms of this Reinsurance Agreement, including this ARTICLE 10<u>Article 10</u>, all settlements entered into by the Reinsured in respect of Covered Loss shall be binding upon the Reinsurer and erode the relevant Retention(s) provided such settlements fall to be indemnified under the terms and conditions of the subject Relevant Instrument(s) and fall within the terms and conditions of this Reinsurance Agreement. For the avoidance of doubt, ex gratia payments do not fall within the terms and conditions of this Reinsurance Agreement.</p>	
<p>ARTICLE 10ARTICLE 11 ARTICLE 10 REINSURANCE WARRANTY AND PREMIUM</p> <p>11.1 40.1The Reinsured hereby warrants and undertakes to the Reinsurer that:</p> <p>(a) (a) if it offers to provide General Cover to a person in respect of any <u>Class A Head of Cover or Class B Head of Cover</u>, it shall also, if so requested by that person, offer to provide to that person insurance against Acts of Terrorism within the Territory in respect of the same <u>Class A Head of Cover in accordance with the Underwriting Manual or Class B Head of Cover (as applicable)</u>, subject to Article 40.2<u>11.1.2</u>;</p> <p>(b) (b) it shall not provide direct insurance against an Act of Terrorism within the Territory in respect of any <u>Class A Head of Cover or Class B Head of Cover</u> in respect of which it does not provide General Cover;</p> <p>(c) in any contract under which it provides direct insurance against an Act of Terrorism within the Territory, it shall ensure that there is no colection against the Reinsurer;</p>	<p>The amendments to this article in respect of Article 11.1(a) and (b) reflect the fact Class A and Class B Head of Cover are now provided under the same wording.</p> <p>Article 11.1 has been introduced to reflect the key provisions of paragraph 1 of the Class A UW Manual relating to member procedures, record retention and exposure declarations. See Article 15.1 also.</p>

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~~and for this purpose "selection against" the Reinsurer shall have the meaning set out in the Underwriting Manual;~~

~~(c)~~ ~~(d)~~ it shall not provide reinsurance against the risk of Acts of Terrorism within the Territory unless either:

~~(i)~~ ~~(i)~~ the reinsurance is a Reinsurance to Close Contract; or

~~(ii)~~ ~~(ii)~~ the cedant to which it provides such reinsurance maintains for its own account a significant proportion of such risk, and such reinsurance is not being provided to enable the Reinsured to circumvent a restriction which would have prevented it from accepting such risk by way of direct insurance or to avoid the requirement to cede such risk to the Reinsurer under this Reinsurance Agreement;

~~(e)~~ ~~it will reinsure with the Reinsurer such part(s) of all contracts of direct insurance under which the Reinsured provides insurance against Acts of Terrorism within the Territory in respect of any Head of Cover; and~~

~~(f)~~ ~~it will notify the Reinsurer forthwith in writing of any of the events and/or circumstances which would entitle the Reinsurer to terminate this Reinsurance Agreement pursuant to Article 16.2 below.~~

~~(d)~~ ~~it will apply no lower standards of internal audit, systems and controls to the issue of cover, adjustment of claims and documentation generally than it applies to other aspects of its business. Such systems and controls must be at least broadly comparable with the standards laid down in the UK by the Prudential Regulation Authority and the Financial Conduct Authority.~~

~~11.2~~ ~~40.2~~ ~~Subject to Article 40.3~~ ~~Subject to Articles 11.3~~ ~~11.4~~ ~~11.4~~ ~~and 11.4~~ ~~11.4~~, the Reinsured shall procure that the obligations

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undertaken by it in paragraphs ~~(a)(a)~~ to ~~(d)(d)~~ inclusive of paragraph ~~40.1, 1011.1~~ of this Article shall also be observed by any Connected Person of the Reinsured either by procuring that such Connected Person:

- ~~(a)~~ ~~(a)~~ (if eligible) provides to the Reinsurer the information and documents necessary to satisfy the criteria set out in sub-clause 3 of the Membership Agreement and signs an Accession Agreement pursuant to sub-clause 3.1 thereof; or
- ~~(b)~~ ~~(b)~~ does not provide direct insurance against an Act of Terrorism in respect of any Class A Head of Cover or Class B Head of Cover in the Territory.

~~11.3~~ ~~40.3~~ The obligation of the Reinsured in Article ~~40.2, 1111.2~~ shall not apply to the Reinsured during the period of three months following a third party becoming a Connected Person of the Reinsured where competition law prevents the Reinsured and the Connected Person from discussing whether the Connected Person should provide direct insurance against an Act of Terrorism pursuant to sub-clause 3.1 of the Membership Agreement.

~~10.3~~ ~~Subject to Article 10.5, the amount of premium payable to the Reinsurer under this Reinsurance Agreement shall be an amount equal to the premium as calculated in accordance with the Underwriting Manual (including any provisions contained therein relating to adjustment and return premium) and subject as may be otherwise provided in the Underwriting Manual the Reinsured shall account and pay to the Reinsurer all such premium no later than such date as is specified in the Underwriting Manual.~~

~~10.4~~ ~~Where the Reinsured pays the premium required under Article 10.4 later than the date specified in the Underwriting Manual, Article 10.4 shall be deemed to be satisfied once the payment is made.~~

~~11.4~~ ~~If, following a merger, acquisition or other change in the group structure of the Reinsured (whether or not that transaction predated this Reinsurance Agreement) (in this Article, a "Relevant Transaction") the Reinsured and its Ultimate Parent~~

Article 11.4 represents a change to the current Reinsurance Agreements. In the circumstances specified within Article 11.4, a waiver from strict compliance with the cede all business rule can be substituted for an annual undertaking of compliance in the form set out in Schedule 5 of the agreement.

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Undertaking (as defined in Schedule 5) shall prove to the satisfaction of the Reinsurer (acting in its sole discretion) that:

(a) an entity which has become a Connected Person of the Reinsured as a result of such Relevant Transaction is de facto operationally independent of the Reinsured; and

(b) as a result of that operational independence the Reinsured and/or its Connected Person would, if required to comply with Article ~~1144.2~~, need to make changes to the operation of its business which:

(i) are Commercially Impracticable; and

(ii) if not implemented could lead to the termination of this Reinsurance Agreement in accordance with ~~Article 17~~ resulting in severe hardship to the entity or entities in question and/or substantial adverse impact on the available market for direct insurance against any Class A Head of Cover or Class B Head of Cover,

(c) the Reinsured shall be deemed to comply with Article ~~1144.2~~ if and for so long as:

(i) it delivers to the Reinsurer on dates no longer than a calendar year apart an undertaking in the form set out in Schedule ~~Article 5~~ duly executed by the Reinsured and its Ultimate Parent Undertaking (as defined in Schedule 5); and

(ii) both it and its Ultimate Parent Undertaking (as defined in Schedule 5) comply fully with that undertaking,

and any breach of either Article 11.4(c)(i) or (ii) above shall be deemed to be a breach of Article

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<p><u>1144.2</u> and shall have the same consequences as such a breach.</p> <p>For the purposes of this Article <u>11.444.4</u> a change (or the changes together) is/are "Commercially Impracticable" if it is (or they are) so expensive and/or burdensome that it or they would cause severe hardship to the entity which is required to make the change(s).</p> <p><u>11.5</u> The Reinsured warrants and undertakes to the Reinsurer that it shall account and pay in full to the Reinsurer all Premium instalments by no later than the dates specified in the Treaty Schedule. The Reinsured may not offset claims under this Reinsurance Agreement against the Premium payable under this Reinsurance Agreement.</p> <p><u>11.6</u> Where the Reinsured fails to pay one or more instalment(s) of the Premium by the date specified in the Treaty Schedule in breach of the warranty and undertaking set out in Article <u>11.544.5</u>, the Reinsurer shall have no liability under this Reinsurance Agreement unless or until the Reinsured has paid in full all of the instalment(s) of the Premium that have become payable under Article <u>11.544.5</u>.</p> <p><u>11.7</u> The Reinsurance Agreement comprises this Reinsurance Agreement, the Treaty Schedule, Schedules 1, 2, 3, 4 and 5 and any variations thereto in accordance with the terms of the Reinsurance Agreement. If any provision of this Reinsurance Agreement is found by any court or administrative body of competent jurisdiction to be invalid or unenforceable, such invalidity or unenforceability will not affect the other provisions of this Reinsurance Agreement which will remain in full force and effect.</p> <p><u>11.8</u> The Reinsured hereby warrants and undertakes to the Reinsurer that:</p> <p>(a) In any Relevant Instrument, it shall ensure that there is no selection against the Reinsurer. For this purpose 'no selection against' the Reinsurer shall mean that where an Original Insured obtains insurance against Acts of Terrorism under a Relevant Instrument, it must do so in respect of all Property, premises and business for which it effects General</p>	<p>Article 11.5 has been amended to reflect that each Member will now have an individual Premium agreed and set out in the Treaty Schedule.</p> <p>Article 11.6 has been introduced to ensure the severability of the articles and that the rest of the Reinsurance Agreement remains in force should a court find a specific provision to be unenforceable.</p> <p>Article 11.7 has been amended to reflect that each Member will now have an individual Premium agreed and set out in the Treaty Schedule.</p> <p>Article 11.8 has been drafted to reflect the 'all or nothing' principle which was previously detailed in paragraph 3.2 of the Class A UW Manual. The principle has not changed in intent or purpose.</p>
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<p><u>Cover and which is so eligible save in respect of the Permitted Departures. Worked examples as to how this 'Adverse Selection Principle' applies in practice are set out at paragraph 1 of Error! Reference source not found.Schedule 3.</u></p> <p>(b) <u>Where the Reinsured becomes aware that an Original Insured has not complied with this Adverse Selection Principle and has no intention of doing so, the Reinsured must ensure that insurance against Acts of Terrorism is discontinued as soon as practicable.</u></p> <p>(c) <u>It will reinsure with the Reinsurer such part(s) of all contracts of direct insurance under which the Reinsured provides insurance against Acts of Terrorism within the Territory in respect of any Class A Head of Cover or Class B Head of Cover save where the relevant risk falls within the Incidental Terrorism Exposure Policy exception or with the agreement of the Chief Underwriting Officer of the Reinsurer.</u></p>	
<p>ARTICLE 11ARTICLE 12ARTICLE 11_- ACCOUNTS</p> <p>11.1 The Reinsured shall render to the Reinsurer accounts in the form and manner set out in the Underwriting Manual.</p> <p><u>12.1 11.2</u> Subject as provided in Error! Reference source not found.Schedule 2, amounts payable by the Reinsurer under Article Error! Reference source not found.2-4 shall be paid within 30 days of the Reinsured providing to the Reinsurer the evidence and information as specified from time to time in the Underwriting Manual in ARTICLE 10<u>Article 10</u> relating to the payment of the relevant claim <u>and evidence that the applicable Retention(s) have been fully eroded.</u></p> <p><u>12.2 Notwithstanding Article 88-4 above, upon:</u></p> <p>(a) <u>written request by the Reinsured; and</u></p>	<p>This article has been amended to reflect the position that Quarterly Premium Declarations are no longer required.</p> <p>Article 12.2 has been amended to reflect the new claim control and co-operation provisions provided for under Article 10 (the equivalent provision the current Class A Reinsurance Agreement is set out at Article 11.2).</p>

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<p><u>(b) submission of documentary evidence of (i) the amount to be paid under any original policy(ies) and (ii) the erosion of the applicable Retention(s), as specified from time to time by the Reinsurer, acting reasonably.</u></p> <p><u>the Reinsurer may (at its sole discretion, acting reasonably) effect any payment due by it under this Reinsurance Agreement prior to or at the same time as the payment shall be made under the original policy(ies), on such terms and conditions as the Reinsurer considers necessary or appropriate.</u></p> <p><u>12.3 In exercising its discretion pursuant to Article 12.212-2 the Reinsurer may take into account factors including (but not limited to):</u></p> <p><u>(a) the amount of the claims to be paid by the Reinsured under the original policy(ies);</u></p> <p><u>(b) the proportion of those claims to the applicable Retention(s) determined pursuant to Article 2.12-4; and/or</u></p> <p><u>(c) the Reinsured's overall financial position, including its ability to make payments under the original policy(ies) prior to payment by the Reinsurer under this Reinsurance Agreement.</u></p>	<p>Article 12.3 is a new provision which Pool Re has yet to agree with HM Treasury and which allows Pool Re to make, at its discretion, simultaneous payments of claims.</p>
<p>ARTICLE 12ARTICLE 13ARTICLE 12 - CURRENCY</p> <p>12.113.1 12.1 All payments made or accounts rendered hereunder shall be in the lawful currency of the United Kingdom from time to time. All claims by the Reinsured hereunder shall be in such currency, converted into such currency by the Reinsured from any other relevant currency at such rate as may be reasonably appropriate (subject to Article 12.213.213.2).</p> <p>12.213.2 12.2 In the event that the lawful currency of the United Kingdom ceases to be sterling, then all monetary amounts provided for in sterling shall be converted into such currency at</p>	<p>No change, save for this is now Article 13 instead of Article 12 as it is in the current Class A Reinsurance Agreement.</p>

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<p>the official rate of exchange recognised by the central bank for the conversion of that currency unit into the other, rounded up or down by the Reinsurer (acting reasonably).</p>	
<p>ARTICLE 13ARTICLE 14ARTICLE 13 - ERRORS AND OMISSIONS <u>MATERIAL CHANGE</u></p> <p>14.1 The Reinsured shall notify the Reinsurer as soon as <u>reasonably practicable if it becomes aware of any material errors or omissions made in connection with this Reinsurance Agreement, including but not limited to, in respect of the provision of information and records to the Reinsurer prior to the Underwriting Period.</u></p> <p>14.2 In the event that there was a material error in the information <u>provided by the Reinsured prior to the Underwriting Period such that the Reinsurer would, had it been provided with accurate information, have materially increased or decreased (i) the Premium and/or (ii) the Minimum Retention(s) for the Underwriting Period, the Reinsurer shall at its discretion be entitled (but not obliged) to:</u></p> <p>(a) <u>charge the Reinsured an additional or reduced Premium; and/or</u></p> <p>(b) <u>increase or decrease one or both of the Minimum Retention(s),</u></p> <p><u>to reflect the Premium and/or Minimum Retention(s) that would have been imposed by the Reinsurer had the Reinsured provided accurate information.</u></p> <p>14.3 <u>The Reinsured shall promptly notify the Reinsurer of any material change, or (to the extent consistent with law or regulation) of any proposed material change that the Reinsured has decided to make, in any information previously provided to the Reinsurer in relation to its risk exposure.</u></p>	<p>Articles 14.1 and 14.2 have been introduced to reflect the reporting of errors and omissions. It allows Pool Re to increase or decrease premium and/or minimum retentions to reflect such errors and omissions.</p> <p>Article 14.3 requires the Reinsured to notify Pool Re of an actual or proposed material change; this wording largely follows the existing wording of Article 5.2 of the Membership Agreement.</p> <p>Article 14.4 provides Pool Re with the right to alter the Premium and/or Minimum Retentions for the Underwriting Period when there has been a material change to the Reinsured's risk exposure during an underwriting period. Again, this clause allows Pool Re to increase or decrease premium and/or minimum retentions to reflect such material changes.</p>



authorisation, legal form and status, business, ownership and jurisdiction of incorporation or residence.

14.4 In the event that there is in the reasonable opinion of the Reinsurer a material change to the Reinsured's risk exposure before or during the Underwriting Period, the Reinsurer shall at its discretion be entitled (but not obliged) to:

(a) charge the Reinsured an additional or reduced Premium; and/or

(b) increase or decrease one or both of the Minimum Retention(s).

to reflect the material change in the Reinsured's risk profile.

14.5 The Reinsurer shall be entitled to vary the Minimum Retention and/or the Premium under Article 14.2 or Article 14.4 by notifying the Reinsured as to the details of the Minimum Retention and/or the Premium as so varied. In the event that the Minimum Retention(s), Retention(s) and/or the Premium are varied the Reinsurer will issue an updated Treaty Schedule setting out the revised Minimum Retention(s), Retention(s) and/or Premium information.

14.6 Any changes to the Minimum Retentions and/or Premium made under this Article 14 shall, to the extent reasonably practicable, be calculated in the same way as the original Minimum Retentions and/or Premium. If the Reinsured elects to terminate the Reinsurance Agreement in accordance with Article 17 after the Reinsurer has varied the Minimum Retentions and/or Premium under this Article 14, the Reinsured shall remain:

(a) liable to pay the increased (or decreased) Premium; and

(b) subject to the revised Retentions.

for the Underwriting Period up to the date of termination.

14.7 It is hereby understood and agreed that any inadvertent or immaterial delays, omissions or errors made in connection with

Article 14.5 sets out the process by which the Premium and/or Minimum Retentions are to be varied.

Currently Mid-Term adjustments are addressed at clause 1.8 of the Class A UW Manual, pursuant to which reinsurance premiums are adjusted to allow for changes in exposure.

Article 14.6 has been introduced to address how the revised Premium / Minimum Retentions will be calculated and their application if the Reinsured elects to terminate the Reinsurance Agreement.

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<p>this Reinsurance Agreement shall not (save to the extent that the Reinsured has persisted in making such delays, omissions or errors) be held to entitle the Reinsurer to exercise any right of termination or to relieve either of the Parties from any liability which would have attached to them hereunder if such delay, omission or error had not occurred provided that, if rectification is possible, it is made as soon as practicable upon discovery.</p> <p><u>14.8</u> 13.2A failure by the Reinsured to pay an amount due to the Reinsurer which is less than £100 shall not entitle the Reinsurer to exercise any right of termination or relieve either of the Parties from any liability which would have attached to them if such failure had not occurred.</p>	
<p>ARTICLE 14ARTICLE 15ARTICLE 14 <u>PROVISION OF INFORMATION / INSPECTION OF RECORDS</u></p> <p><u>15.1</u> By 15 August prior to inception and /or renewal and at such further intervals as the Reinsurer may determine, the Reinsured shall provide to the Reinsurer such information as is required by the Reinsurer to assess the Reinsured's risk exposure. The information that the Reinsured is required to provide to the Reinsurer under this Article 15.1 shall be provided in an Annual Exposure Return and/or in such other format(s) as are notified to the Reinsured by the Reinsurer from time to time.</p> <p><u>15.2</u> The Reinsured shall:</p> <p>(a) retain all records in relation to the direct insurance that it writes for at least the minimum legal requirement as set out by the relevant regulatory bodies and for no less than three years, from the date of expiry of the subject direct insurance, and for at least two years after the settlement and closure of a claim. These records should include, where a</p>	<p>Article 15.1 has been introduced to reflect the key provisions of paragraph 1.10 of the Class A UW Manual relating to member procedures, record retentions and exposure declarations. See 11.1 also.</p>



Permitted Departure is made, the written rationale for the Permitted Departure; and

(b) 14.1 ~~For as long as either Party remains under any liability hereunder the Reinsured shall,~~ upon request by the Reinsurer and at the Reinsured's expense, make available at the Reinsured's head office or wherever the same may be located, for inspection at any reasonable time by such representatives as may be authorised by the Reinsurer for that purpose (being employees of the Reinsurer or a government body, or an independent person engaged for the purpose), all information relating to contracts of direct insurance reinsured hereunder (including, but not limited to, a breakdown of the gross written premium in respect of the contracts of direct insurance reinsured hereunder) and any claims thereunder in the Reinsured's possession or under its control and shall supply the Reinsurer with such copies of any of the records containing the aforesaid information as the Reinsurer may require and the Reinsured shall reimburse to the Reinsurer all the Reinsurer's disbursements (if any) incurred by the Reinsurer in connection with such inspection.

15.3 14.2 The Reinsurer shall at all times (whether before or after the expiry or sooner determination of this Reinsurance Agreement) use its best endeavours to keep confidential (and to ensure that its officers, employees, agents, advisers or contractors shall keep confidential) any information which it (or any such person aforesaid) may acquire in relation to the business, assets or affairs of the Reinsured and/or its clients and shall not, without the written consent of the Reinsured, use or disclose such information or make such information available to any other person, unless disclosure of any of such information is information:

(a) ~~(a)~~ disclosed to ~~the~~ HM Treasury;

Article 15.2 includes additional wording to spell out (for the avoidance of doubt) that the information the Reinsured is required to provide in respect of contracts of direct insurance reinsured, includes a breakdown of the gross written premium in respect those contracts.

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<p>(b) (b) which now or hereafter comes into the public domain otherwise than as a result of a breach of such undertaking of confidentiality;</p> <p>(c) (c) which is required by law to be disclosed to any person who is authorised by law to receive the same;</p> <p>(d) (d) which ought reasonably to be disclosed in order to enforce rights under any of the Membership Agreement[†], the Supplemental Deed[†], this Reinsurance Agreement, the Retrocession Agreements, or any agreement forming part of any of such agreements or entered into pursuant thereto;</p> <p>(e) (e) required to be disclosed to a court, arbitrator or administrative tribunal in the course of proceedings before it to which the Reinsurer is a party in a case where such disclosure is required by such proceedings;</p> <p>(f) (f) disclosed to any professional advisers to the Reinsurer who are bound to the Reinsurer by a duty of confidence which applies to any information disclosed; or</p> <p>(a)(g) (g) disclosed pursuant to the terms of this Reinsurance Agreement[†], the Supplemental Deed or the Underwriting Manual.</p>	
<p>ARTICLE 15ARTICLE 16ARTICLE 15 - ALTERATIONS</p> <p><u>16.1</u> 15.1 Subject to Articles 15.2<u>16.2</u> and 15.3<u>16.3</u> below, no variation in this Reinsurance Agreement shall be effective unless in writing and duly signed on behalf of the Parties. Variations sent by instantaneous means of communication are also effective provided they are capable of being shown by means of permanent or retrievable record to have been agreed by both Parties.</p>	<p>Article 16 has been updated to reflect that there will be an annual underwriting period for the treaty from 1st April to 31st March each year (rather than the existing period of 1 January to 31 December).</p>

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[†] ~~References to the Supplemental Deed should only be included in the case of a Reinsured which has entered into such a deed, and should not be included in any Reinsurance Agreement entered into with a new Member.~~



16.2 ~~The Reinsurer shall be entitled to amend the Retentions and/or the Premium in accordance with clauses 14.2, 14.4 and/or 14.5 without the agreement of the Reinsured.~~

16.3 ~~15.2~~The Reinsurer shall be entitled to make amendments to this Reinsurance Agreement ~~[and to the Supplemental Deed]~~ as at and with effect from midnight on ~~31st December 31~~ March in any year by notifying the Reinsured as to the details of such amendments; provided that:

(a) ~~(a)~~no amendment may be made which would, in the reasonable opinion of the Reinsurer, adversely affect the interests of reinsureds generally who have entered into agreements for reinsurance in substantially the same terms as this Reinsurance Agreement;

(b) ~~(b)~~notice of any such amendments shall be given to the Reinsured not later than 1st ~~December in that year~~March in the year that the Reinsurance Agreement incept; and

15(c) ~~the Reinsured shall be entitled, following receipt of such notice, by not less than 7 days' notice expiring at midnight on 31st December in that year, to terminate this Reinsurance Agreement; 31 March in the year in which the changes are to take effect, to terminate this Reinsurance Agreement.~~

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ARTICLE 16~~ARTICLE 17- TERMINATION~~

17.1 This Reinsurance Agreement may be terminated by:

(a) ~~Subject to Article 15.4, the Reinsurer shall be entitled to vary the Retention applicable from midnight on 31st December in any year by notifying the Reinsured as to the details of the Retention as so varied; provided that:~~

Article 16 in the current Class A Reinsurance Agreement has been incorporated into the updated termination provisions and provides the Parties with rights to terminate the agreement.



- ~~(b)~~ notice of any such Retention as so varied shall be given to the Reinsured not later than 1st December in that year; and
- ~~(c)~~ the Reinsured shall be entitled, following receipt of such notice, by not less than 7 days' notice expiring at midnight on 31st December in that year, to terminate this Reinsurance Agreement.
- ~~(d)~~ The Reinsurer shall be entitled to vary the Retention in accordance with paragraph 9 of Schedule 2 otherwise than with effect from 31st December in any year under Article 15.3, and any such variation shall not entitle the Reinsured to terminate this Reinsurance Agreement under Article 15.3(b).
- ~~(e)~~ 15.5 The Reinsurer shall be entitled to amend the Underwriting Manual without the consent of the Reinsured provided that:
- ~~(f)~~ (a) the amendment is notified to the Reinsured; and
- ~~(g)~~ (b) the amendment does not affect the effectiveness, enforceability, cost or extent of the reinsurance cover provided in respect of the then-current or any previous Underwriting Period, or the ability of the Reinsured to monitor the effectiveness of such reinsurance cover or any related risks, and any amendment not satisfying this clause 15.5 shall be of no effect.
- ~~(h)~~ **ARTICLE 16 – CLOSURE TO NEW BUSINESS**
- ~~(i)~~ 16.1 Subject to clause 16.6 this Reinsurance Agreement may be closed to new business by:
- ~~(a)~~ (a) either Party giving to the other Party at any time not less than ninety (90) days' notice in writing; or
- ~~(b)~~ (b) the Reinsured giving to the Reinsurer notice complying with paragraph ~~(c)~~(e) of Article 15.2 or paragraph (b) of Article 15.3 ~~16.316.3~~ in the



circumstances set out in Article ~~45.2 or 45.3,~~
~~respectively 16.3/16.3.~~

~~17.2~~ ~~16.2~~ Subject to clause ~~16.6~~ the The Reinsurer shall be entitled to ~~close terminate~~ this Reinsurance Agreement to any further ~~new business~~ immediately upon notice given to the Reinsured in the event that:

~~9(a)~~ the performance of the whole or any part of this Reinsurance Agreement is either prohibited or rendered impossible de jure or de facto in particular and without prejudice to the generality of the preceding words in consequence of any law or regulation which is or shall be in force in any jurisdiction or in the event that any law or regulation in any jurisdiction shall prevent directly or indirectly the remittance of any payments due to or from either of the Parties. For the avoidance of doubt if:

~~(a)(i)~~ the ~~EC Commission~~ relevant United Kingdom authority (or any other relevant Competition Authority) decides that any provision of the Pool Re Agreements infringes ~~Article 101 of the Treaty on the Functioning of the European Union~~ or the Chapter 1 prohibition of the Competition Act 1998 (or, where relevant, any other applicable Competition Rules), or that the conclusion, performance or enforcement of any provision ~~of any of them~~ would constitute an abuse of a dominant position contrary to ~~Article 102 of the Treaty on the Functioning of the European Union~~ or the Chapter II prohibitions of the Competition Act 1998; (or, where relevant, any other applicable Competition Rules).

then the Reinsurer shall be entitled to exercise its right of termination under this Article ~~46.2(a)~~ 17.2 0(a) at any time after the date of such decision. If the Reinsurer elects to appeal against any such decision, then the

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Reinsurer may exercise its right of termination under this Article ~~16.2(a)~~17.2 0(a) at any time during the currency of any appeal proceedings (including any further appeal proceedings against the decision of any body to which any initial appeal is made), or on or after the withdrawal of such appeal proceedings, or on or after the final disposition of such appeal proceedings;

- (b) ~~(b)~~ the Reinsured (other than a Reinsured who is a member of a Lloyd's syndicate) or the managing agent of a Reinsured who is a member of a Lloyd's syndicate ceases to hold any licence or permission (whether it has been withdrawn by the relevant regulatory authorities or has terminated and not been renewed, or for any other reason) which results in the Reinsured (other than a Reinsured who is a member of a Lloyd's syndicate) or the managing agent of a Reinsured who is a member of a Lloyd's syndicate not having:
- (i) ~~(i)~~ in the case of a Reinsured (other than a Reinsured who is a member of a Lloyd's syndicate), permission under Part 4A ~~of Schedule 3~~ of the Financial Services and Markets Act 2000 ("FSMA") to effect and/or carry out contracts of insurance as principal within the classes of general business set out in paragraphs 3, 4, 7, 8, 9 and 16 of Part 1, Schedule 1 of FSMA (Regulated Activities) Order 2001; or
 - (ii) ~~(ii)~~ in the case of a managing agent appointed by a Reinsured who is a member of a Lloyd's syndicate, permission under Part 4A of the FSMA to carry out regulated activities in performance of its duties as a managing agent; ~~or~~
- (c) ~~(iii)~~ in the case of either paragraphs 17.2 (b) (i)~~(i)~~ or 17.2 (b) (ii)~~(ii)~~ above, any other relevant authorisation from a relevant regulatory authority in the United

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Kingdom or any other country in which it carries on business as described in paragraphs ~~17.2 (b) (i)(ii)~~ or ~~17.2 (b) (ii)(iii)~~ above;

~~(d)~~ ~~(e)~~ the 2015-2025 Retrocession Agreement is terminated pursuant to Article 14 of that ~~Agreement~~ ~~agreement~~;

~~(e)~~ ~~(d)~~ the Reinsured has entered into a composition with its creditors, filed a petition for a suspension of payments, admitted in writing that it cannot pay its debts generally as they become due, initiated a proceeding in bankruptcy or insolvency, ~~been the subject of an application for a write-down order~~, been adjudicated bankrupt or insolvent, ceased to carry on all or a substantial part of its business or commerce, applied for a moratorium of debts, has had an administrator or an administrative or other receiver or manager or other similar officer appointed in respect of the whole or any part of the business, assets or undertaking of the Reinsured, has been dissolved or entered into liquidation or ~~been~~ ~~be~~ authorised by a vote of its supervisory board or board of directors, as the case may be, to commence proceedings to do any of the foregoing or any similar act or proceeding in any relevant jurisdiction has occurred, save that this paragraph ~~(de)~~ shall not apply to a Reinsured who is a member of a Lloyd's syndicate unless he is the sole member of such syndicate;

~~(f)~~ ~~(e)~~ subject to Article ~~16.4, 17.417.4~~, any person becomes a ~~director or~~ controller of the Reinsured (other than with the prior written consent of the Reinsurer);

~~(g)~~ ~~(f)~~ the Reinsured shall have failed to comply with any of the terms and conditions of this Reinsurance Agreement ~~for the Supplemental Deed~~;

~~(h)~~ ~~(g)~~ any power of attorney granted or purported to be granted by the Reinsured in favour of the Reinsurer is or becomes revocable and is revoked by the

Article 17.2(e) has been amended to reflect the write down procedure introduced pursuant to Section 377A of FSMA 2023 which came into force on 19 September 2023. Please note there are further legislative changes expected to current insolvency regimes and this provision will be reviewed closer to inception of the first Treaty Reinsurance Agreement to ensure the clause continues to reflect the position in respect of applicable legislation.

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Reinsured (other than with the prior written consent of the Reinsurer); or

~~(i)~~ ~~(h)~~ where the Reinsured:

~~(i)~~ ~~(i)~~ is not a member of a Lloyd's syndicate, such Reinsured ceases to be a member of the Reinsurer in accordance with the Membership Agreement; or

~~(ii)~~ ~~(ii)~~ is a Lloyd's syndicate, the managing agent of that Lloyd's syndicate ceases to be a member of the Reinsurer in accordance with the Membership Agreement and is not replaced as a member of the Reinsurer by a replacement Lloyd's managing agent duly authorised and appointed as managing agent of that Lloyd's syndicate within ninety days.

~~17.3~~ ~~16.3~~ For the purpose of Articles ~~16.2~~, ~~17.4~~, ~~2~~ and ~~16.4~~, ~~17.4~~, ~~4~~:

~~"director" means any member of its board of directors, board of management or supervisory board; and~~

"controller" has the meaning ascribed in section 422 of the FSMA.

~~17.4~~ ~~16.4~~ The Reinsurer consents to any person becoming a ~~director or~~ controller of the Reinsured without the Reinsurer's specific prior written consent provided that:

~~i.~~ ~~(a)~~ the Reinsured notifies the Reinsurer immediately upon any person becoming a ~~director or~~ controller of the Reinsured;

~~ii.~~ ~~(b)~~ the Reinsurer does not notify the Reinsured that it objects to such person becoming or continuing to be a ~~director or~~ controller of the Reinsured within 14 days of receiving the notification in paragraph ~~(a)~~ above; and

~~iii.~~ ~~(c)~~ in the event that the Reinsurer notifies the Reinsured that it does object to any person becoming or continuing to be a ~~director or~~ controller of the

In respect of Article 17.4 and Article 17.2(f) there is no longer a requirement consent to be sought from Pool Re for the appointment of new directors and as such, failure to do this no longer provides Pool Re with a right to terminate. However, Members must still seek the prior written consent of Pool Re in respect of a change of controller and failure to do so does still allow Pool Re right to terminate.

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<p>Reinsured in accordance with paragraph (b)(b) above, the Reinsured procures that such person ceases to be a director or controller of the Reinsured within 14 days of the Reinsurer giving such notification to the Reinsured and notifies the Reinsurer of such cessation immediately thereafter, failing which the Reinsurer will be entitled to close-terminate the Reinsurance Agreement to new business in accordance with Article 16.2(e)17.2(f)17.2(f).</p> <p>16.217.5 16.5 The Reinsurer shall notify the Reinsured of closure-termination pursuant to paragraph 16.2 of this Article 17.2 failing which such closure-termination shall not be effective but so that such notice may, in the absolute discretion of the Reinsurer, determine that termination shall be effective as from and including the date of the relevant event giving rise to the right to terminate, or as from such later date as the Reinsurer may determine.</p> <p><u>17.6 On the termination of this Reinsurance Agreement the Reinsured shall automatically receive the benefit of run-off cover from the Reinsurer under the terms of an endorsement to this Reinsurance agreement that provides the same scope of coverage as this Reinsurance Agreement for:</u></p> <p><u>(a) the remaining duration of Relevant Instruments incepted or renewed during the Underwriting Period that remain in force at the date of termination of this Reinsurance Agreement; and</u></p> <p><u>(b) the in force period of all quotations for Relevant Instruments issued by the Reinsured during the Underwriting Period that cannot be withdrawn and that are outstanding on the date of termination of this Reinsurance Agreement.</u></p> <p><u>in return for payment of an additional premium specified by the Reinsurer. If such additional premium is not paid within 14 days of notification to the Reinsured by the Reinsurer, the</u></p>	<p>Article 17.6 has been amended to include run-off type provisions.- It does not change the scope of the cover provided.- In the light of the move from 'risks attaching' to 'losses occurring' it provides the Reinsured with the option of purchasing further cover for all policies in place or to which the Reinsured is committed during the Policy period and at the date of termination of the Agreement. -This provision mirrors the cover provided under clause 14.4 of the Retrocession Agreement.</p>
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<p><u>Reinsurer shall be entitled immediately upon notice to the Reinsured to terminate such automatic run-off cover.</u></p> <p><u>17.7 The additional premium payable for run-off cover obtained under clause 17.6 shall reflect the benefit provided by such run-off cover for which Premium has not previously been paid or provided for under this Reinsurance Agreement and the Treaty Schedule and shall, to the extent reasonably practicable, be calculated in the same way as the original Premium.</u></p> <p><u>17.8 For the avoidance of doubt, the run-off cover provided under Article 17.6 of this Reinsurance Agreement will not provide coverage for:</u></p> <p>(a) <u>any Relevant Instruments entered into after the date of termination of the Reinsurance Agreement, unless Article 17.6(b) applies; or</u></p> <p>(a)(b) <u>16.6The Reinsurer shall (save to the extent that the Parties have specifically agreed otherwise) remain liable in respect of all insurances in force hereunder and all quotations complying herewith which cannot be withdrawn and which are outstanding on the effective</u> <u>any quotations issued by the Reinsured after the date of termination of this Reinsurance Agreement.</u></p>	<p>Article 17.7 has been introduced to address how the run-off premium will be calculated.</p> <p>The provisions in Article 17 are otherwise unchanged save as to reflect the now applicable legal authorities and regulatory regimes in light of Brexit.</p>
<p><u>ARTICLE 18 - NOTICES AND LANGUAGE</u></p> <p>17.418.1 <u>17.4</u>A notice, approval, consent or other communication in connection with this Reinsurance Agreement:</p> <p>(a) (a) must be in writing;</p> <p>(b) (b) in the case of the Reinsurer, must be marked for the attention of the General Counsel and Company Secretary and sent to Equitable House, 47 King William Street, London EC4R 9AF or faxed to 020 7337 7474 <u>by email to generalcounsel@poolre.co.uk</u> or such other address and/or facsimile number <u>email</u></p>	<p>These amendments have been made to reflect the fact that email is now a more common form of communication than fax.</p>



<p><u>addresses</u> as may be notified by the Reinsurer to the Reinsured from time to time in accordance with this <u>Error! Reference source not found, Article 1817</u>;</p> <p>(c) (e) in the case of the Reinsured, must be marked for the attention of the person named, and sent to the address or facsimile number <u>email address</u>, specified in paragraph 14 of <u>Error! Reference source not found, Schedule 43</u> or such other address and/or facsimile number <u>email address</u> as may be notified by the Reinsured to the Reinsurer from time to time in accordance with this <u>Error! Reference source not found, Article 1817</u>; and</p> <p>(d) must be left at the address of the addressee, or sent by prepaid ordinary post (airmail if posted to or from a place outside the United Kingdom) to the address of the addressee or sent by facsimile <u>email</u> to the facsimile number <u>email address</u> of the addressee as specified above, or if the addressee notifies another address and/or facsimile number <u>email address</u> then to that address and/or facsimile number <u>email address</u>.</p> <p><u>17.218.2</u> 17.2A notice, approval, consent or other communication shall take effect from the time it is received (or, if earlier, the time it is deemed to be received in accordance with paragraph 17.3 of this Article 17, 18.318.3) unless a later time is specified in it.</p> <p><u>17.318.3</u> 17.3A letter or facsimile <u>email</u> is deemed to be received:</p> <p>(a) (a) in the case of a posted letter, unless actually received earlier, on the third (seventh, if posted to or from a place outside the United Kingdom) day after posting; and</p> <p><u>(b) in the case of email, at the time and date that the email was sent. This applies provided that the sender does not within one hour receive a delivery failure or delay notification in respect of the email address.</u></p>	
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<p>(b) in the case of facsimile, on production of a transmission report from the machine from which the facsimile was sent which indicates that the facsimile was sent in its entirety to the facsimile number of the recipient.</p> <p>17.4^{18.4} Each document, notice or other communication given, delivered or made by one Party to the other or to any other person under or in connection with this Reinsurance Agreement shall be in English or, if not in English, be accompanied by a formal^{certified} English translation (and the party^{Party} or other person which receives such a translation shall be entitled to assume its accuracy and to rely upon it).</p>	
<p>ARTICLE 18^{ARTICLE 19} ARTICLE 18 - MEDIATION</p> <p>19.1^{18.1} If a dispute of any kind whatsoever (with the exception of a dispute in relation to whether there has been an Act of Terrorism (which shall be dealt with in accordance with the provisions of ARTICLE 22^{Article 22}24) or whether an Act of Terrorism is a Conventional Act of Terrorism or a Non-Conventional Act of Terrorism (which shall be dealt with in accordance with the provisions of Error! Reference source not found.^{Article 23})) arises between the Parties, then either Party shall notify the other in writing of the nature of the dispute and, following the date of such written notice, there shall be a period of forty (40) days during which the Parties shall use all reasonable endeavours to settle the dispute prior to the expiry of which neither Party shall be entitled to request arbitration pursuant to Error! Reference source not found.^{Article 20}19.2_ below.</p>	<p>The amendment to Article 19.1 has been made to make clear that these mediation provisions do not apply to a scenario in which there is a dispute between the parties as to Pool Re's determination of an Act of Terrorism as Conventional or Non-Conventional (see Article 27 below, which provides for alternative dispute resolution process).</p>
<p>ARTICLE 19^{ARTICLE 20} ARTICLE 19 - ARBITRATION AND TRIBUNAL</p> <p>19.1^{20.1} All matters of difference between the Parties arising under, out of or in connection with this Reinsurance Agreement, with the exception of a dispute in relation to</p>	<p>As above, the amendment to Article 20.1 has been made to make clear that the arbitration and tribunal provisions do not apply to a scenario in which there is a dispute between the parties as to Pool Re's determination of an Act of Terrorism as Conventional or Non-Conventional (see Article 27 below, which provides for an alternative dispute resolution process).</p>

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whether there has been an Act of Terrorism (which shall be dealt with in accordance with the provisions of [ARTICLE 22](#)~~Article 22~~) or whether an Act of Terrorism is a [Conventional Act of Terrorism or a Non-Conventional Act of Terrorism \(which shall be dealt with in accordance with the provisions of ~~Error! Reference source not found.~~Article 23\)](#), including formation and validity, and whether arising during or after the period of this Reinsurance Agreement, shall be referred to an arbitration tribunal in the manner hereinafter set out.

~~19.220.2~~ [19.2](#) Unless the Parties appoint a sole arbitrator within 14 days of one receiving a written request from the other for arbitration, the claimant (the Party requesting arbitration) shall appoint its arbitrator and give written notice thereof to the respondent. Within 30 days of receiving such notice the respondent shall appoint its arbitrator and give written notice thereof to the claimant, failing which the claimant may apply to the appointor hereafter named to nominate an arbitrator on behalf of the respondent.

~~19.320.3~~ [19.3](#) Before they enter upon a reference the two arbitrators shall appoint a third arbitrator. Should they fail to appoint such a third arbitrator within 30 days of the appointment of the respondent's arbitrator then either of them or either of the Parties may apply to the appointor for the appointment of the third arbitrator. The three arbitrators shall decide by majority. If no majority can be reached the verdict of the third arbitrator shall prevail. He shall also act as chairman of the tribunal.

~~19.420.4~~ [19.4](#) Unless the Parties otherwise agree the arbitration tribunal shall consist of persons (including those who have retired) with not less than ten years' experience at senior management level in the insurance industry itself or as lawyers or other professional advisers with relevant experience.

~~19.520.5~~ [19.5](#) The arbitration tribunal shall, so far as is permissible under the law and practice of the place of arbitration, have power to fix all procedural rules for the holding of the arbitration including discretionary power to make orders

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<p>as to any matters which it may consider proper in the circumstances of the case with regard to pleadings, discovery, inspection of the documents, examination of witnesses and any other matter whatsoever relating to the conduct of the arbitration and may receive and act upon such evidence whether oral or written strictly admissible or not as it shall in its discretion think fit.</p> <p>19.620.6 19.6The appointor shall be the Chairman for the time being of ARIAS (UK) or, if he is unavailable or it is inappropriate for him to act for any reason, such person as may be nominated by the Committee of ARIAS (UK). If for any reason such persons decline or are unable to act, then the appointor shall be the Judge of the appropriate Courts having jurisdiction at the place of arbitration.</p> <p>20.7 19.7All costs of the arbitration shall be determined by the arbitration tribunal who may, taking into account the law and practice of the place of arbitration, direct to and by whom and in what manner they shall be paid.</p> <p>20.8 19.8The place-seat of arbitration may be chosen by the Parties, but in default of such choice, the place-seat of arbitration shall be London, England.</p> <p>20.9 19.9The proper law of this Reinsurance Agreement shall be and its terms shall be construed in accordance with the law laws of England and Wales.</p> <p>20.920.10 19.10The award of the arbitration tribunal shall be in writing and binding upon the Parties who consent to carry out the same.</p> <p>19.720.7</p>	<p>This wording has been removed because it provided uncertainty as to which judge or which Court would be appropriate. In addition, this would only be applicable in extremely remote circumstances where the first three mechanisms (agreement between the parties, decision by the Chairman of ARIAS, and nominee of ARIAS committee) failed to appoint.</p>
<p>ARTICLE 20ARTICLE 21ARTICLE 20 - JURISDICTION</p> <p>20.121.1 20.1In the event that ARTICLE 20Article 2019 becomes or is found to be null, void or otherwise unenforceable for any reason, each Party irrevocably and unconditionally submits to the exclusive jurisdiction of the English Courts and each Party waives any right that it may have to object to an action being brought in those Courts, to</p>	<p>No change, save for this is now Article 21 instead of Article 20 as it is in the current Class A Reinsurance Agreement.</p>

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<p>claim that the action has been brought in an inconvenient forum, or to claim that those Courts do not have jurisdiction.</p> <p>20.221.2 20.2 Without preventing any other mode of service, any document in an action (including but not limited to any writ of summons or other originating process or any third or other party notice) may (in the event that paragraph 20.4 21 21.1 of this Article applies) be served on either party Party by being delivered to or left for that party Party in the case of the Reinsurer, at the address for service of notices under Error! Reference source not found, Article 1817, and in the case of the Reinsured at its address in the United Kingdom for service of process specified in paragraph 22 of Error! Reference source not found, Schedule 13 or such other address in the United Kingdom as may be notified under Error! Reference source not found, Article 1817.</p>	
<p>ARTICLE 21 ARTICLE 22 ARTICLE 21 - CERTIFICATION AND TRIBUNAL</p> <p>21.122.1 21.1 The Reinsurer shall notify the HM Treasury if in its opinion or in the opinion of the Reinsured notified to the Reinsurer, there has been an Act of Terrorism and within 21 days of such notification to the HM Treasury either:</p> <p>(a) HM Treasury will issue a certificate (a "Certificate") certifying:</p> <p>(i) (a) the Treasury will issue a certificate certifying the event or events in question to have been an Act of Terrorism (a "Certificate") (an Act(s) of Terrorism; and</p> <p>(ii) [the date on which the Act of Terrorism commenced.]</p> <p>and in such event the Parties agree to be bound by the Certificate (and for the avoidance of doubt the Reinsured agrees to be bound by the Certificate in relation to any claim brought against the Reinsured by an Original Insured), or if the Treasury refuse to issue a Certificate, then; or</p>	<p>The amendments made to this article are to reflect that the scheme will now provide cover on a losses occurring basis i.e. all losses arising from an Act of Terrorism that commences during the Underwriting Period will fall for cover under the Reinsurance.</p> <p>Square brackets have been added to Article 22.1(a)(ii) as this point remains under discussion with HM Treasury.</p>

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<p>(a)(b) (b)if HM Treasury refuses to issue a Certificate, then the issue of whether there has been an Act of Terrorism will be resolved in accordance with the provisions of the <u>2015-2025</u> Retrocession Agreement.</p>	
<p>ARTICLE 23 - POOL RE DETERMINATION</p> <p><u>23.1</u> Within 28 days of HM Treasury issuing a certificate certifying an event or events to be an Act of Terrorism in accordance with the process set out at Article 22.1(a)<u>22.1(a)</u>, the Reinsurer will inform Members by way of service of written notice to each of the Members (the "Determination Notice") as to whether the Act of Terrorism is:</p> <p>(a) a Conventional Act of Terrorism; or</p> <p>(b) a Non-Conventional Act of Terrorism.</p> <p><u>23.2</u> The Reinsurer's determination at Article 2323.4 shall be made by the Reinsurer by assessing whether the Act of Terrorism, or a material element of it, was intended to be or was a Non-Conventional Act of Terrorism, by reference to the definitions contained in this Reinsurance Agreement.</p> <p><u>23.3</u> In the event that a Member (a) disagrees with the Reinsurer's determination under Article 2323.4 and (b) reasonably believes that it has incurred or will incur Covered Loss in connection with the Act of Terrorism to which the Reinsurer's determination under Article 2323.4 relates, it shall be entitled to have the dispute referred to a King's Counsel of not less than 20 years' call with a practice predominantly focused on insurance and/or reinsurance disputes (an "Insurance Silk") for a binding determination, on the basis that:</p> <p>(a) In order to refer a dispute to an Insurance Silk under this Error! Reference source not found.Article 23, a Member must serve on the Reinsurer written notice of its intention to refer the matter to an insurance silk (a "Referral Notice") within 28 days after service of the Determination Notice providing a brief explanation of the reasons for disputing the Determination Notice and</p>	<p>The Reinsurance Agreement will contain two aggregate retentions: (1) one for Non-Conventional Acts of Terrorism; and (2) one for Conventional Acts of Terrorism.</p> <p>Article 23 has been introduced to set out the process by which Pool Re will determine whether an Act of Terrorism is a Conventional or a Non-Conventional Act of Terrorism.</p> <p>It also sets out a process by which any disputes in respect of such determination can be resolved, by reference to binding referral to an insurance silk.</p>

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nominating a minimum of three (3) Insurance Silk candidates available to adjudicate the dispute;

(b) On receipt of a Referral Notice, the Reinsurer will within 7 days inform all Members of the referral;

(c) The Member that has referred the dispute and the Reinsurer shall within 7 days of the Referral Notice agree on the appointment of an Insurance Silk. If the parties are unable to agree on an Insurance Silk within seven days of the Referral Notice, either Party shall then be entitled to request that the Bar Council appoint an Insurance Silk;

(d) If the Insurance Silk becomes unwilling to act or incapable of acting, the referring Member and the Reinsurer may proceed to appoint a replacement Insurance Silk in accordance with the process set out above in Article 21.3(c), save that the 7 day timescale will run from the date the Member or Reinsurer first becomes aware that the Insurance Silk is unwilling or incapable of acting;

(e) Upon appointment of the Insurance Silk they shall be empowered to (i) give directions as to the procedure to be followed to determine the dispute within 42 days of their appointment (or such other period as agreed between the Reinsurer and referring Member); and (ii) determine whether the Act of Terrorism is a Conventional Act of Terrorism or a Non-Conventional Act of Terrorism by assessing whether the Act of Terrorism, or a material element of it, was intended to be or was a Non-Conventional Act of Terrorism, by reference to the definitions contained in this Reinsurance Agreement;

(f) Save where Article 23.1(d) applies, there may only be one referral to an Insurance Silk under this **Error! Reference source not found.**Article 23 in respect of an Act of Terrorism. If more than one notice is served



on the Reinsurer under Article 2323.4 in respect of an Act of Terrorism, the first Member to serve the notice will be entitled to take part in the appointment of the Insurance Silk in accordance with Article 2323.4;

- (g) All Members that reasonably believe that they have incurred or will incur Covered Loss in connection with the Act of Terrorism shall be entitled to make written submissions to the Insurance Silk within a period set by the Insurance Silk;
- (h) The determination of the Insurance Silk shall be final and binding on all Members and the Reinsurer, save in the case of fraud or a material failure of the Insurance Silk to follow the agreed procedure;
- (i) Each Party shall act reasonably and co-operate to give effect to the provisions of this Article and otherwise do nothing to hinder or prevent the Insurance Silk from reaching their determination;
- (j) The Member(s) that have made written submissions in respect of the determination and the Reinsurer will bear their own costs of the determination;
- (k) The Insurance Silk shall have the power to make a binding determination as to how the costs the Insurance Silk should be borne by the parties on the basis that:

 - (i) If the Member(s) successfully challenge(s) the Reinsurer's determination such that the Insurance Silk makes a different determination to the Reinsurer as to whether the Act of Terrorism is a Conventional Act of Terrorism or a Non-Conventional Act of Terrorism, the costs of the Insurance Silk will be borne by the Reinsurer;

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(ii) If the Insurance Silk makes the same determination as the Reinsurer as to whether the Act of Terrorism is a Conventional Act of Terrorism or a Non-Conventional Act of Terrorism, the costs of the Insurance Silk will be borne jointly and severally by the Member that referred the matter for a determination and each of the Members that made written submissions contrary to the Reinsurer's determination.

23.4 For the avoidance of doubt, once 28 days have elapsed after service of the Determination Notice, the Members will not be able to challenge the Reinsurer's determination under Article 2323.4, which shall be final and binding.

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ARTICLE 22~~ARTICLE 24~~**ARTICLE 22 - EU AND UK COMPETITION LAW**

23.124.1 ~~22.1~~If the European Commission ~~relevant UK authority~~ or the Competition and Markets Authority ~~or any other Competition Authority~~ issues a legally binding decision to the effect that the Pool Re Agreements (or any provision of any of them) infringes ~~Article 101 of the Treaty on the Functioning of the European Union~~ or the Chapter I prohibition of the Competition Act 1998 (or, where relevant, any other applicable Competition Rules), or that the conclusion, performance or enforcement of the Pool Re Agreements (or any provision of any of them) infringes ~~Article 102 of the Treaty on the Functioning of the European Union~~ or the Chapter II prohibition of the Competition Act 1998 (or, where relevant, any other applicable Competition Rules), then the Parties shall use all reasonable endeavours to amend the Pool Re Agreements (or shall execute new agreements) so as to ensure that the objectives of the Pool Re Agreements are achieved and that the Pool Re Agreements as so amended (or any such new agreements) will not infringe ~~Article 101 of the Treaty on the Functioning of the European Union~~ or the Chapter I prohibition of the Competition Act 1998 (or, where

The amendments to this article have been made in light of Brexit and the subsequent changes to the applicable competition laws and authorities.



<p><u>relevant, any other applicable Competition Rules</u>) and that the conclusion, performance and enforcement of the Pool Re Agreements as so amended (or those new agreements) by any party thereto will not infringe <u>Article 102 of the Treaty on the Functioning of the European Union or the Chapter II prohibition of the Competition Act 1998 (or, where relevant, any other applicable Competition Rules)</u> and, save to the extent that it is reasonable to do so, and/or it is no longer possible to achieve the objectives of the Pool Re Agreements or to amend the Pool Re Agreements or enter into new agreements which do not give rise to an infringement of <u>Articles 101 or 102 of the Treaty on the Functioning of the European Union or of the Chapter I or Chapter II prohibitions of the Competition Act 1998 (or, where relevant, any other applicable Competition Rules)</u>, no Party shall withhold its consent (to the extent to which it is required) to the making of any such amendment or the execution of any such new agreement.</p> <p>23.224.2 22.2In this ARTICLE 24Article 2422 and Article 16.21717.2 "Pool Re Agreements" means:</p> <ul style="list-style-type: none"> (a) the Memorandum and Articles of Association of the Reinsurer; (b) the Membership Agreement (and each Accession Agreement executed pursuant thereto); (c) each Reinsurance Agreement to which the Reinsurer is or becomes party (including the Underwriting Manual);each Supplemental Deed to which the Reinsurer is or becomes party;; and (d) (e)the 2025 Retrocession AgreementsAgreement, each as from time to time amended or supplemented. 	
<p>ARTICLE 23ARTICLE 25ARTICLE 23 - THIRD PARTY RIGHTS</p> <p>23.125.1 23.4No term of this Reinsurance Agreement is enforceable under the Contracts (Rights of Third Parties) Act 1999 by a person who is not a Party.</p>	<p>No change, save for this is now Article 25 instead of Article 23 as it is in the current Class A Reinsurance Agreement.</p>

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~~ARTICLE 24~~ ~~ARTICLE 26~~ ~~ARTICLE 24 – LLOYD’S~~ - LLOYD’S SYNDICATES

24.1-26.1 Where this Reinsurance Agreement is in effect as an agreement with the members of a Lloyd’s syndicate as constituted for two or more years of account, it shall be treated as providing reinsurance separately to each year of account, as though it had been executed separately, in two or more documents, on behalf of the relevant members of each year of account.

No change, save for this is now Article 26 instead of Article 24 as it is in the current Class A Reinsurance Agreement.

ARTICLE 27 - NO DELEGATION

27.1 The Reinsured understands and agrees that:

- (a) its responsibilities cannot be delegated;
- (b) its obligation to comply with the requirements of the Reinsurance Agreement cannot be delegated to a third party; and
- (c) lineslip and binder declarations to be reinsured by the Reinsurer shall use the same underwriting principles and practices set out in this Reinsurance Agreement, as if they were individual risks.

27.2 The Reinsurer shall not be deemed to provide cover and shall not be liable to pay any claim or provide any benefit hereunder to the extent that the provision of such cover, payment of such claim or provision of such benefit would expose the Reinsurer to any sanction, prohibition or restriction under United Nations resolutions or the trade or economic sanctions, laws or regulations of the European Union, the United Kingdom or the United States of America. For the avoidance of doubt, the Reinsurer shall not be obliged to make any payment to the Reinsured where such payment would be unlawful in accordance with any applicable law.

Article 27.1 has been incorporated to reflect the provisions of paragraph 1.9 of the Class A UW Manual in respect of lineslips, binders and cover holders. The contractual intent and purpose of the article is the same as provided for by the previous scheme.

Article 27.2 introduces a sanctions and limitation exclusion based on market wording, LMA3100 and incorporates Article 8.2 of the current Class A Reinsurance Agreement. The Retrocession Agreement contains a sanctions clause and increasingly (given current geopolitical circumstances) it is expected that most underlying policies will have sanction clauses applied. The introduction of this clause ensures consistency with the market and provides Pool Re with a contractual tool to mitigate regulatory risk in circumstances if there is sanctions exposure.



<p>ARTICLE 25ARTICLE 28 - INSURANCE ACT 2015 – NO LIABILITY IN DAMAGES FOR LATE PAYMENT OF A CLAIM BY REINSURER</p> <p><u>28.1 Unless otherwise expressly provided for in this Reinsurance Agreement, no term of this Reinsurance Agreement is intended to limit or affect the statutory rights or obligations of any of the parties to this contract under the Insurance Act 2015.</u></p> <p><u>28.2 The Reinsurer shall have no liability to pay damages to the Reinsured for late payment of a claim under this Reinsurance Agreement unless the Reinsurer fails deliberately or recklessly to pay such claim within a reasonable time. For the avoidance of doubt, any delay caused by HM Treasury shall not constitute a deliberate or reckless failure on the part of the Reinsurer for the purpose of this Article.</u></p>	<p>Section 28(1) of the Enterprise Act 2016 inserts a new section 13A into the Insurance Act 2015 which from 4 May 2017 implies a term requiring the insurer to pay sums due within a reasonable time into all contracts of insurance made under the law of any part of the United Kingdom.</p> <p>This article contracts out of the provisions of section 13A of the Insurance Act 2015 save for in circumstances where Pool Re has acted deliberately or recklessly. This expressly excludes any delay on the part of HM Treasury and is based on the standard market wording, LMA 5282.</p>
<p>ARTICLE 26ARTICLE 29 - GOVERNING LAW</p> <p><u>29.1 This Reinsurance Agreement is governed by and is to be construed in accordance with English law.</u></p>	<p>This clause has been introduced to ensure clarity as to the governing law of the Reinsurance Agreement.</p>
<p>Schedule 1 – Definitions</p>	
<p>“2015”<u>“2022 Retrocession Agreement”</u> means the retrocession agreement dated 25th March 2015<u>5 May 2022</u> between the Reinsurer and HM Treasury;</p>	<p>The substance of this definition has not changed. The amendment is to reflect the current retrocession agreement between Pool Re and HM Treasury.</p>
<p><u>“2025 Retrocession Agreement” means the retrocession agreement dated [xx][Month][2025] between the Reinsurer and HM Treasury;</u></p>	<p>This definition has been introduced to reflect the 2025 retrocession agreement to be agreed between Pool Re and HM Treasury, which is to take effect at the same time as this revised Reinsurance Agreement – expected to be 1 April 2025.</p>
<p>“Act of Terrorism” means acts of persons acting on behalf of, or in connection with, any organisation which carries out activities directed towards the overthrowing or influencing, by force or violence, of Her<u>His</u></p>	<p>The substance of this definition has not changed. The amendment is to reflect King Charles III's accession.</p>



Majesty's government in the United Kingdom or any other government de jure or de facto;	
<u>"Adverse Selection Principle" has the meaning given in paragraph 1.2 of Schedule 3;</u>	This definition has been introduced for the purposes of Schedule 3. It is required to define the Adverse Selection Principle which is unchanged from the current scheme but is currently set out in the Underwriting Manuals. This has therefore been transposed into the Reinsurance Agreement as the Underwriting Manuals are no longer contractually binding.
<u>"Annual Exposure Return" means the form prepared by the Reinsurer, as amended from time to time, setting out the information required from the Reinsured to assess the Reinsured's risk exposure;</u>	The Quarterly Premium Declaration is no longer required. However, Members will need to provide adequate exposure information on an annual basis to allow pricing.
"Article 101 TFEU" means Article 101 of the Treaty of the Functioning of the European Union. References made to Article 101(1) TFEU and Article 101(3) TFEU are references to the first and third sub-paragraphs of such Article respectively;	This definition has been removed due to the change in now applicable legal authorities and regulatory regimes in light of Brexit.
"Article 102 TFEU" means Article 102 of the Treaty of the Functioning of the European Union.	This definition has been removed due to the change in now applicable legal authorities and regulatory regimes in light of Brexit
<u>"Bar Council" means the General Council of the Bar, being the representative body for barristers in England and Wales;</u>	This definition has been introduced for the purposes of Article 23. It is required to define the appropriate mechanism for determining an insurance silk in circumstances where Pool Re and Members cannot agree on an insurance silk to preside over the dispute as to the categorisation of an Act of Terrorism as Conventional or Non-Conventional.- Please refer specifically to Article 23.3(c).
<u>"Biological" means any biological component, system or pathogen(s) that cause disease, harm or damage to humans, animals, flora or property;</u>	The Reinsurance Agreement will contain two aggregate retentions. The first is the Section 1 aggregate retention for Non-Conventional Terrorism, which is defined as an Act of Terrorism by means of Nuclear and Radiological, Chemical, Biological and/or Cyber-Terrorism. Accordingly, Pool Re has had to introduce a definition for 'Biological' Acts of Terrorism.
"Business Day" means a day (not being a Saturday) on which banks are open for general banking business in the City of London;	Removed as no longer referenced to in the Reinsurance Agreement.
<u>"Certificate" means the Certificate issued by the HM Treasury (whether in the form of correspondence or otherwise) certifying an event or events to have been an Act of Terrorism; and the date the Act of Terrorism commenced;</u>	This amendment has been incorporated to reflect the fact that the new scheme will provide cover on a losses occurring basis i.e. all losses arising from an Act of Terrorism that commences during the Underwriting Period will fall for cover under the Reinsurance. It is therefore necessary to ask HM Treasury to also certify when an Act of Terrorism commences.



<p><u>“Chemical” means any chemical compound, agent or material(s) that cause, in any way whatsoever, lethal, injurious, destructive or damaging effects upon humans, animals, flora or property;</u></p>	<p>The Reinsurance Agreement will contain two aggregate retentions. The first is the Section 1 aggregate retention for Non-Conventional Terrorism, which is defined as an Act of Terrorism by means of Nuclear and Radiological, Chemical, Biological and/or Cyber-Terrorism. Accordingly, Pool Re has had to introduce a definition for 'Chemical' Acts of Terrorism.</p>
<p><u>“Claims Information Summary” means a claims schedule providing details of every claim notified to the Reinsured in a form specified by the Reinsurer from time to time;</u></p>	<p>This definition has been introduced for the purposes of Article 10 and to reflect the requirement on Members to provide claims schedules as previously set out at paragraph 7.3 of the Class A UW Manual.</p>
<p><u>“Class A Head of Cover” means any of the following four types of direct insurance cover:</u> <u>(a) Buildings and Completed Structures;</u> <u>(b) Other property (including contents, engineering, contractors and computers);</u> <u>(c) Business Interruption;</u> <u>(d) Book Debts;</u></p> <p><u>_____ provided always that each Class A Head of Cover shall be deemed to be a separate head of cover whether the item insured is insured under separate policies, under separate terms of a policy or under separate sections of combined or package policies;</u></p>	<p>Under the new scheme Class A (PD / BI) and Class B (NDBI) cover will be provided under a single reinsurance treaty. As such, Pool Re is required to provide a definition on what Class A cover would encompass. The scope of Class A cover has therefore been taken from the Class A UW Manual and incorporated into this definition. The substance and scope of the definition and cover provided under this Reinsurance is unchanged from the current scheme.</p>
<p><u>“Class B Head of Cover” means any direct Non-Damage Business Interruption insurance cover regardless of whether the item insured is insured under separate policies, under separate terms of a policy or under separate sections of combined or package policies;</u></p>	<p>As above, a definition for Class B is also required. The scope of Class B cover has been taken from the Class B UW Manual and incorporated into this definition. The substance and scope of the definition and cover provided under this Reinsurance is unchanged from the current scheme.</p>
<p><u>“Competition Authority” means any national, supra-national or regional, state, municipal, government or governmental, quasi-governmental, statutory, regulatory or investigative body, administrative agency, court or tribunal, in any jurisdiction, responsible for the investigation, prosecution or determination of any matters relating to antitrust, competition, mergers, unfair competition, consumer protection, anti-competitive agreements, practices or behaviour or any similar matter;</u></p>	<p>This definition has been introduced to reflect the now applicable legal authorities and regulatory regimes in light of Brexit.</p>



<p><u>"Competition Rules" means any applicable legislation, law, regulation or administrative provision in any jurisdiction relating to antitrust, competition, mergers, unfair competition, consumer protection, anti-competitive agreements or practices or behaviour or any similar matter or for any other reason;</u></p>	<p>This definition has been introduced to reflect the now applicable legal authorities and regulatory regimes in light of Brexit.</p>
<p>"Computer System" means a computer or other equipment or component or system or item which processes, stores, transmits, or receives Data;</p>	<p>No change.</p>
<p>"Connected Person" means any person <u>wherever domiciled</u> who controls, is controlled by, or is under common control with, the Reinsured; control for this purpose meaning the ability of a person, whether by the holding of shares, or by agreement or by any other means, to ensure that another person's affairs are carried out in accordance with the wishes of the first mentioned person;</p>	<p>The amendment to this definition has been to add clarity that domicile does not impact whether a person is considered a Connected Person for the purpose of the reinsurance.</p>
<p>"Contingency policies" means contracts of contingency insurance unless: — a) written as an integral component of General Cover; — or — b) the subject of a binding written commitment on or before 31 December 2018 and incepting or renewing on or before 31 March 2019.</p>	<p>The run-off period provided for at (b) is no longer relevant and has therefore been removed.</p>
<p><u>"Conventional Act of Terrorism" means any Act of Terrorism that is not a Non-Conventional Act of Terrorism;</u></p>	<p>The Reinsurance Agreement will contain two aggregate retentions: (i) Section 1 aggregate retention for Chemical, Biological, Radiological, Nuclear and Cyber Acts of Terrorism; and (ii) a Section 2 aggregate retention for all other terrorism events.</p> <p>Section 1 and 2 are therefore split as "Conventional" and "Non-Conventional" Acts of Terrorism for the purpose of determining the applicable retention per Act of Terrorism. "Non-Conventional" Acts of Terrorism include chemical, biological, radiological and nuclear terrorism and cyber-terrorism (Section 1). "Conventional" Acts of Terrorism will include all other types of terrorism (Section 2) this is why the definition has been introduced.</p>



<p>“Covered Loss” has the meaning given in Article 6.1;</p>	<p>No change.</p>
<p><u>“Cyber Terrorism” means the use of disruptive activities against a Computer System by any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organisation(s), committed with the intention to cause harm, further social, ideological, religious, political or similar objectives, or to intimidate any person(s) in furtherance of such objectives, by using activities perpetrated electronically or otherwise that are directed towards the destruction, disruption or subversion of communication and information systems, infrastructure, computers, the internet, telecommunications or electronic networks and/or its content thereof or sabotage and/or threat therefrom;</u></p> <p><u>Cyber Terrorism does not include any such activities which are part of or in support of any use of military force or war and cover will only be provided to the extent that loss arising from the Cyber Terrorism falls within the Proviso to Exclusion (c) in the definition of Excluded Losses;</u></p>	<p>The Reinsurance Agreement will contain two aggregate retentions. The first is the Section 1 aggregate retention for Non-Conventional Terrorism, which is defined as an Act of Terrorism by means of Nuclear and Radiological, Chemical, Biological and/or Cyber-Terrorism. -Accordingly, Pool Re has had to introduce a definition for 'Cyber' Acts of Terrorism. This language has been drafted with reference to non-LMA war exclusions used in market cyber policies which define 'Cyber Terrorism'. The definition has also been drafted with reference to the Provision to Exclusion (c) to ensure the consistency of cover provided under the scheme in respect of cyber terrorism.</p>
<p>“Data”_ means data of any sort whatever, including without limitation tangible or intangible data, and any programs or software, bandwidth, cryptographic keys, databases, documents, domain names or network addresses or anything similar, files, interfaces, metadata, platforms, processing capability, storage media, transaction gateways, user credentials, websites, or any information <u>whatsoever</u>;</p>	<p>No change.</p>
<p>“Denial of Service Attack”_means any actions or instructions constructed or generated with the ability to damage, interfere with or otherwise affect the availability or performance of networks, network services, network connectivity or Computer Systems. -Denial of Service Attacks include, but are not limited to, the generation of excess traffic into network addresses, the exploitation of system or network weaknesses, the generation of excess or non-genuine traffic between and amongst networks and the procurement of such actions or instructions by other Computer Systems;</p>	<p>No change.</p>



<p><u>"Determination Notice" has the meaning given in Article 2323.4;</u></p>	<p>This definition has been introduced in the context of Article 23, which introduces a process by which Pool Re will determine whether an Act of Terrorism is a Conventional or a Non-Conventional Act of Terrorism.</p>
<p>"Effective Date" means the date specified as such in Schedule [x];</p>	<p>This definition has been removed because given the transition to losses occurring cover with a fixed Underwriting Period an Effective Date for commencement of the Reinsurance is no longer required.</p>
<p><u>"Eligible Original Insured" means an Original Insured that is:</u> <u>(a) an incorporated corporate entity or a public body such as a local authority;</u> <u>(b) a sole trader or trustees, but only where the Property insured under the Relevant Instrument is not solely occupied as the private residence of the sole trader or of either a trustee or a beneficiary of the trust; and</u> <u>(c) an individual but only where the Property insured:</u> <u>(i) is of sole commercial use; or</u> <u>(ii) is of mixed residential and commercial usage and the commercially occupied proportion of the property exceeds 20% (either by area or on the basis of the number of days that the Property is open to public);</u></p>	<p>This definition has been introduced to sit within the definition of "Property" to reflect the requirements that currently sit within paragraph 1.2 of the Class A UW Manual as to the scheme's eligibility criteria. The scope of the eligibility criteria is unchanged however, this definition is required given that the underwriting manuals will no longer be contractually binding. Please note while the definition provides a prescriptive way to define mixed residential and commercial usage, Pool Re understand the proportion may be defined by the Member by another means even if it is usually done by area square footage / number of days open to public etc.</p>
<p>"Event" means all individual losses arising in respect of a continuous period of seventy two (72) hours of which the proximate cause is the same Act of Terrorism, and the Reinsured may choose the date and time when any such period of 72 hours shall commence provided that no two periods overlap and no period commences earlier than the date and time of the happening of the first recorded individual loss to the Reinsured as a result of the Act of Terrorism in question; and an Event shall be taken to arise in the Underwriting Period in which such period of 72 hours commences notwithstanding that it may extend beyond the time limit of the expiry of the contract of direct insurance concerned;</p>	<p>Definition removed because the reinsurance responds to any losses attaching to an Act of Terrorism commenced during the Underwriting Period, as such, the requirement for a continuous period is not required because any losses proximately caused by the same Act of Terrorism irrespective of the time passed will fall within the same Underwriting Period.</p>
<p><u>"Excluded Losses" means any losses/loss or damage whatsoever;</u></p>	<p>No change save for the clarification of "losses" as "loss or damage".</p>



_____ (a) occasioned by riot, civil commotion, war, invasion, act of foreign enemy, hostilities (whether war be declared or not) civil war, rebellion, revolution, insurrection or military or usurped power;

_____ (b) arising under:

_____ (i) Marine, Aviation, and Transit Policies (and the term 'Marine Policy' shall for these purposes mean marine policies and all marine business wherever written and in whatever form of policy);

_____ (ii) Motor Insurance Policies;

_____ (iii) Any form of reinsurance policy or agreement whatsoever provided by the Reinsured;

_____ (iv) Bankers Blanket Bond Policies; ~~and or~~

_____ (v) Contingency ~~p~~Policies—;

_____ (c) ~~—~~ directly or indirectly caused by contributed to by or arising from or occasioned by or resulting from:

~~(1)~~ (i) ~~—~~ damage to or the destruction of any Computer System; or

~~(2)~~ (ii) ~~—~~ any alteration, modification, distortion, erasure or corruption of Data; ~~and~~

_____ in each case whether the property of the Original Insured or not, where such loss is directly or indirectly caused by or contributed to by or arising from or occasioned by or resulting from Virus or Similar Mechanism or Hacking or Phishing or Denial of Service Attack.

_____ **Proviso to Exclusion (c)**

While the wording of the Excluded Losses definition has not been updated substantively, please note the definitions for "Virus", "Phishing" and "Hacking" have been updated (as set out more fully at each relevant definition) to reflect the developing cyber threat landscape and the threat posed by artificial intelligence and systems operated autonomously.



Save that Covered Loss for the Class A Head of Cover (this Proviso does not apply to the Class B Head of Cover) otherwise falling within this Exclusion (c) will not be treated as excluded by this Exclusion (c) solely to the extent that such Covered Loss:

- ~~(i)~~ (i) results directly (or, solely as regards (ii)(c) below, indirectly) from fire, explosion, flood, escape of water from any tank, apparatus or pipe (including any sprinkler system), impact of aircraft or any aerial devices or articles dropped from them, impact of any sea-going or water-going vessel or of any vehicle whatsoever or of any goods or cargo carried in or on such vessel or vehicle, destruction of, damage to or movement of buildings or structures, plant or machinery other than any Computer System; and
- ~~(ii)~~ (ii) comprises:
- ~~(a)~~ (a) the cost of reinstatement, replacement or repair in respect of damage to or destruction of Property insured by the Original Insured; or
- ~~(b)~~ (b) the amount of business interruption loss suffered directly by the Original Insured itself by way of loss of or reduction in profits, revenue or turnover or increased cost of working and not by way of liability to any third party as a direct result of either damage to or destruction of Property insured by that Original Insured or as a direct result of denial, prevention or hindrance of access to or use of the Property insured by that Original Insured by reason of an Act of Terrorism causing damage to other ~~Property~~ property within one mile of the Property insured by that Original Insured to which access is affected; or
- ~~(c)~~ (c) the amount of loss caused by the cancellation, abandonment, postponement, interruption, curtailment or relocation of an event as a result of damage to or destruction of Property and any additional costs or charges reasonably and necessarily paid by the Original Insured to avoid or diminish such loss;
- and
- ~~(iii)~~ (iii) is not proximately caused by an Act of Terrorism in relation to which the relevant organisation or any persons acting on behalf of or in connection with that organisation are controlled by, acting on behalf of or part of any de jure or de facto government of any nation, country or state.

Under the new scheme, Class A (PD / BI) and Class B (NDBI) cover will be provided under a single Reinsurance Agreement. As such, Pool Re needs to clarify that the Proviso to Exclusion (c) applies only to the Class A Head of cover. The substance and scope of the definition and cover provided under this Reinsurance is unchanged from the current scheme.



<p>(iv) (iv) the meaning of "Property" for the purposes of this Proviso shall (additionally to those exclusions in the definition of "Property" below, including any in the Underwriting Manual) exclude:</p> <p>_____ (a) any money (including "Money" as defined in any direct insurance policy reinsured in whole or part under this Reinsurance Agreement), currency, electronic cryptographic or virtual currency including bitcoin or anything similar, negotiable or non-negotiable instruments, financial securities or any other financial instrument of any sort whatever; and</p> <p>_____ (b) any Data;</p> <p>(v) (v) notwithstanding the exclusion of Data from Property, to the extent that damage to or destruction of Property within the meaning of sub-paragraph (ii) above indirectly results from any alteration, modification, distortion, erasure or corruption of Data, because the occurrence of one or more of the matters referred to in sub-paragraph (i) above results directly or indirectly from any alteration, modification, distortion, erasure or corruption of Data, that shall not prevent cost or business interruption loss directly resulting from damage to or destruction of such Property and otherwise falling within sub-paragraphs (i) and (ii) above from being recoverable under this Reinsurance Agreement. In no other circumstances than the previous sentence, however, will any loss or losses directly or indirectly caused by, contributed to by or arising from or occasioned by or resulting from any alteration, modification, distortion, erasure or corruption of Data be recoverable under this Reinsurance Agreement.</p> <p>(vi) (vi) for the avoidance of doubt, the burden of proof shall be on the Reinsured to prove or establish all the matters referred to in sub-paragraphs (i) to (ii) above.</p>	
<p>"General Cover" means direct insurance cover (not taking account of excluding cover in respect of an Act of Terrorism) relating to losses falling under any <u>Class A Head of Cover in respect of any Property in the Territory or the Class B Head of Cover in respect of any premises in the Territory</u>;</p>	<p>Under the new scheme Class A (PD / BI) and Class B (NDBI) Heads of Cover will be provided under a single Reinsurance Agreement. This definition has been updated to reflect this change.</p>
<p>"Hacking" _____ means unauthorised access <u>or legitimate access resulting in unauthorised acts</u> to any Computer</p>	<p>This definition for "Hacking" has been updated as shown to address additional contemporary threats. The definition for "Hacking" in the current scheme covers any unauthorised access to any Computer System, which is sufficiently broad to</p>



<p>System <u>by whatever means</u>, whether the property of the Original Insured or not;</p>	<p>cover all tools used to enter into a system, it arguably would not cover access which is authorised by the operator of the system, or acts done by an authorised user with their authorised access (e.g. a mole or rogue employee). The definition has therefore been amended to cover any such circumstances.</p>
<p>“HM Treasury” means The Lords Commissioners of Her Majesty’s<u>His Majesty’s</u> Treasury;</p>	<p>The substance of this definition has not changed. The amendment is to reflect King Charles III's accession.</p>
<p>“Incidental Terrorism Exposure Policy” means: <u>(a) Policies written on a global basis where the HeadClass A Head of Cover or Class B Head of Cover insured in the Territory comprise less than 10% of the total sum insured under the HeadClass A Head of Cover or Class B Head of Cover, however defined by the policy (but does not include policies where one or more of the HeadClass A Head of Cover or Class B Head of Cover are split out from the global policy and insured under a locally admitted policy).</u> <u>(b) Policies for political violence or political risks under which terrorism is one of a number of perils written and where the HeadClass A Head of Cover or Class B Head of Cover insured in the Territory comprise less than 10% of the total sum insured under the HeadClass A Head of Cover or Class B Head of Cover (however defined by the policy);</u></p>	<p>This definition has been introduced to reflect the requirements that currently sit within paragraph 1.15 of the Class A UW Manual as to how the scheme responds to Incidental Terrorism Exposure. The scheme's Incidental Terrorism Exposure exception is unchanged and Article 11.8(c) still allows for the exception to apply with the discretion of the Chief Underwriting Officer of Pool Re in the alternative. This definition is required given that the underwriting manuals will no longer be contractually binding.</p>
<p>“Large Loss Claim” means a claim by an Original Insured against the Reinsured reserved at or above 50% of the lower of the Reinsured's Minimum Retention(s) or such other amount notified to the Reinsured by the Reinsurer;</p>	<p>This definition has been introduced to refer to a claim that is of particular significance to Pool Re vis-à-vis a particular Reinsured and in respect of which additional consents are required from Pool Re in respect of the Reinsured's handling and settlement of the claim.</p>
<p>“Loss Adjuster” means a person or company who is a certified member of the Chartered Institute of Loss Adjusters;</p>	<p>This definition has been introduced to reflect the requirements that currently sit within paragraph 7.4 of the Class A UW Manual as to the appointment of a Loss Adjuster for claims falling under the scheme. This definition is required given that the underwriting manuals will no longer be contractually binding.</p>



<p><u>“Members”</u> means the persons whose names and addresses are set out in Schedule 1 of the in force Pool Reinsurance Company Limited Membership Agreement;</p>	<p>The amendments to this definition are to provide clarity to the legal agreement defining who is considered a Member under the scheme. The change is non substantive.</p>
<p><u>“Membership Agreement”</u> means the agreement dated 4th November 1993 <u>1 April 2025</u> between the Reinsurer and its Members <u>members;</u></p>	<p>No change save for reflecting the date of the new Membership Agreement to be entered into.</p>
<p><u>“Minimum Retention(s)”</u> means the minimum permitted amount of the Section 1 Retention and/or the minimum permitted amount of the Section 2 Retention (as applicable) determined by the Reinsurer for each Underwriting Period;</p>	<p>This is a new definition which reflects the fact that under the new scheme, Pool Re will set 'Minimum Retentions' for each Member below which the Member will be unable to buy cover with Pool Re. Members will be able to choose to agree a retention above the Minimum Retentions in return for a lower Premium.</p>
<p><u>“Non-Conventional Act of Terrorism”</u> means an Act of Terrorism by means of Nuclear and Radiological, Chemical, Biological and/or Cyber-Terrorism;</p>	<p>The Reinsurance Agreement will contain two aggregate retentions: (i) Section 1 aggregate retention for Chemical, Biological, Radiological, Nuclear and Cyber Acts of Terrorism; and (ii) a Section 2 aggregate retention for all other terrorism events.</p> <p>Section 1 and 2 are therefore split as "Non-Conventional" and "Conventional" Acts of Terrorism for the purpose of determining the applicable retention.</p>
<p><u>“Nuclear and Radiological”</u> means: <u>(a)</u> ionising radiations from or contamination by radioactivity from any nuclear fuel or from any nuclear waste or from the combustion of nuclear fuel; <u>(b)</u> the radioactive, toxic, explosive, or other hazardous or contaminating properties of any nuclear installation, reactor, or other nuclear assembly or nuclear component thereof; <u>(c)</u> any weapon or other device employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter; and/or <u>(d)</u> the radioactive, toxic, explosive, or other hazardous or contaminating properties of any radioactive matter;</p>	<p>The Reinsurance Agreement will contain two aggregate retentions: (i) Section 1 aggregate retention for Chemical, Biological, Radiological, Nuclear and Cyber Acts of Terrorism; and (ii) a Section 2 aggregate retention for all other terrorism events. Accordingly, Pool Re has had to introduce a definition for 'Nuclear and Radiological' Acts of Terrorism.</p> <p>This language has been drafted with reference to the CL370 Institute Radioactive Contamination, Chemical, Biological, Bio-Chemical and Electromagnetic Weapons Exclusion Clause.</p>
<p><u>“Nuclear Installation”</u> means any installation of such class or description as may be prescribed by regulations made by the relevant Secretary of State from time to time by statutory instrument, being an installation designed or adapted for:</p>	<p>No change.</p>



<p>_____ (a) the production or use of atomic energy;</p> <p>_____ (b) the carrying out of any process which is preparatory or ancillary to the production or use of atomic energy and which involves or is capable of causing the emission of ionising radiations; or</p> <p>_____ (c) the storage, processing or disposal of nuclear fuel or of bulk quantities of other radioactive matter, being matter which has been produced or irradiated in the course of the production or use of nuclear fuel;</p>	
<p>“Nuclear Reactor”_____ means any plant (including any machinery, equipment or appliance, whether affixed to land or not) designed or adapted for the production of atomic energy by a fission process in which a controlled chain reaction can be maintained without an additional source of neutrons;</p>	<p>No change.</p>
<p>“Original Insured”_ means the policyholder of a contract of direct insurance any part of which is reinsured under this Reinsurance Agreement;</p>	<p>No change.</p>
<p>“Parties”_ means the Reinsurer and the Reinsured and “Party” shall be construed accordingly;</p>	<p>No change.</p>
<p><u>“Permitted Departure” means a permitted departure from the Adverse Selection Principle. The Permitted Departures are set out at paragraph 2 of Schedule 3;</u></p>	<p>This definition has been introduced for the purposes of Schedule 3. It is required to define the Permitted Departures rule which is unchanged from the current scheme but is currently set out in the Underwriting Manuals. This has therefore been transposed into the Reinsurance Agreement as the Underwriting Manuals are no longer contractually binding.</p>
<p>“Phishing”_ means any access or attempted access to Data <u>or a Computer System</u> made by means of misrepresentation or deception <u>whether effected by or to a human, a Computer System, an AI System or by whatever means;</u></p>	<p>This definition has been extended by including reference to Computer Systems (in addition to Data) and revising the language to reference phishing activity undertaken autonomously by an AI System. This reflects the developing threat landscape.</p>



<p><u>“Premium” means the sum specified in the Treaty Schedule. The Reinsurer shall be entitled in respect of each Underwriting Period to receive the Premium specified in the Treaty Schedule;</u></p>	<p>The Reinsurer shall be entitled in respect of each Underwriting Period to receive the Premium specified in the Treaty Schedule. Save for the provisions in the Reinsurance Agreement which envisage that the Premium might be subject to adjustment (see Article 14) the Premium will be at the flat rate specified in the Treaty Schedule.</p>
<p>“Property” means all property whatsoever, but excluding:</p> <p><u>_____ (a) any land or building which is occupied as a private residence or any part thereof which is so occupied, unless-;</u></p> <p><u>_____ (i)-_____insured under the same contract of direct insurance as the remainder of the building which is not a private residence-or (ii) not insured in the name of an individual; or</u></p> <p><u>_____ (ii) insured by an Eligible Original Insured; and/or</u></p> <p><u>_____ (b) any Nuclear Installation or Nuclear Reactor and all fixtures and fittings situated thereon and attached thereto and all pipes wires cables drains or other conduits or service media of any description which are affixed or connected to or in any way serve such Nuclear Installation or Nuclear Reactor;</u></p> <p><u>or as otherwise may be provided in the Underwriting Manual;</u></p>	<p>This definition of "Eligible Original Insured" has been introduced to sit within the definition of "Property" to reflect the requirements that currently sit within paragraph 1.2 of the Class A UW Manual as to the scheme's eligibility criteria. The scope of the eligibility criteria is unchanged. This definition is required given that the underwriting manuals will no longer be contractually binding.</p>
<p><u>“Quarterly Premium Declaration” means the quarterly premium declaration of the terrorism reinsurance premium payable by a Member in respect of any calendar quarter that must be reported to Pool Re. The Quarterly Premium Declaration must be submitted to Pool Re via the Member Portal no later than the business day of the calendar month immediately following the calendar quarter to which it relates.</u></p>	<p>This definition has been removed because under the new scheme there will be no requirement for Members to submit Quarterly Premium Declarations. Instead, Members will now be required to provide an Annual Exposure Return which is defined above.</p>
<p><u>“Referral Notice” has the meaning given in Article ARTICLE 23(a)23.3(a);</u></p>	<p>This definition has been introduced in the context of Article 23, which introduces a process by which Pool Re will determine whether an Act of Terrorism is a Conventional or a Non-Conventional Act of Terrorism.</p>
<p><u>“Reinsurance to Close — means: Contract” means:</u></p>	<p>No change.</p>



<p>(a) an agreement under which the members of a Lloyd's/Lloyd's syndicate as constituted for a year of account (the "reinsured members") agree with the members of a later year of account of that syndicate or with the members of another Lloyd's/Lloyd's syndicate (the "reinsuring members") that the reinsuring members will discharge, or procure the discharge of, or indemnify the reinsured members against, all known and unknown insurance business liabilities of the reinsured members arising out of the insurance business carried on by the reinsured members in respect of that year of account of that syndicate; or</p> <p>_____ (b) a similar reinsurance agreement or arrangement that has been approved by the Council of Lloyd's/Lloyd's as a reinsurance to close;</p>	
<p>"Retention" means the amount to be borne by a Reinsured in relation to an Event or Events arising in an Underwriting Period before indemnity may be obtained from the Reinsurer in accordance with Article 2.1 such amount being a Retention per Event or Annual Aggregate Retention as the case may be, as determined by the Reinsurer from time to time in accordance with the principles set out in Schedule 2 and notified to the Reinsured in accordance with the Underwriting Manual;</p>	<p>This definition has been removed as there will no longer be an Event Retention. The Reinsurance Agreement will instead contain two aggregate retentions: (i) Section 1 aggregate retention for Chemical, Biological, Radiological, Nuclear and Cyber Acts of Terrorism; and (ii) a Section 2 aggregate retention for all other terrorism events.</p>
<p>"Referral Notice" has the meaning given in Article 23.3(a);</p>	<p>This definition has been introduced to reflect the provisions at Article 23 which have been introduced to set out the process by which Pool Re will determine whether an Act of Terrorism is a Conventional or a Non-Conventional Act of Terrorism. In order to refer a dispute to an Insurance Silk under this Article 23, a Member must serve on the Reinsurer written notice of its intention to refer the matter to an insurance silk this is the "Referral Notice".</p>
<p>"Relevant Instruments" has the meaning given in Article 7.1;</p>	<p>The introduction of the "Relevant Instruments" definition reflects the guidance previously provided in the Class A UW Manual and Class B UW Manual as to the scope of risks that are eligible for cession to the scheme. This definition is required given that the underwriting manuals will no longer be contractually binding.</p>



<p><u>“Retentions”</u> means the <u>Section 1 Retention and the Section 2 Retention</u>;</p>	<p>The Reinsurance Agreement will contain two aggregate retentions: (i) Section 1 aggregate retention for Chemical, Biological, Radiological, Nuclear and Cyber Acts of Terrorism; and (ii) a Section 2 aggregate retention for all other terrorism events. As such a definition for "Retentions" is now required.</p> <p>These Retentions will not be cross-scheme they will be specific to each Member or Group of Members as specified in the Treaty Schedule.</p>
<p><u>“Retrocession Agreements”</u> means the <u>2022 Retrocession Agreement and the 2025 Retrocession Agreement</u>;</p>	<p>This definition reflects the current 2022 Retrocession Agreement and the 2025 Retrocession Agreement between Pool Re and HM Treasury to be agreed.</p>
<p><u>“Section 1 Retention”</u> means the amount(s) to be borne by a Reinsured in <u>relation to an Event or Events arising in an Underwriting Period in respect of Covered Loss arising from Non-Conventional Acts of Terrorism</u> before indemnity may be obtained from the Reinsurer in accordance with Article 2.4, such amount being <u>a Retention per Event or Annual Aggregate Retention as the case may be an annual aggregate retention</u>, as determined by the Reinsurer from time to time in accordance with the principles set out in Schedule 2 and <u>notified to the Reinsured in accordance with the Underwriting Manual as specified in the Treaty Schedule</u>;</p>	<p>This definition sets out that the Reinsurance Agreement will contain two aggregate Retentions: (i) Section 1 aggregate retention for Chemical, Biological, Radiological, Nuclear and Cyber Acts of Terrorism; and (ii) a Section 2 aggregate retention for all other terrorism events.</p>
<p><u>“Section 2 Retention”</u> means the amount(s) to be borne by a Reinsured in a Underwriting Period in respect of Covered Loss arising from Conventional Acts of Terrorism before indemnity may be obtained from the Reinsurer in accordance with Article 2, such amount being an <u>annual aggregate retention</u>, as determined by the Reinsurer from time to time in accordance with the principles set out in Schedule 2 and as specified in the Treaty Schedule;</p>	<p>This definition sets out that the Reinsurance Agreement will contain two aggregate Retentions: (i) Section 1 aggregate retention for Chemical, Biological, Radiological, Nuclear and Cyber Acts of Terrorism; and (ii) a Section 2 aggregate retention for all other Acts of Terrorism.</p>
<p>“Supplemental Deed” means a deed supplemental to this Reinsurance Agreement entered into between the Parties and of even date herewith;</p>	<p>This definition has been deleted. The Supplemental Deed is an historical document which is no longer of relevance to the scheme.</p>
<p><u>“Territory”</u> means <u>the land mass of England and Wales and Scotland (including the Channel Tunnel up to the frontier with the Republic of France)</u> but not:- <u>(a)</u> the territorial seas adjacent thereto as defined by the Territorial Sea Act 1987; <u>(b)</u> the Channel Islands; <u>(c)</u> Isle of Man;</p>	<p>The substance of this definition has not changed. The amendments relate to further clarification that was previously provided at paragraph 1.3 of the Class A UW Manual and is required given that the underwriting manuals will no longer be contractually binding.</p>



<p>(d) Northern Ireland; or (e) the Republic of France;</p>	
<p>"Treasury" means the Lords Commissioners of Her Majesty's Treasury from time to time;</p>	<p>This definition is not required as HM Treasury is defined under "HM Treasury" above.</p>
<p>"Treaty Schedule" means the schedule setting out the applicable Premium and Retentions for a Member for an Underwriting Period and which forms part of this Reinsurance Agreement (including any amended Treaty Schedule issued by the Reinsurer under the terms of this Reinsurance Agreement);</p>	<p>As Members will now have individual Premiums and Retentions the Treaty Schedule has been incorporated to delineate this.</p>
<p>"Underwriting Manual" means the Underwriting Manual in the form notified to the Reinsured by the Reinsurer prior to execution of this Reinsurance Agreement and as altered from time to time by the Reinsurer;</p>	<p>The underwriting manuals are no longer a contractual part of the scheme as such, it is not referred to in the Reinsurance Agreement.</p>
<p>"Underwriting Period" means the twelve month period identified in the Treaty Schedule commencing on 1 April in any year or such lesser period as is appropriate in circumstances of termination pursuant to Article 17</p>	<p>The scheme will now provide cover on a losses occurring basis i.e. all losses arising from an Act of Terrorism that commences during the Underwriting Period will fall for cover under the Reinsurance. This definition defines the Underwriting Period.</p>
<p>"Virus or Similar Mechanism" means program code, programming instruction or any set of instructions constructed with the purpose and ability, or generated or operated by an AI System, or purposely used, to damage, interfere with, adversely affect, infiltrate or monitor computer programs, Computer Systems, Data or operations, whether involving self-replication or not. -The definition of Virus or Similar Mechanism includes but is not limited to trojan horses worms and logic bombs and the exploitation of bugs or vulnerabilities in a computer program to damage, interfere with, adversely affect, infiltrate or monitor as above.</p> <p>2. In this Reinsurance Agreement of which this Schedule <u>1</u> forms part, save where the context otherwise requires:</p> <p>(a) words in the singular shall include the plural, and vice versa, and references to any gender shall include references to the other genders;</p>	<p>This definition has been extended by including reference to activity undertaken autonomously by an AI System.</p>



- (b) a reference to a person shall include a reference to a firm, a body corporate, an unincorporated association or to a person's executors or administrators;
- (c) a reference to an agreement or other document shall be to that agreement or document as the same has been, or may be, amended, replaced or supplemented from time to time;
- (d) if a period of time is specified and dates from a given day or the day of an act or event, it shall be calculated exclusive of that day and both time and date shall be determined by reference to that prevailing in Great Britain at the relevant time;
- (e) references to any English legal term for any action, remedy, method or judicial proceedings, legal document, legal status, court, official or any legal concept or thing shall in respect of any jurisdiction other than England and Wales be deemed to include what most nearly approximates in that jurisdiction to the English legal term;
- (f) references to writing shall include any modes of reproducing words in a legible and non-transitory form;
- (g) the headings in this Reinsurance Agreement are for convenience only and shall not affect the interpretation of any provision of this Reinsurance Agreement;
- (h) a reference to a paragraph, Article or schedule shall be a reference to a paragraph, Article or schedule (as the case may be) of or to this Reinsurance Agreement; and/or
- (i) reference in this Reinsurance Agreement to any statute or statutory instrument shall (where the subject or context admits) be deemed to be reference to that statute or statutory instrument as from time to time amended or re-enacted or substituted; ~~and in the case of any inconsistency between this Reinsurance Agreement and the Underwriting Manual, this Reinsurance Agreement shall prevail.~~



Schedule 2 – Retention: Principles	
<p>1. APPLICATION</p> <p>to Underwriting PeriodThe Retention will apply in relation to an Underwriting Period, irrespective of when the relevant contract of direct insurance commenced.—</p> <p>2. Notification</p> <p>1.1 The Section 1 Retention and the Section 2 Retention are the amounts to be borne by the Reinsured in an Underwriting Period before indemnity may be obtained from the Reinsurer in accordance with Article 2, and in accordance with the principles set out in this Schedule 2.</p> <p>The Retention1.2 The Section 1 Retention and the Section 2 Retention are each annual aggregate retentions that will apply in relation to an Underwriting Period, irrespective of when the relevant contract of direct insurance commenced,.</p> <p>1.3 The Section 1 Retention and the Section 2 Retention applicable to an Underwriting Period will be the amounts specified in the Treaty Schedule.</p> <p>1.4 For each of the Section 1 Retention and the Section 2 Retention, there will be an aggregate sub-limited retention in respect of the Class B Head of Cover, as specified in the Treaty Schedule.</p> <p>2. Notification</p> <p>2.1 The Retention applicable to an Underwriting Period will be the amount notified by the Reinsurer to the Reinsured.</p> <p>2.2 In the absence of a variation made under Article 15.3 of the Reinsurance Agreement, the Retention for an Underwriting Period will be the same as for the preceding Underwriting Period (except as provided below).</p> <p>2.3 Paragraph 2.2 will not apply in relation to the Underwriting Period beginning on 1st January 2003.</p> <p>3. Retention per Event and Annual Aggregate</p>	<p>This amendment has been included to set out the new principles for Retentions under the Reinsurance.</p> <p>The higher of the two Retentions shall be the maximum amount to be borne by the Reinsured in respect of Covered Loss occurring in the Underwriting Period.</p> <p>It will not be a cross-scheme retention, but a specific retention for each Member or Group of Members as specified in the Treaty Schedule.</p>



~~3.1 The Retention per Event will be the maximum amount to be borne by the Reinsured in respect of all claims arising from a single Event.~~

~~3.2 The Annual Aggregate Retention shall be the maximum amount to be borne by the Reinsured in respect of all claims arising from all Events which occur in a single Underwriting Period.~~

~~4. Minimum amount for Retention per Event~~

~~The Retention per Event will not be less than the relevant minimum amount determined by the Reinsurer in respect of an Underwriting Period for each of the Reinsurer's reinsurance agreements.~~

~~5.2. Minimum amount for Annual Aggregate Retention~~

~~The Annual Aggregate 2.1 The Section 1 Retention and the Section 2 Retention will not be less than the relevant minimum amount applicable Minimum Retention(s) as determined by the Reinsurer in respect of an Underwriting Period for each of the Reinsurer's reinsurance agreements.~~

~~2.2 The sub-limited retention in respect of the Class B Head of Cover will be no less than 40% of the Reinsured's applicable Minimum Retention.~~

~~2.3 The Reinsurer has the right to increase one or both of the Minimum Retention(s) during the Underwriting Period in the circumstances set out in Article 14.~~

~~3. Interaction between the Retentions and worked examples~~

~~6. Calculation of Retention~~

~~Subject to the following paragraphs, the Retention will be calculated by the Reinsurer by reference to:~~

~~(a) prevailing market conditions; and~~

~~(b) the proportion which the amount and nature of insurance business which has been reinsured by the Reinsurer in relation to the Reinsured bears to the total amount, having regard to its nature, of insurance business which has been reinsured by the Reinsurer, in each case in respect of such period as the Reinsurer determines to be relevant (the "Reference Period").~~



~~7.1 — New members: Provisional Retention~~

~~Subject to paragraph 8, in the case of a Reinsurance Agreement which takes effect after the beginning of the Reference Period, the Reinsured will estimate the amount and nature of insurance business which the Reinsured will reinsure~~

~~under the Reinsurance Agreement in respect of the relevant Underwriting Period and the Reinsurer will calculate a provisional Retention for that Reinsured accordingly (a "Provisional Retention").~~

~~7.2 — Finalisation of Provisional Retention~~

~~In the case of any Provisional Retention calculated by reference to an estimate under paragraph 7.1, if an Event occurs with respect to the Reinsured in any Underwriting Period, the Reinsurer will be entitled to finalise the Reinsured's Retention at any time up to 18 months after the date on which the relevant Reinsurance Agreement took effect, by reference to the amount and nature of insurance business reinsured by the relevant Reinsured, and any such Retention as so finalised (a) may be different from the Reinsured's Provisional Retention and (b) will be notified to the Reinsured.~~

~~7.3 — Reinsurer's right to hold back payment~~

~~Article 11.2 shall not apply in relation to a Reinsured with a Provisional Retention, until the Provisional Retention has been finalised under paragraph 7.2.~~

~~7.4 — Reimbursement~~

~~If the Reinsurer pays out on a claim before the Provisional Retention has been finalised, the Reinsurer may, after it has been finalised, require the Reinsured to reimburse such amount as may be appropriate in order to reflect the Retention as so finalised.~~

~~7.5 — Where there is no Adjustment~~

~~The Retention in relation to the relevant Reinsured will be equal to the Provisional Retention as finalised under paragraph 7.2. In the absence of any such finalisation within the period of 18 months referred to in~~



paragraph 7.2, the Retention shall be equal to the relevant Provisional Retention.

8.1 — Groups

Subject to paragraph 10, if the Reinsured is a Group Company (as defined below) of another body corporate which is entitled to reinsure business with the Reinsurer pursuant to a reinsurance agreement between it and the Reinsurer ("Group Reinsured"), the Retention will be calculated under paragraph 6 by reference to the insurance business of the Reinsured together with the insurance business of each Group Reinsured.

8.2 — Allocation of Retention per Event among Group Companies

The Reinsurer will be entitled to allocate the Retention per Event among the Reinsured and its Group Reinsureds existing on the occurrence of an Event in the event of any claim being made by any of them against the Reinsurer. Any such allocation will reflect the Reinsurer's reasonable estimate of the Retentions per Event which it would have determined to apply to the Reinsured and its Group Reinsureds respectively, had they not been Group Companies with respect to each other.

8.3 — Allocation of Annual Aggregate Retention among Group Companies

The Reinsurer will be entitled to allocate the Annual Aggregate Retention among the Reinsured and its Group Reinsureds existing on the occurrence of an Event in the event of any claim being made by any of them against the Reinsurer. Any such allocation will reflect the Reinsurer's reasonable estimate of the Annual Aggregate Retentions which it would have determined to apply to the Reinsured and its Group Reinsureds respectively, had they not been Group Companies with respect to each other.

9. — Group reorganisations

The Reinsurer will be entitled to alter any Retention calculated under paragraph 8.1 in the event that the identities of the Group Reinsureds



in relation to such Reinsured change, with a view to ensuring that the Retention reflects the amount and nature of the insurance business of the Reinsured together with each such Group Reinsured, as altered by the change in the identity of Group Reinsureds in relation to the Reinsured.

10. — Lloyd's

Paragraph 8 and 9 will not apply to a Reinsured who is a member of a Lloyd's syndicate unless he is the only member of such syndicate.

11. — Definitions

A body corporate is a "Group Company" of another body corporate if (i) it is a wholly-owned subsidiary of that other body corporate; (ii) that other body corporate is a wholly-owned subsidiary of it; or (iii) both of them are wholly-owned subsidiaries of another body corporate.

A "wholly-owned subsidiary" has the meaning given in section 736 of the Companies Act 1985.

3.1 The higher of the Section 1 Retention and the Section 2 Retention shall be the maximum amount to be borne by the Reinsured in respect of all Covered Loss occurring in the Underwriting Period. For example, if there is a Section 1 Retention of £90m and a Section 2 Retention of £100m, the maximum amount to be borne by the Reinsured in respect of Covered Loss will be £100m irrespective of the levels of Covered Loss incurred by the Reinsured and the extent to which such Covered Loss arises from a (Section 1) Non-Conventional Act of Terrorism or (Section 2) Conventional, Act of Terrorism.

Schedule 3 – The "All or Nothing" Rule' Adverse Selection' Principle

1. Adverse Selection

1.1 Pursuant to Article 11.8 of the Reinsurance Agreement, the Reinsured warrants and undertakes to the Reinsurer that in any

Schedule 3 is a new Schedule which explains the Adverse Selection Principle and the concept of Permitted Departures. This information was previously provided in the Underwriting Manuals.



Relevant Instrument, it shall ensure that there is no selection against the Reinsurer.

1.2 For this purpose 'no selection against' the Reinsurer shall mean that where an Original Insured obtains insurance against Acts of Terrorism under a Relevant Instrument, it must do so in respect of:

1.2.1 all Property for which it effects General Cover and which is so eligible; and

1.2.2 all premises and business for which it effects General Cover and which is so eligible,

save in respect of the Permitted Departures. This is known as the "Adverse Selection Principle".

1.3 In paragraph 1.2.1 above, "all Property" means the Property of all Original Insured entities ~~including subsidiary companies~~ regardless of how the direct insurances are arranged, and irrespective of the number of direct insurance policies and/or insurers.

1.4 Where an Original Insured insures Property under a direct insurance policy that is eligible for cession under this Reinsurance Agreement with one or more insurer(s) that are not Members and the relevant Property is not insured as a layered programme or co-insured programme, this would be a breach of the Adverse Selection Principle.

1.5 Where an Original Insured obtains insurance against Acts of Terrorism under a Relevant Instrument in respect of property damage for all Property for which it effects General Cover, business interruption and book debts reinsurance is also available from the Reinsurer. If the Original Insured elects to insure Acts of Terrorism for business interruption and/or book debts with one or more insurer(s) that are not Members, this would be a breach of the Adverse Selection Principle.

1.6 Where an Original Insured obtains insurance against Act of Terrorism for rent on a material damage basis of settlement whereby the loss ceases at the date restoration is complete, it would not be a breach of the Adverse Selection Principle for the Original Insured not to obtain insurance against Acts of Terrorism for the business interruption Class A Head of Cover or the Class B Head of Cover in respect of the risk.

1.7 It shall not be a breach of the Adverse Selection Principle if an Original Insured obtains insurance against Acts of Terrorism in respect



of all Property for which it effects General Cover save for its flats and houses, or if the Original Insured elects to obtain [insurance against Acts of Terrorism](#) for its flats and houses with one or more insurer(s) that are not Members. If the Original Insured elects to exclude all of its flats and houses from the [insurance against Acts of Terrorism](#), it will not be a breach of the Adverse Selection Principle if it also elects to exclude from its [insurance against Acts of Terrorism](#) any Landlord's Contents, Artwork and similar property. This paragraph 1.7 does not apply to flats and houses of mixed residential and commercial occupation that are eligible for cession under this Reinsurance Agreement.

1.8 If Property is insured on a composite basis, each individual Original Insured is deemed to have a separate contract of insurance with the Reinsured. The Reinsured is required to treat each individual Original Insured in its own right and to treat Property accordingly. For example: if housing stock is insured under a direct insurance policy in the names of both a local authority and leaseholder on a composite basis, each party is deemed to have a separate contract of insurance with the insurer. The local authority is an Original Insured in its own right and the Member should treat the housing stock as Property. In order to comply with the Adverse Selection Principle, the local authority is required to effect [insurance against Acts of Terrorism](#) for the remainder of its Property for which it effects General Cover which is eligible for cession under this Reinsurance Agreement.

1.9 Where there is joint insurable interest in a direct insurance policy or a joint direct insurance policy, the Reinsurer will treat such insurance policy as a single [contract of direct insurance](#).

2. Permitted Departures from the Adverse Selection Principle

2.1 The following are permitted departures from the Adverse Selection Principle. Where a Permitted Departure is made, the Reinsured should ensure that a record of its rationale is maintained in accordance with Article 15.2.

2.2 Where an Original Insured is:

2.2.1 responsible as a tenant for insuring a building;

2.2.2 required by the mortgagee to insure a building;



2.2.3 responsible as contractor or employer for insuring contract works and/or other property; or

2.2.4 party to a similar legally binding contractual agreement, not of their own drafting, and is required under the terms of the **contract to effect insurance against Acts of Terrorism** (either explicitly or implicitly), such insurance is permitted without requiring **insurance against Acts of Terrorism**- to be effected on other Property belonging to the Original Insured, provided that the Original Insured purchases **insurance against Acts of Terrorism** for all such contractual obligations, and not only for selected ones.

2.3 Joint venture companies should be treated as companies in their own right and the Adverse Selection Principle will not apply to the participating companies involved in the joint venture. However, if a company decides to insure its exposures in a joint venture operation and has no contractual obligation to do so, then the company concerned is subject to the Adverse Selection Principle.

2.4 Management companies and trustees will not be subject to the Adverse Selection Principle other than for Property they own. However, the owners of the **Property** that they manage will continue to be subject to the principle. For example: a management company, ABC Property Managers insures 20 properties on behalf of 18 different Original Insureds, one of which is ZZZ Ltd, which owns two properties. ABC Property Managers may elect to insure one or more of the Properties for **Acts of Terrorism** without contravening the Adverse Selection Principle, but if ZZZ Ltd were to insure one Property for **Acts of Terrorism**, it must insure the other eligible Properties. The same principles apply to trust properties within a trustee's portfolio.

2.5 The Adverse Selection Principle does not apply to a company and its pension fund as related companies. A pension fund is regarded as a separate entity in law and therefore may make decisions to purchase **insurance against Acts of Terrorism** independent of its company. For the avoidance of doubt, each entity is subject to the Adverse Selection Principle in its own right.

2.6 Where a party holds a Property on lease and:



2.6.1 under the terms of that lease is required to insure the buildings (and rent) against fire and/or explosion damage arising from terrorist activity with a named insurer;

2.6.2 the named insurer is a Member; and

2.6.3 the Landlord has effected insurance against Acts of Terrorism with a Member on all Properties for which the Landlord is responsible for arranging such insurance against Acts of Terrorism under the lease.

the Property will be reinsured by Pool Re notwithstanding that the lessee has elected not to obtain insurance against Acts of Terrorism on its other assets (in which it has an insurable interest) with a Member.

2.7 Diplomatic premises are eligible for cession under the Reinsurance Agreement. Where an Original Insured has a portfolio of premises which include diplomatic premises and the tenant is relying on their ability to recover for an Act of Terrorism under the terms of the Vienna Convention, and is refusing to pay the premium under its insurance against Acts of Terrorism, the Reinsurer would not consider the Original Insured to be in breach of the Adverse Selection Principle if such premises were not insured for Acts of Terrorism.

2.8 Where a subsidiary company is ultimately owned by the same parent or holding structure and it can be shown to the satisfaction of the Reinsurer that there is no central control of insurance matters and that each subsidiary has control over its own insurance arrangements, it is accepted that each subsidiary is not constrained by the decisions of another and will therefore not fall foul of the Adverse Selection Principle should they choose not to purchase insurance against Acts of Terrorism.

2.9 Where it can be shown that a composite Original Insured has only a financial interest in the contract and is not effecting ownership, control, nor having an interest in the day-day operational element of the risk, it is permitted for the composite Original Insured not to obtain insurance against Acts of Terrorism for its other assets. Where the composite Original Insured does exercise greater control than simply providing the loan facility, it is required to adhere to the Adverse Selection Principle.



Schedule 4	
<p>THIS REINSURANCE AGREEMENT is made on 20</p> <p>BETWEEN:</p> <p><u>(1)</u> (1) <i>[Insurer]</i> whose registered office or principal place of business is at [] / Lloyd's managing agent, whose registered office or principal place of business is at [] on behalf of the members of Syndicate [] as constituted for the 2016<u>20</u> year of account and as constituted for each future year of account for which there are no members who were not members of Syndicate [] as constituted for the 2016<u>20</u> year of account <u>(the "Reinsured"); and</u></p> <p>(the "Reinsured"); and</p> <p><u>(2)</u> (2) POOL REINSURANCE COMPANY LIMITED whose registered office is at 7 Savoy Court, London WC2R 0EX (the "Reinsurer").</p> <p><u>1.</u> 1. <u>Address for notices (Article 17.1, 18.1<u>1</u>)</u></p> <p>A notice, approval, consent or other communication in connection with this Reinsurance Agreement must, in the case of the Reinsured, be marked for the attention of.....and sent to:</p> <p>Address.....</p> <p>Facsimile.....</p> <p><u>Email Address.....</u></p> <p><u>2.</u> 2. <u>Address for service of process (Article 20.2, 21.2<u>2</u>)</u></p> <p>.....</p> <p>(This must be an address in the United Kingdom)</p> <p><u>3.</u> 3. <u>Error! Reference source not found. Underwriting Period</u></p>	<p>Previously Schedule 3 otherwise no change.</p>

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<p>3. <u>Schedule 1</u></p> <p>The Effective Date of this <u>Reinsurance</u> Agreement is.....</p> <p>IN WITNESS WHEREOF this Reinsurance Agreement has been signed in duplicate for and on behalf of and by the authority of each contracting party.</p> <p>.....</p> <p>For and on behalf of the Reinsured this day of 20</p> <p>.....</p> <p>For and on behalf of the Reinsurer this day of 20</p> <p>The Treaty Schedule and Schedules 1, 2, 3, 4 and 5 are deemed to form an integral part of this Reinsurance Agreement.</p>	
<p>Schedule 5</p>	
<p><u>THIS AGREEMENT is made on 20[]</u></p> <p><u>BETWEEN</u></p> <p><u>(1) [INSERT THE NAME OF THE REINSURED] whose registered office is at [INSERT ADDRESS] ("the Reinsured"); and</u></p> <p><u>(2) [INSERT NAME OF THE ULTIMATE PARENT UNDERTAKING OF THE REINSURED'S GROUP OF COMPANIES] whose registered office is at [INSERT ADDRESS] ("the Ultimate Parent Undertaking"); and</u></p>	<p>Schedule 5 sets out the undertaking referenced in Article 11.4. This undertaking may be available as an alternative to strict compliance with the cede all business rule in the limited circumstances set out in Article 11.4.</p>



HERBERT
SMITH
FREEHILLS

(3) POOL REINSURANCE COMPANY LIMITED whose registered office is at 7 Savoy Court, London WC2R 0EX (“the Reinsurer”).

WHEREAS:

(A) The Reinsured is a party to an excess of loss reinsurance agreement with the Reinsurer (the “Reinsurance Agreement”).

(B) One of the terms of the Reinsurance Agreement is to the effect that the Reinsured shall ensure that its Connected Persons reinsure all their relevant GB terrorism risks with the Reinsurer (the “cede all business rule” or “CAB Rule”, which expression when used in this Agreement refers to the entirety of Article 11.2 of the Reinsurance Agreement).

(C) In consideration of the Reinsurer waiving the CAB Rule for the period commencing on the date on which this undertaking is signed by the last of the parties to sign and expiring on [INSERT DATE THAT IS ONE CALENDAR YEAR AFTER THE DATE OF SIGNING], the Reinsured and the Ultimate Parent Undertaking (together, the “Undertaking Parties”) will provide the undertakings contained in this Agreement.

IT IS AGREED AS FOLLOWS:

3. DEFINITIONS

3.1 Terms defined in the Reinsurance Agreement have the same meaning in this Agreement:

3.2 “Sub-group” means a group of Connected Persons operating as a single business unit, for example: INSERT NAMES OF THE CONNECTED PERSONS ACTING AS A SINGLE BUSINESS UNIT IF APPLICABLE);

3.3 “Ultimate Parent Undertaking” means (in relation to the Reinsured) such parent undertaking from time to time of the Reinsured that is not itself a subsidiary undertaking of another undertaking, where “parent undertaking”, “subsidiary undertaking” and “undertaking” have the same meanings as in the Companies Act 2006

4. UNDERTAKING

4.1 Each of the Undertaking Parties hereby undertakes as follows:



4.1.1 each of the Connected Persons and the Reinsured shall conduct its direct insurance business in such a way as to avoid any direct or indirect co-ordination or communication between them in relation to their business planning as regards insurance against Covered Losses, their decisions as to the terms on which they will each offer such insurance, and/or the market segments/customers to whom they will offer such insurance, PROVIDED that this undertaking shall not extend to the internal discussions of a single Connected Person or Sub-group;

4.1.2 each Connected Person shall not directly or indirectly recommend or suggest to customers that they should choose to deal with the Connected Person instead of the Reinsured in relation to the purchase of General Cover and/or insurance against an Act of Terrorism in respect of any Class A Head of Cover or the Class B Head of Cover, nor vice versa; and

4.1.3 each Undertaking Party shall co-operate with the Reinsurer from time to time to enable the Reinsurer, acting reasonably, to satisfy itself that those persons subject to the undertaking are complying with it.

4.2 The obligations in this Agreement shall not apply where (and for so long as) a Connected Person provides insurance against Covered Losses only as part of a policy:

4.2.1 covering losses arising under one or more of the Class A Head of Cover as a result of damage to or the destruction of Property located in multiple jurisdictions (including the Territory); or

4.2.2 no separate premium is explicitly or implicitly referable to the Property located within the Territory;

and in either case where the Property located within the Territory represents less than 10 per cent by sum insured of the overall insured Property portfolio under that policy.

4.3 Each of the Undertaking Parties shall immediately inform the Reinsurer of the full circumstances on becoming aware of any breach of the terms of this Agreement.

4.4 The Undertaking Parties understand, acknowledge and agree that, the purpose of this Agreement being to be a complete substitute in each and every respect for the obligations of the Reinsured under



Article 11.2 of the Reinsurance Agreement, this Agreement is to be construed for all purposes as if it were a warranty and undertaking given under the Reinsurance Agreement and the consequences of any breach of this Agreement shall be the same as the consequences of a breach of warranty and undertaking under the Reinsurance Agreement.

4.5 If any or all of the Undertaking Parties are in breach of the undertakings in this Agreement, the Reinsurer's waiver shall immediately fall away without any action on the part of the Reinsurer and the CAB Rule shall be reinstated.

5. GENERAL

5.1 Entire agreement and variation: Each Party confirms that this Agreement (together with the Reinsurance Agreement) represents the entire understanding, constitutes the whole agreement, and supersedes any previous agreement between the parties in relation to the compliance of the Reinsured Parties with the CAB Rule, and excludes any warranty, condition or other undertaking implied at law or by custom, usage or course of dealing. Each Party confirms that in entering into this Agreement it has not relied on any representation, warranty or undertaking which is not expressly set out in this Agreement. No variation of this Agreement will be effective unless it is in writing signed by the parties.

5.2 No waiver: A failure to exercise or delay in exercising any right or remedy provided by this Agreement or by law does not constitute a waiver of that or any other right or remedy, and no single or partial exercise of a right or remedy will preclude any further exercise of any such right or remedy.

5.3 Severability: If any part (including any paragraph or sub-paragraph) of this Agreement is void or unenforceable due to any applicable law, it shall be deemed to be deleted and the remaining parts of this Agreement will continue in full force and effect.

5.4 Costs: Each Party will be responsible for all costs incurred by it or on its behalf in connection with this Agreement.

5.5 Counterparts: This Agreement may be executed by the parties in separate counterparts, which shall together constitute one Agreement.



5.6 Third party rights: No term of this Agreement is enforceable by a person who is not a party to this Agreement under the Contracts (Rights of Third Parties) Act 1999.

5.7 Remedies: Without prejudice to any other rights or remedies that any party may have, the Undertaking Parties acknowledge and agree that damages alone would not be an adequate remedy for any breach by the Undertaking Parties of the provisions of this Agreement, and that the remedies of injunction and specific performance as well as any other equitable relief for any threatened or actual breach by the Undertaking Parties or their Connected Persons would be more appropriate remedies. The Undertaking Parties agree to indemnify and keep indemnified the Reinsurer against any costs, claims, demands, losses or liabilities whatsoever arising directly or indirectly out of any breach by the Undertaking Parties or their Connected Persons of their obligations under this Agreement.

5.8 Governing law and jurisdiction: This Agreement and any dispute or claim arising out of or in connection with it (whether contractual or non-contractual in nature) is governed by, and is to be construed in accordance with, English law. The courts of England shall have exclusive jurisdiction in relation to any claim or dispute which may arise out of or in connection with this Agreement and accordingly any proceedings arising out of or in connection with this Agreement are to be brought in the courts of England.

IN WITNESS whereof the Parties hereto have set their hands the day and year written below.

SIGNED:

[Insert name]

for and on behalf of [Insert name of the Reinsured]

DATED:

SIGNED:



HERBERT
SMITH
FREEHILLS

[Insert name]
for and on behalf of [Insert name of the Ultimate Parent Undertaking]

DATED:

SIGNED:

[Insert name]
for and on behalf of Pool Reinsurance Company Limited

DATED: