

REINSURANCE AGREEMENT

between

BLUE RIDGE INDEMNITY COMPANY

and

LOTS REASSURANCE COMPANY, LTD.

Effective Date: _____, **2016**

THIS AGREEMENT is made on _____, 2016 (hereinafter the "Effective Date"),

BETWEEN

BLUE RIDGE INDEMNITY COMPANY hereinafter referred to as the "Cedant," who desires to cede certain liabilities, pursuant to the terms of this Agreement, on the Policies;

AND

LOTS REASSURANCE COMPANY, LTD., a Turks and Caicos Islands domiciled corporation, hereinafter referred to as the "Reinsurer".

This Agreement is intended to indemnify the Cedant for the insurance risks on the Policies. The limitations and conditions of this indemnification are as noted through this Agreement.

In consideration of the mutual covenants and agreements contained in this reinsurance agreement (the "Agreement"), the Cedant and the Reinsurer (each a "Party" and collectively the "Parties"), mutually agree to reinsure on the terms and conditions as set out below as of the Effective Date.

ARTICLE I - SCOPE OF REINSURANCE

1. Plan of Reinsurance

The Cedant hereby cedes and the Reinsurer hereby reinsures the insurance risks under the Policies on a coinsurance basis according to the terms and conditions of this Agreement. Reinsurance effected under this Agreement will be on an indemnity basis.

2. Cedant Retention

The Cedant will retain its liability on the Policies net of the Quota Share of the risks reinsured under this Agreement. Further reinsurance of the Cedant's retained liability is subject to the Reinsurer's prior written approval, which shall not be unreasonably withheld. This provision will not prevent the Cedant from obtaining additional catastrophe or excess coverage further subject to the consideration of a Material Risk Increase to the Reinsurer.

ARTICLE II - DEFINITIONS

As used in this Agreement, a capitalized term has the meaning as set forth in its respective Article or sub-Article, or the respective meaning set forth below. Such meaning is to be equally applicable to both the singular and plural forms of the capitalized terms.

1. "Affiliate" is defined as in relation to a Party, that Party, any company which is from time to time the ultimate holding company of that Party, and any subsidiary of such holding company.
2. "Agreement" is defined as this reinsurance agreement together with any schedules, exhibits and subsequent permitted amendments having written agreement of the Parties.
3. "Business Day" is defined as any day other than Saturday, Sunday, or a day in which banking institutions which are chartered under the federal laws of the United States, are permitted or obligated by law to be closed.

4. "Cedant" is defined in the recitals on the first page of this Agreement.
5. "Claim" is defined in [Article VI - ~~Article VI~~](#) Claims, sub-Article 1.
6. "Claim Expenses" is defined in [Article VI - ~~Article VI~~](#) Claims, sub-Article 3.
7. "Delivery" is defined in Article XXI - Notices.
8. "Earned Expense Allowance" is defined as the portion of the Expense Allowance that becomes earned and is calculated as Expense Allowance inception to date less the Unearned Expense Allowance.
9. "Earned Premium" is defined as the portion of Reinsurance Premium that becomes earned and is calculated as Reinsurance Premium inception to date less the Unearned Premium Reserve.
10. "Earned Profit" is defined as the amount calculated each Settlement Period, on an inception to date basis, as the greater of zero; or the net result of the Earned Premium plus Investment Income less Earned Expense Allowance less Incurred Claims.
11. "Effective Date" is defined in the recitals on the first page of this Agreement.
12. "Error" is defined in Article XII - Reports and Settlement, sub-Article 3.
13. "Excess Damages" are defined in Article VI - Claims, sub-Article 4.
14. "Expense Allowance" is defined in [Article V - ~~Article V~~](#) Expense Allowance.
15. "Experience Refund" is defined as the amount paid by the Reinsurer to the Cedant pursuant to Article VIII - Experience Refund.
16. "Incurred Claims" is defined as the net result of the Claims paid plus the change in the Claim Reserve determined on an inception to date basis.
17. "Initial Reinsurance Claim" is defined as an amount equal to the Quota Share portion of the Cedant's Statutory Claim Reserves on the Effective Date with respect to the Policies.
18. "Initial Expense Allowance" is defined in [Article V - ~~Article V~~](#) Expense Allowance, sub-Article 1.
19. "Initial Reinsurance Premium" is defined as an amount equal to the Quota Share portion of the Cedant's Statutory Reserve on the Effective Date with respect to the Policies.
20. "Insolvent" and "Insolvency" are defined in Article XIV -Insolvency.
21. "LIBOR" is defined as the rate equal to the "British Bankers' Association average of interbank offered rates for dollar deposits in the London market" for a term of three months, as published in the Wall Street Journal under the heading entitled "Money Rates, London interbank offered rate, or Libor" or any future or substitute heading utilized by such publication, for the date of determination of such rate.
22. "Loss Carry Forward" is defined in [Article IX - ~~Article IX~~](#) Loss Carry Forward.
23. "Material Risk Increase" is defined as a change in the risk exposure under this Agreement that results in a material adverse economic effect for the Reinsurer. If the Parties disagree as to whether a Material Risk Increase has occurred, an Expert will be appointed pursuant to Article XV - Dispute Resolution to resolve the dispute.
24. "Notice" is defined in Article XXI - Notices.
25. "Policy" is defined as the insurance coverages reinsured under this Agreement that are issued directly by the Cedant having a plan code specified in Schedule A, Description of Reinsured Business.
26. "Quota Share" is defined as the Reinsurer's proportion of the liability on the insurance risks of the Policies. For purposes of this Agreement, the Quota Share [for Cedant](#) shall be ~~set separately for each Cedant and equal to~~ as follows: ~~Lyndon Southern Insurance Company 95%, Insurance Company of the South 90% and Response Indemnity of California~~[Blue Ridge Indemnity Company](#) 90%

27. "Receipt" is defined in Article XXI - Notices.
28. "Reinsurance Premium" is defined as the Quota Share portion of the gross premiums collected from the policyholders by the Cedant net of premium refunds paid by the Cedant with respect to the Policies.
29. "Reinsurer" is defined in the recitals on the first page of this Agreement.
30. "Risk Charge" is defined in Article VII - Risk Charge.
31. "Risk Charge Rate" is set as 3.70% per annum payable quarterly.
32. "Settlement Amount" is defined in [Article XII - ~~Article XII~~](#) Reports and Settlement, sub-Article 5.
33. "Settlement Period" is defined to be a calendar quarter with the first Settlement Period starting on the Effective Date and ending on December 31, 2016. The final Settlement Period is defined as the period starting on the day immediately following the last day of the preceding Settlement Period through the Termination Date.
34. "Settlement Procedures" is defined to mean the procedures set forth in [Article XII - ~~Article XII~~](#) Reports and Settlement, pursuant to which the various amounts owing by the Parties to each other pursuant to the provisions of this Agreement for each Settlement Period are settled following such Settlement Period by means of a single net payment by the applicable Party to the other.
35. "Settlement Report" is defined as the report to be provided by the Cedant to the Reinsurer with respect to each Settlement Period in a format consistent with and containing the information specified in Schedule C.
36. "Statutory Reserve" is defined as the Quota Share portion of the reserve which the Cedant is required to maintain on the Policies in accordance with the laws of those states where the Policies are issued and are calculated using the methods and assumptions the Cedant uses for its statutory quarterly or annual statements.
37. "Statutory Successor" is defined in Article XIV - ~~Insolvency~~.
38. "Termination Date" is defined in Article XIII - Duration, sub-Article 2.
39. "Trust Account" is defined in [Article X - ~~Article X~~](#) Trust Account.
40. "Unearned Expense Allowance" is defined as the portion of the Expense Allowance that is unearned calculated as the Expense Allowance times [Unearned Premium Reserve divided by the Reinsurance Premium inception to date].
41. "Unearned Premium Reserve" is defined as the portion of the Reinsurance Premium that is unearned and is calculated using the methods and assumptions the Cedant uses for its statutory quarterly or annual statements.

ARTICLE III - LIABILITY

1. Reinsurance Conditions

The liability of the Reinsurer will begin simultaneously with that of the Cedant on the Policies; provided that no liability shall accrue to the Reinsurer prior to the Effective Date. The reinsurance under this Agreement with respect to any risk on a Policy will be maintained in force without reduction as long as the liability of the Cedant on such risk under the Policy remains in force without reduction, unless such reinsurance is terminated or reduced as provided herein, but will not extend beyond the effective date of the recapture and/or termination of this Agreement.

The reinsurance hereunder is subject to the same limitations and conditions as the insurance under the Policies, except as otherwise provided herein.

2. Administration of Policies

The Cedant will keep all books and records in connection with the Policies and reinsurance as would reasonably be expected of a prudent insurance company and will keep records sufficient to reasonably demonstrate the liability of the Reinsurer under this Agreement. The Cedant will administer the Policies and perform all administration, accounting and reporting for the Policies. The Cedant will perform the administration of all claims arising out of the Policies and will have the sole responsibility for the settlement of claims with its claimants. In addition to the inspection rights described in Article XVII - Inspection, the Reinsurer shall have the right to review proofs of Claim payments due or paid which the Cedant shall promptly furnished to the Reinsurer upon request.

ARTICLE IV - PREMIUMS

1. Initial Reinsurance Premium

To effect the reinsurance under this Agreement, the Cedant will pay an Initial Reinsurance Premium to the Reinsurer within five (5) Business Days of the later of the Effective Date or the execution of this Agreement and pursuant to the Settlement Procedures.

2. Reinsurance Premiums

In consideration of the Reinsurer's liabilities under this Agreement, at the end of each Settlement Period, the Cedant will pay to the Reinsurer, pursuant to the Settlement Procedures, the Reinsurance Premium for such Settlement Period. The Reinsurer will treat any such Reinsurance Premiums as paid premium for annual statement purposes regardless of the mode of collection by the Cedant on the Policies.

ARTICLE V - EXPENSE ALLOWANCE

1. Initial Expense Allowance

Simultaneous with the Cedant's payment of the Initial Reinsurance Premium, the Reinsurer will pay to the Cedant, pursuant to the Settlement Procedures, an "Initial Expense Allowance" defined as a one-time payment in the amount of the result of the Quota Share times the unearned commissions, administrative expense and premium taxes on the Policies determined as of the Effective Date.

2. Expense Allowance

Following the end of each Settlement Period after the first, the Reinsurer will pay to the Cedant, pursuant to the Settlement Procedures, an Expense Allowance for the administration of the Policies. The "Expense Allowance" is defined as the sum of (a), (b), and (c), where

- (a) is the Quota Share times the actual commission;
- (b) is the Quota Share times the actual administrative expense subject to a maximum of 3.5% times the Reinsurance Premium for such Settlement Period;
- (c) is the Quota Share times the premium taxes for such Settlement Period.

The Reinsurer will bear no part of the expenses incurred in connection with the Policies except as otherwise provided herein.

ARTICLE VI - CLAIMS

1. Initial Reinsurance Claim

To effect the reinsurance under this Agreement, the Cedant will pay an Initial Reinsurance Claim to the Reinsurer within five (5) Business Days of the later of the Effective Date or the execution of this Agreement and pursuant to the Settlement Procedures.

2. Claims

In consideration of the Cedant's payment of the Reinsurance Premiums, the Reinsurer shall indemnify the Cedant for Claims on the Policies determined at the end of each Settlement Period. The Reinsurer shall pay to the Cedant, pursuant to the Settlement Procedures, the sum of all Claims paid during such Settlement Period. For this purpose, a "Claim" is defined as the Quota Share times the sum of (a.), and (b.) where:

- (a.) is the benefit paid according to the terms and conditions of the relevant Policy contract for which the claim is incurred during the effective coverage of this Agreement and includes the interest required to be paid with respect to such benefits under applicable law, rule or regulation; and
- (b.) is the Claim Expenses in accordance with the terms of sub-Article 2, below.

Under no circumstances will the form or amount of reserves maintained by the Cedant be construed to expand or limit the definition of a Claim set forth above.

For each Settlement Period, pursuant to the Settlement Procedures, (a) the Reinsurer will pay Claims in a lump sum to the Cedant without regard to the form of settlement of any Claim by the Cedant and (b) the undisputed Claims will be netted against the Reinsurance Premium and other amounts due the Reinsurer from the Cedant under this Agreement.

3. Claim Expenses

The Reinsurer shall pay reasonable claim investigation and/or legal expenses paid by the Cedant in connection with contractual liability Claims (the "Claim Expenses").

The Reinsurer shall not reimburse the Cedant for and Claim Expenses do not include the following:

- a. routine claim and administration expenses, including but not limited to the Cedant's home office expenses, compensation of salaried officers and employees, and any legal expenses other than third party expenses incurred by the Cedant;
- b. expenses incurred in connection with a dispute or contest arising out of conflicting claims of entitlement to Policy contract proceeds or benefits which the Cedant admits are payable;
- c. expenses, fees, settlements, or judgments arising out of or in connection with claims against the Cedant for Excess Damages;
- d. expenses, fees, settlements, or judgments arising out of or in connection with claims made against the Cedant and based on alleged or actual bad faith, failure to exercise good faith, or tortious conduct in the handling of Claims or in other dealings with its policyholders, insureds, or beneficiaries; and
- e. claim expenses associated with non-reinsured policies.

4. Excess Damages

The Reinsurer shall not indemnify the Cedant for and shall not be liable for payment or liability in connection with any Punitive Damages, Compensatory Damages, Statutory Penalties, or damages resulting from fraud, oppression, bad faith, strict liability, or negligent, reckless, or intentional wrongs on the part of the Cedant or its directors, officers, employees, or agents (collectively referred to as "Excess Damages").

For purposes of this Agreement:

"Punitive Damages" are defined as those damages awarded as a penalty, the amount of which is neither governed nor fixed by statute.

"Compensatory Damages" are defined as those amounts awarded to compensate for non-contractual damages sustained, and are not awarded as a penalty, nor fixed in amount by statute.

"Statutory Penalties" are defined as those amounts awarded as a penalty by a federal or state governmental or regulatory authority, but which are fixed in amount by statute.

ARTICLE VII - RISK CHARGE

Each Settlement Period, the Reinsurer will retain, pursuant to the Settlement Procedures, a "Risk Charge" to be calculated with respect to each Settlement Period equal to the Risk Charge Rate times the Unearned Expense Allowance as of the end of such Settlement Period. The Risk Charge will be deducted from the Experience Refund, if any. Any settlement amount due a Party as a result of the reconciliation calculation shall be included in the Settlement Amount for the Settlement Period immediately subsequent to the calculation. If the reconciliation calculation occurs in the final Settlement Period, then the reconciliation settlement shall be due upon the later of five (5) Business Days from the Termination Date or the reconciliation calculation.

If the Experience Refund is eliminated in accordance with [Article VIII - Article VIII](#)—Experience Refund, subsequent Risk Charges will no longer be calculated or payable.

ARTICLE VIII - EXPERIENCE REFUND

For each Settlement Period, the Reinsurer will refund to the Cedant an "Experience Refund", if any, pursuant to the Settlement Procedures. The Experience Refund shall be calculated pursuant to Schedule B. Any Earned Profits will be used to first reduce the Loss Carry Forward balance, if any, before being used to pay an Experience Refund.

ARTICLE IX - LOSS CARRY FORWARD

The "Loss Carry Forward" is defined as an amount equal to zero on the Effective Date; and for each subsequent Settlement Period, is the amount calculated pursuant to Schedule B. The Loss Carry Forward will accrue interest each Settlement Period beginning on the last Business Day of the most recent Settlement Period in which it results in a positive amount. Such interest shall be calculated using a rate equal to LIBOR as of the last Business Day of such Settlement Period plus 300 basis points. In the event that any Loss Carry Forward balance arises for a Settlement Period, any Earned Profit for subsequent Settlement Periods will reduce the Loss Carry Forward balance on a dollar-for-dollar basis

until such balance is eliminated prior to any Earned Profits applied to reduce the Unearned Expense Allowance.

ARTICLE X - TRUST ACCOUNT

The Reinsurer, in the position of the grantor, shall deposit the assets backing the Statutory Reserve (net of the Unearned Expense Allowance) into a Trust Account to the benefit of the Cedant, in the position of the beneficiary, with Synovus Bank, in the position of the trustee, in the form attached hereto as Exhibit I or in such other form as is satisfactory to the Cedant and the Reinsurer ("Trust Account"). Upon the execution of this Agreement, the Reinsurer shall deposit directly into the Trust Account assets (as defined within the Trust Agreement) having a book value amount equal to the Statutory Reserve net of the Unearned Expense Allowance. The Cedant and Reinsurer mutually agree the Trust Account balance for each subsequent settlement period shall be a minimum of the Statutory Reserve net of the Unearned Expense Allowance (minimum balance).

The assets shall be invested and reinvested at the discretion of the Reinsurer. The Reinsurer is responsible for all fees payable for the Trust Account and for any clearing services provided with respect to the assets maintained in the Trust Account.

The Cedant and the Reinsurer agree that the assets in the Trust Account shall be used solely for the purpose of satisfying the liabilities of the Reinsurer to the Cedant and for the purpose of satisfying the liabilities of the Cedant to the Reinsurer under this Agreement and for no other purpose whatsoever. This shall include, but not be limited to the payment of the Expense Allowance, Claims and the Experience Refund to the Cedant.

The assets in the Trust Account may be withdrawn by the Cedant at any time, notwithstanding any other provisions in this Agreement, and shall be utilized and applied by the Cedant or any Statutory Successor of the Cedant, without diminution because of Insolvency on the part of the Reinsurer or the Cedant, only for the following purposes:

- a. to make payment to the Cedant with respect to the Reinsurer's obligations under this Agreement, but only if such obligations are not otherwise paid to it by the Reinsurer; or
- b. where (i) Cedant receives notification of termination of the Trust Account, and (ii) where Reinsurer's obligations under this Agreement remain unliquidated and undischarged ten (10) days prior to such termination date, to withdraw the assets held in the Trust Account and deposit such assets in a separate account, in the name of the Cedant, in any United States bank or trust company, apart from its general assets, in trust for such uses and purposes specified in subparagraph (a) above as remain executory after such withdrawal and for any period after such termination date, and to make payment to the Reinsurer with respect to Cedant's liabilities under this Agreement, but only if such liabilities are not otherwise paid to the Reinsurer by the Cedant; or
- c. to make payment to the Cedant for any amounts owed to the Cedant under the termination provisions of this Agreement, if not otherwise paid to it by the Reinsurer under the terms hereof.

The Cedant agrees, that in the absence of a payment default by the Reinsurer under this Agreement, that the Reinsurer may withdraw all or any part of the assets from the Trust Account and transfer such assets to the Reinsurer; provided, that the Reinsurer shall, at the time of such withdrawal, replace the withdrawn assets with other assets and having a statutory book value equal to the statutory book value of the assets withdrawn so as to maintain at all times the statutory book value of the Trust Account at least equal to the Statutory Reserve net of the Unearned Expense Allowance. The Reinsurer shall be

entitled to 100% of all investment income and investment gains or losses and shall be permitted to withdraw any excess funds related to investment returns at any time for their own benefit subject to the minimum balance terms and conditions described herein.

ARTICLE XI - LETTER OF CREDIT

If the Cedant requires security from the Reinsurer for reinsurance credit, then the Reinsurer shall provide Cedant a clean, irrevocable, unconditional, and evergreen letter of credit issued or confirmed by a qualified United States financial institution. Such letter of credit shall have an initial term of twelve (12) months, and shall be renewable automatically for twelve (12) month periods unless otherwise agreed upon by the Parties, and shall conform to all requirements of the laws of the Cedant's state of domicile for the Cedant to be credited with a reduction of liability. The letter of credit shall be an amount equal to the lesser of the Unearned Expense Allowance Reserve or the Statutory Reserves minus the Trust Account balance or as otherwise mutually agreed between the Cedant and Reinsurer. Upon request by the Cedant, the Reinsurer shall change the amount of the letter of credit from time to time, but not more frequently than once every three (3) month period.

Notwithstanding any other provision of this Agreement, the Cedant or any Statutory Successor of the Cedant may draw upon such letters of credit at any time (including but not limited to the receipt of notice of non-renewal of such letter of credit) for one or more of the following reasons:

1. To reimburse the Cedant for the Reinsurer's share of Reinsurance Premiums returned to the owners of the Policies on account of cancellations of such Policies;
2. To reimburse the Cedant for the Reinsurer's share of the Claims and Expenses, paid by the Cedant under the terms and provisions of the Policy contracts;
3. To pay for any other undisputed amounts due the Cedant under this Agreement.

In the event that the Cedant cashes the letter of credit, any cash net of the amounts needed to pay liabilities as described in items 1 to 3 above in this Article, shall be placed in a trust for the benefit of the Reinsurer. Interest income accrued on the assets in such trust shall also be credited and paid to the Reinsurer.

All of the foregoing shall apply without diminution in the event of the Insolvency on the part of either Party.

ARTICLE XII - REPORTS AND SETTLEMENT

1. Currency

The currency for reporting and settlements will be United States dollars.

2. Reports

The Cedant will submit the Settlement Report, attached as Schedule B herein, to the Reinsurer not later than thirty (30) Business Days after the end of each Settlement Period. The information contained in all such reports will be reported in bulk (no seriatim information).

Promptly following each Settlement Period or otherwise upon request, the Cedant will provide to the Reinsurer, information necessary to prepare the Reinsurer's tax, statutory, and United States Generally Accepted Accounting Principles financial statements, including information described in the Settlement Report.

No later than March 20th of each calendar year while this Agreement remains in effect, the Cedant will supply the Reinsurer a copy of the Statement of Actuarial Opinion. In addition, annually, the Cedant will provide to the Reinsurer a copy of the Cedant's most recent statutory statement promptly after it is filed with the Cedant's domestic regulatory authority.

The Cedant acknowledges that its delivery of accurate and timely reports, as required under this Agreement, is material to the Reinsurer's participation herein. If the Cedant fails to provide timely reports due to an Error, the Parties will endeavour in good faith to negotiate a mutually agreeable solution. The Cedant agrees that it will compensate the Reinsurer for any material losses it may have demonstrably incurred as a result of such reporting issues. This remedy shall be in addition to any other remedies provided for herein.

3. Errors, Oversights, and Other Failures

If through unintentional error, oversight, omission, or misunderstanding (collectively referred to as "Error(s)"), the Reinsurer or the Cedant fails to comply with the terms of this Agreement and if, upon discovery of the Error by either Party, the other is promptly notified in writing, each thereupon will be restored to the position it would have occupied if the Error had not occurred, including interest as provided in Article XII - Reports and Settlement, sub-Article 6.

If it is not possible to restore each Party to the position it would have occupied but for the Error, the Parties will endeavor in good faith to promptly resolve the situation in a manner that is fair and reasonable, and most closely approximates the intent of the Parties as evidenced by this Agreement. Any resolution made to correct such Error shall not constitute a waiver or set a precedent for any similar subsequent Error.

Also, in the absence of willful misconduct or fraudulent intent, no breach by a Party of any provision of this Agreement and no failure of any representation made by a Party to be true and accurate shall give the other Party a right to void this Agreement. The remedy will be restricted to damages caused by such breach or failure in addition to any right a Party may have to terminate this Agreement as provided herein. If the Cedant does not take action to resolve undisputed Errors within sixty (60) days of the Parties agreeing upon a resolution to the Error, the Reinsurer will have the option to limit its liability to correctly reported Policies only. Disputed Errors shall be resolved pursuant to Article XV - Dispute Resolution, sub-Article 2.

However, the Reinsurer shall not provide reinsurance for policies or risks that do not satisfy the parameters of this Agreement nor shall the Reinsurer be responsible for negligent or deliberate acts or for repetitive Errors in administration by the Cedant. If a Party discovers that the Cedant has failed to cede reinsurance in accordance with the provisions of this Agreement, or failed to comply with its reporting requirements hereunder, the Reinsurer may require the Cedant to audit its records for similar Errors and to take the actions necessary to avoid similar Errors in the future.

The provisions of this Article shall not relieve any Party of its obligation to perform its administrative obligations within the time standards described in this Agreement unless otherwise mutually agreed upon. Furthermore, these provisions do not apply to the administration of the insurance provided by the Cedant to its insured or any other errors or omissions committed by the Cedant with regards to the Policies.

4. Financial Statement Accounting

Each Party acknowledges to the other that it is responsible for ensuring that the accounting treatment it has adopted for this Agreement and the transactions contemplated hereunder, complies with all relevant and applicable accounting and regulatory standards. Each Party must consult with its own accounting, tax and legal advisers to determine the proper accounting, tax and regulatory treatment for this Agreement and the transactions contemplated hereunder. A Party has no duty or responsibility to inquire, investigate or verify the accounting treatment which the other Party adopts.

5. Settlement

At the end of each Settlement Period and within five (5) Business Days from the Reinsurer's receipt of the Cedant's Settlement Report, the Parties will settle all undisputed amounts owing by the one Party to the other, as reflected in the Settlement Report pursuant to the Settlement Procedures. The Settlement Amount for each Settlement Period is defined as the result of the calculation pursuant to Schedule B. If the last day of the final Settlement Period does not end on a calendar quarter, all Settlement Report and Amount calculations will be adjusted commensurately pro rata for the number of days in the quarter elapsed prior to the end of such Settlement Period. All amounts due the Cedant or the Reinsurer for any Settlement Period will be settled pursuant to the Settlement Procedures regardless of the Insolvency of either Party.

In the event that subsequent to the settlement a change is made with respect to any amount taken into account pursuant to this article, a separate calculation and settlement will take place promptly. Any amount owed to the Reinsurer or to the Cedant by reason of such supplementary accounting will be paid promptly upon the completion thereof.

6. Delayed Payment and Recalculations

If there is a delayed settlement or a recalculation of an amount due, there will be an interest charge computed at the interest rate prescribed below for the period commencing with the first Business Day after the last day the amount is due in accordance with the sub-Article 5, Settlements, above. Interest shall be paid by the owing Party with the Settlement Amount upon which the interest was accumulated.

The annual interest rate for delayed settlement will be equal to LIBOR for the 36th day after the end of the Settlement Period to which the charge applies (or, if such day is not a Business Day, the immediately preceding Business Day), plus 300 basis points.

7. Offset

The Parties shall have recoupment rights and shall have the rights of offset as described hereunder. It is recognized and mutually intended that the rights of offset under this Agreement apply to the undisputed mutual debts and credits owed between the Parties under this Agreement.

The Parties shall have and may exercise, at any time and from time to time, the right to offset any undisputed amounts due from one Party to the other Party hereto under the terms of this Agreement.

If one Party is Insolvent, offset shall be allowed as set forth above, and any amount or amounts due or to become due under this Agreement accruing from obligations incurred or loss events or occurrences taking place prior to the Insolvency, or after such time shall be deemed mutual in time and capacity and such debts and credits shall be offset against one another whether the balances due or to become due are on account of premiums or losses including, but not limited to, paid losses and loss reserve or otherwise.

Any undisputed debts or credits, matured or unmatured, liquidated or unliquidated, regardless of when they arose or were incurred, in favor of or against either the Cedant or the Reinsurer under this Agreement are deemed mutual debts or credits, as the case may be, and shall be set off, and only the balance shall be allowed or paid.

8. Recoupment

Amounts due under this Agreement to one Party before or after the Insolvency of the other Party may be recouped and only the net balance due will be paid.

ARTICLE XIII - DURATION

1. Duration

Except as otherwise provided herein, this Agreement will be unlimited in duration.

2. Recapture and Termination

The "Termination Date" of this Agreement shall be effective on the date specified pursuant to the cause of such termination as described in the events below.

- a. The Cedant has the right to recapture the Policies, thereby terminating the reinsurance under this Agreement, by sending Notice to the Reinsurer at least ninety (90) calendar days prior to the intended termination date. The Termination Date shall be effective on the 90th day from the Delivery of such Notice. If such recapture is the result of any other of the termination events specified below, the Parties shall follow the terms and conditions of such other termination event. Otherwise, the Cedant shall be required to pay the Loss Carry Forward balance as of the Termination Date, if any, to the Reinsurer as a result of recapture under this sub-Article. Unless agreed to by the Reinsurer, recapture will apply to all Policies in force at the time of recapture.
- b. The Cedant has the right to terminate if, as a result of a change in regulatory requirements or the interpretation thereof, the Cedant is unable to take statutory credit for the reserves and/or the surplus requirements associated with the Policies. Termination under this provision will be allowed, and without the ninety (90) days prior written notice, as long as a reasonable effort has been made by the Cedant and the Reinsurer to make mutually acceptable changes to this Agreement to reverse the impact of the change in regulatory requirements or interpretation thereof and such effort is unsuccessful in restoring the reserve or surplus credit. The Termination Date shall be effective on the Delivery of such Notice.
- c. A Party shall provide prompt Notice to the other Party if at any time during the effect of this Agreement the Party loses its license to transact the class of business reinsured hereunder. Either Party shall have the right to terminate this Agreement with immediate effect as of the Delivery of the termination Notice (the Termination Date). In the event the termination is due to the Reinsurer's loss of license, then the Cedant shall not be required to pay the Loss Carry Forward balance, if any. Otherwise, the Cedant shall be required to pay the Loss Carry Forward balance as of

the Termination Date, if any, to the Reinsurer as a result of recapture and termination under this sub-Article.

- d. A Party may terminate this Agreement if the other Party fails to make payments in accordance with Article XII - Reports and Settlement or if the other Party breaches a material term of the Agreement. If the non-breaching Party intends to terminate, then it shall send Notice describing the nature of the breach in reasonable detail to the other Party which will have thirty (30) days from the Receipt of Notice to make the payment or cure such breach. If such payment is made or such breach is cured within such thirty (30) day period, the termination Notice shall automatically be deemed to be rescinded. Otherwise, the Termination Date shall be effective upon the expiry of the thirty (30) day period during which the breaching Party has an opportunity to cure the breach but does not do so. Provided always that such non-payment under this sub-Article is not being disputed under Article XV - Dispute Resolution.

If the owing Party is the Cedant, and the full payment has not been paid within the thirty (30) day period, the Cedant must pay any Loss Carry Forward balance as of the Termination Date to the Reinsurer. If the owing Party is the Reinsurer, and the full payment has not been paid within the thirty (30) day period, the Cedant will not be responsible for payment of any Loss Carry Forward.

- e. If the Reinsurer becomes Insolvent, the Cedant can terminate with immediate effect upon Delivery of Notice. In such event, the Cedant shall be required to pay any Loss Carry Forward balance as of the Termination Date, if any.
- f. The Reinsurer may terminate for new issues of Policies effective upon at least ninety (90) days prior written Notice.
- g. This Agreement will automatically terminate when there is no liability remaining on the Policies. The effective date of such termination shall be the date on which this occurs.

Except as otherwise provided herein, the recapture and/or termination of the reinsurance in effect under this Agreement will apply to all Policies in force at the time of such recapture and termination. The termination of this Agreement or of the reinsurance in effect under this Agreement shall not extend to or affect any of the rights or obligations of the Parties applicable to any period prior to the Termination Date. As of the Termination Date, the Cedant will assume all liabilities, rights and duties with respect to the recaptured Quota Share portion of the risks on the Policies; the Reinsurer will have no further liabilities, rights or duties with respect to the recaptured Quota Share portion of the risks on the Policies and this Agreement will be considered terminated.

3. Recapture and Termination Reporting and Settlement

In the event of a recapture and termination, a termination report and settlement will be determined as of the effective date of termination for which:

- a. The Parties will settle the Settlement Amount;
- b. The Reinsurer will pay to the Cedant an amount equal to the Statutory Reserve net of the Unearned Expense Allowance (effected by the release of the Trust assets to the Cedant and the termination of the Trust Agreement);

c. For items 2a., 2b., 2c. or 2d. (if the offending Party is the Cedant) of this Article, 2e., or 2f. the Cedant will pay an amount equal to the balance in the Loss Carry Forward, if any pursuant to the reason for termination as specified in sub-Article 2. above; and

d. The Cedant will return any form of security provided by the Reinsurer such as letter of credit within five (5) Business Days of the later of the Termination Date or the full execution of a termination amendment.

ARTICLE XIV - INSOLVENCY

A Party to this Agreement will be deemed "Insolvent" and an "Insolvency" is deemed to have occurred if such Party:

- i. applies for, or consents to, the appointment of a receiver, rehabilitator, conservator, examiner, administrator, liquidator or statutory successor (collectively the "Statutory Successor") of its properties or assets; or
- ii. is adjudicated as bankrupt or insolvent or cannot meet its debts as they fall due; or
- iii. files, or consents to the filing of, an order for its winding up, entry into examinership, a petition in bankruptcy, seeks reorganization to avoid insolvency or makes formal application for any bankruptcy, dissolution, liquidation or similar law or statute; or
- iv. becomes the subject of an order for examinership, for its winding up, to rehabilitate or an order to liquidate as defined by the insurance code of the jurisdiction of the Party's domicile.

In the event the Cedant is Insolvent, reinsurance under this Agreement will be payable directly to the Cedant or to its Statutory Successor on the basis of the liability of the Cedant without diminution for those claims allowed against the Cedant by any court of competent jurisdiction or by the Statutory Successor having authority to allow such claims because of the Insolvency of the Cedant or because the Statutory Successor of the Cedant has failed to pay all or a portion of any claim.

Subject to applicable law, the Cedant's Statutory Successor will send Notice to the Reinsurer of the pendency of a claim against the Cedant which may involve the reinsurance afforded by this Agreement within a reasonable time after a claim is filed in the Insolvency proceedings. The Reinsurer will have the right, at its sole discretion, to investigate the claim and interpose in the proceedings where the claim is to be adjudicated, at its own expense. A proportionate share of the expense thus incurred by the Reinsurer will be chargeable, subject to court approval, against the Cedant as part of the expense of liquidation to the extent of the benefit accruing to the Cedant solely as a result of the defense undertaken by the Reinsurer.

Except as otherwise provided herein, the Reinsurer will not be or become liable for any amounts or reserves to be held by the Cedant on the Policies.

It is understood that the provisions of this Article will not modify those set out in Article XII - Reports and Settlement, sub-Articles 7. Offset and 8. Recoupment.

ARTICLE XV - DISPUTE RESOLUTION

1. Dispute Resolution Procedures

Any dispute between the Parties arising out of or relating to this Agreement will be first addressed in accordance with the procedures specified in sub-Articles 2, 3, and 4, below and subsequently, if necessary, in sub-Article 5, below, which will be the sole and exclusive procedures for the resolution of any such disputes. It is the intention of the Parties that the customs and practices of the insurance and reinsurance industry will be given full effect in the operation and interpretation of this Agreement and this Agreement shall be treated as an honorable engagement. The Parties agree to act in all things with good faith.

2. Informal Mediation Between Parties

The Parties will attempt in good faith to resolve any dispute arising out of or relating to this Agreement promptly by negotiation between executives of each Party who have authority to settle the controversy. A Party will provide the other Party Notice of a dispute which will include: (i) a statement of the Party's position and a summary of arguments supporting that position, and (ii) the name and title of the executive who will represent that Party and of any person accompanying the executive. Within fifteen (15) days of receipt of such Notice the other Party will provide a written response of its own information for (i) and (ii). Within thirty (30) days after Delivery of the disputing Party's Notice, the executives will meet at the Cedant's headquarters, or at such other location as mutually agreed by the Parties, at a mutually convenient time, and thereafter as often as they reasonably deem necessary, to attempt to resolve the dispute. All reasonable requests for information made by one Party to the other will be honored. All negotiations, discussions, and communications made or conducted pursuant to the procedures set forth in this sub-Article 2 are confidential and will be treated as compromise and settlement negotiations for purposes of the Federal Rules of Evidence and any other applicable rules of evidence.

3. Failure To Resolve Calculation Disputes By Informal Mediation

If a dispute between the Parties concerning the determination of the Material Risk Increase or a calculation made pursuant to this Agreement has not been agreed or settled within the timing pursuant to sub-Article 2, above, then the dispute will be referred to an actuary jointly appointed by the Parties (the "Expert"). The Expert must be (i) a Member of the American Academy of Actuaries; (ii) qualified in pricing, reinsurance or valuation, as applicable, on the basis of education and experience; (iii) independent from the Parties; (iv) disinterested in the outcome of the dispute.

If the Parties cannot agree on the appointment of an Expert within ten (10) Business Days, then each Party will nominate three (3) actuaries qualified as Experts under the prior paragraph. Within ten (10) Business Days thereafter, each Party will then decline two (2) of the other Party's nominations. The Expert shall be chosen from the remaining two (2) nominations by drawing lots.

Within five (5) Business Days of the appointment of the Expert, each Party will submit its proposed resolution for the dispute. Each Party will, upon request by the Expert, provide the Expert with such information as is within its possession or control and reasonably required by the Expert, save if to do so would breach any law, regulation or contractual obligation to which that Party is subject. The Parties will have the right to make representations to the Expert.

The Expert will act as an expert and not an arbitrator and will be required to report no later than thirty (30) Business Days after receipt of both Parties' resolutions, but no later than thirty-five (35) Business Days regardless of receipt of both Parties' resolutions. The Expert will issue a written, reasoned decision. The Expert's decision will consider all documentation provided by the Parties and the provisions of this Agreement. The decision of the Expert will, in the absence of manifest error, be final and binding on the

Parties. A Party may petition any court having competent jurisdiction to reduce the decision to judgment.

The Parties will bear the Expert's costs equally.

4. Failure to Resolve Dispute by Mediation (excluding Calculation Disputes)

For any dispute other than a calculation dispute, if immediately following the Delivery of a dispute Notice, and the Parties have not mutually agreed in writing to extend the negotiation period, and either (i.) the matter has not been resolved within sixty (60) Business Days, or (ii.) the Parties fail to meet within thirty (30) Business Days, the Parties agree that the sole remedy for resolving any and all disputes arising out of or in connection with this Agreement will be by arbitration in accordance with sub-Article 5, below.

5. Arbitration

a. Resolution of Damages

All disputes between the Parties on which an agreement cannot be reached in accordance with the sub-Articles above, will be decided by binding arbitration.

To initiate arbitration, a Party will send Notice to the other Party of its desire to arbitrate, stating the nature of its dispute and the remedy sought ("Notice of Arbitration"). The Party to which the Notice is sent will respond in writing within ten (10) Business Days of its Receipt.

The Parties intend this Article to be enforceable in accordance with the Federal Arbitration Act (9. U.S.C., Section 1) including any amendments to that Act which are subsequently adopted. In the event that either Party refuses to submit to arbitration as required by this Article, the other Party may request a court to compel arbitration in accordance with the Federal Arbitration Act.

b. Composition of Panel

There will be three arbitrators who must be

- (i) current or former disinterested officers of life insurance or life reinsurance companies other than of the Parties, their subsidiaries or Affiliates;
- (ii) qualified in pricing, reinsurance or valuation, as applicable, on the basis of education and experience;
- (iii) independent from the Parties; and
- (iv) disinterested in the outcome of the dispute.

Each Party will appoint one arbitrator and these two arbitrators will select the third arbitrator, who shall serve as umpire. If either Party fails to appoint an arbitrator within thirty (30) Business Days of the Notice of Arbitration, the other Party may appoint the second arbitrator.

If the two arbitrators do not agree on a third arbitrator within thirty (30) Business Days of their appointment, the Parties will each submit a list containing the names of three persons who meet the criteria set out in this Section for being an arbitrator. Thereafter, each Party -appointed arbitrator shall strike two names from the list. If only one name remains after the striking process, that person shall become the arbitrator and umpire. If more than one name remains, the third arbitrator/umpire will then be chosen from the remaining names by drawing lots.

c. Choice of Forum

Unless the Parties agree otherwise, the arbitration hearing will be held in the State of Florida.

d. Procedure Governing Arbitration

As soon as possible after selection of the umpire, the arbitrators will establish pre-arbitration procedures as warranted by the facts and issues of the particular case. Unless the arbitrators direct otherwise, at least ten (10) Business Days prior to the arbitration hearing, each Party will provide the other Party and the arbitrators with a detailed statement of the facts and arguments it will present at the arbitration hearing. At no time will either the Cedant or the Reinsurer contact or otherwise communicate with any person who is to be or has been designated as a candidate to serve as an arbitrator concerning the dispute, except to inform the arbitrators of the nature of the dispute and a detailed statement of the facts and arguments it will present at the arbitration hearing with a copy to the other Party. Thereafter, any written or oral arguments provided to the arbitrators concerning the dispute will be coordinated with the other Party and will be provided simultaneously to the other Party or will take place in the presence of the other Party. Further, at no time will any arbitrator be informed that the arbitrator has been named or chosen by one Party or the other. The Party initiating the arbitration will have the burden of proving its case by a preponderance of the evidence. Each Party may examine any witnesses who testify at the arbitration. The arbitrators may consider any relevant evidence; they will give evidence such weight as they deem it entitled to after consideration of any objections raised concerning it.

The arbitrators shall base their decision on the terms and conditions of this Agreement. However, if the terms and conditions of this Agreement do not explicitly dispose of an issue in dispute between the parties, the arbitrators may base their decision on evidence of the parties' intent and dealings. If such evidence also does not dispose of an issue in dispute, the arbitrators may then base their decision from the standpoint of practical business and equitable principles and on the customs and practices of the life insurance and life reinsurance industry together with an interpretation of the law, although the arbitrators are not bound by a strict interpretation of the law.

e. Arbitration Award

The vote or approval of a majority of the arbitrators will decide any question considered by the arbitrators. Each decision, including without limitation each award, of the arbitrators will be final and binding on all parties and will be non-appealable.

f. Cost of Arbitration

Each Party shall bear the cost of the arbitrator it appoints and the Parties shall share equally the fees and expenses of the umpire as well as other costs of the arbitration, unless the arbitrators decide otherwise. In the event two (2) arbitrators are chosen by one Party, as provided in sub-Article 5b above, the expense of all arbitrators and the arbitration will be equally divided between the two Parties.

g. Survival of Provision

This right will survive the termination of this Agreement until the expiry of any relevant statute of limitations for claims concerning or arising out of this Agreement.

ARTICLE XVI - SERVICE OF SUIT

In the event of the failure of the Reinsurer hereon to perform its obligations under the terms of this Agreement, the Reinsurer will, at the request of the Cedant, submit to the jurisdiction of any court of competent jurisdiction within the United States and will comply with all requirements necessary to give such court jurisdiction and all matters arising hereunder shall be determined in accord with the law and practice of such court and will abide by the final decision of the court or of any appellate court in the

event of an appeal. Nothing in this Article constitutes or should be understood to constitute a waiver of the Reinsurer's rights to commence an action in any court of competent jurisdiction in the United States, to remove an action to a United States District Court, or to seek a transfer of the case to another court as permitted by the laws of the United States or of any state in the United States. In addition, nothing in this Article shall be construed as a waiver of the obligations of the Parties to submit their disputes to arbitration pursuant to Article XV - - Dispute Resolution. This Article is intended as an aid to compelling arbitration or enforcing such arbitration or arbitral awards, not as an alternative to using arbitration to resolve disputes arising under or related to this Agreement.

Further, pursuant to any statute of any state, territory or district of the United States which makes provision therefore, the Reinsurer hereby designates the California Insurance Commissioner as its true and lawful attorney upon whom may be served any lawful process in any action, suit or proceeding instituted by or on behalf of the Cedant.

ARTICLE XVII - INSPECTION

The Cedant will promptly provide the Reinsurer with such documentation and information as it may reasonably request in connection with the provision of the reinsurance hereunder including, without limitation, such proofs of claim and proofs of existence agreed between the Parties relevant to any Claims.

Subject to applicable law, in addition to and without limiting the foregoing, upon ten (10) Business Days' prior Notice to the Cedant, the Reinsurer or its duly authorized representatives will have the right to visit the offices of the Cedant to examine, audit, copy, including the right to take copies, and verify any information relevant to the transactions contemplated by this Agreement including, but not limited to, accounting, underwriting, and claim files relating to or arising out of the Policies and reinsurance under this Agreement during regular business hours. The Cedant will cooperate with and facilitate any such inspection, including providing a reasonable workspace to conduct the inspection. The Cedant will make available to the Reinsurer such officers and employees of the Cedant as the Reinsurer may reasonably request to provide the foregoing information.

All expenses of conducting the inspection will be the sole responsibility of the Reinsurer other than those expenses incidental to cooperating with the audit and producing the requested materials. The Cedant and the Reinsurer will work together to reduce the costs of inspections to the fullest extent practicable by making documents and other data available electronically and taking such other steps as may be required to enable the conduct of "desk audits".

The Cedant will secure similar rights of inspection for the Reinsurer at any third party administrative office used in association with the Policies or the reinsurance.

This right will survive the termination of this Agreement until the expiry of any relevant statute of limitations for claims concerning or arising out of this Agreement.

ARTICLE XVIII - CONFIDENTIALITY

The Reinsurer acknowledges that, pursuant to its rights under Article XVII - Inspection and otherwise in connection with this Agreement, it may receive access to non-public information concerning the Cedant and the Cedant's reinsurers, policyholders and insureds (collectively, the "Confidential Information").

The Reinsurer acknowledges that all such Confidential Information is furnished for the sole purpose of facilitating the transactions contemplated by this Agreement. The Reinsurer and its agents and employees shall hold all such Confidential Information in trust and confidence and shall use such Confidential Information only for purposes of this Agreement and shall not disclose to any person or entity such Confidential Information except (a) the receiving Party's officers, directors, employees, agents, attorneys, advisors, and auditors of itself and of its Affiliates who have a need to know and who have an obligation to keep such Confidential Information confidential; (b) pursuant to the terms of any express written permission from the Cedant; (c) as required by law, after first sending Notice to the Cedant as soon as reasonably practicable.

The Reinsurer will comply with federal and state data privacy, safeguarding and security laws applicable to the Reinsurer and the Cedant. In addition, the Reinsurer will (a) implement and maintain reasonable data privacy, safeguarding and security procedures and practices appropriate to the nature of the Confidential Information shared by Cedant; (b) promptly notify the Cedant in the event the Reinsurer becomes aware of an actual or reasonably suspected unauthorized disclosure of Confidential Information; and (c) cooperate with Cedant in any effort undertaken by Cedant to investigate a breach or disclosure and mitigate potential damages.

In the event the Reinsurer breaches these obligations, notwithstanding anything contained in Article XVII - Inspection to the contrary, the Cedant shall have all rights and remedies available under law and equity, including the right to protect the Confidential Information by injunction without proving economic loss, which the Parties acknowledge is appropriate and necessary to protect the Confidential Information.

In the event the Reinsurer is served with a subpoena, request for production of documents or other legal process, the Reinsurer shall immediately notify and send a copy of such subpoena or legal process to the Cedant so that the Cedant may determine whether any of its Confidential Information may be included in the data required to be produced. The Cedant may, at its own expense, take such actions as it deems necessary to preserve the confidentiality of its Confidential Information or may waive its rights to do so and the Reinsurer will cooperate with such actions.

The Confidential Information shall be promptly returned to the Cedant upon the termination of this Agreement, upon the written request of the Cedant.

ARTICLE XIX - INTERPRETATION OF AGREEMENT

1. Entire Agreement

This Agreement, together with all attached Schedules and any future schedules, addenda, and exhibits added to this Agreement through written amendment, constitutes the entire agreement between the Cedant and the Reinsurer respecting the reinsurance. There are no understandings between the Parties other than as expressed in this Agreement and any prior oral or written agreements or understandings with respect to the reinsurance are hereby superseded. Furthermore, this Agreement may not be altered, modified or in any way amended except by instrument in writing duly executed by the authorized representatives of both Parties.

2. Parties to the Agreement

This Agreement is an indemnity reinsurance agreement solely between the Cedant and the Reinsurer, and performance of the obligations of each Party under this Agreement will be rendered solely to the other Party. In no instance will anyone other than the Cedant or Reinsurer have any rights under this Agreement, and the Cedant remains solely liable to any insured, policy-owner or beneficiary under any

Policy. No third party will benefit from this Agreement. However, the rights, duties and obligations set forth in the Agreement shall inure to the benefit of and be binding upon any and all predecessors, parents, Affiliates, officers, directors, employees, subsidiaries, stockholders, liquidators, receivers and permitted successors and assigns of each Party.

3. Assignment

No right or obligation under this Agreement may be assigned by any Party without the prior written consent of the other Party. Consent will not be unreasonably withheld, provided the assignment or transfer does not have a material effect on the risks transferred or the economic results to the Party requested to consent. This provision will not prohibit the Reinsurer from retroceding the risks on the Policies on an indemnity basis.

4. Severability

To the extent that this Agreement may be in conflict with any applicable law or regulation, this Agreement will be construed in a manner not inconsistent with such law or regulation. If any term or provision of this Agreement is found by an arbitration panel or a court of competent jurisdiction to be illegal or otherwise unenforceable, the same will not invalidate the whole of this Agreement, but such term or provision will be deemed modified to the extent necessary in the opinion of the arbitration panel or the court to render such term or provision enforceable, and the rights and obligations of the Parties will be construed and enforced accordingly preserving to the fullest permissible extent the intent of the Agreement.

In the event that any court of competent jurisdiction renders a final, non-appealable order or ruling declaring this Agreement null and void in its entirety, in connection with any Party, it is mutually agreed by Parties that this Agreement shall be immediately rescinded and that all of the Parties shall be restored to the position it was in just prior to the making of this Agreement.

5. Waiver

Neither the failure nor any delay on the part of the Cedant or the Reinsurer to exercise any right, remedy, power, or privilege (collectively referred to as "Right") under this Agreement shall operate as a waiver thereof. No single or partial exercise of any Right shall preclude the further exercise of that Right or the exercise of any other Right. No waiver of any Right with respect to any occurrence shall be construed as a waiver of that Right with respect to any other occurrence. No waiver shall be effective unless it is in writing and signed by the Party granting the waiver.

6. Headings

Any headings used in this Agreement are for convenience of reference only and will not limit or otherwise affect the meaning of the language herein.

7. Governing Law

This Agreement will be construed in accordance with the laws of the States of California, Delaware, Gerogia (as applies to the respective domiciliary of each Cedant) and the United States, without giving effect to the conflict of law principles thereof.

ARTICLE XX - REPRESENTATIONS

All matters with respect to this Agreement require the utmost good faith of both Parties.

Each Party represents, warrants and covenants to the other Party, as follows:

1. Organization, Standing and Authority; No Excise Tax

The Cedants are insurance corporations duly organized, validly existing and in good standing under the laws of the State of California, Delaware and Georgia.

The Reinsurer is an insurance corporation duly organized, validly existing and in good standing under the laws of the Turks and Caicos Islands.

2. OFAC

Notwithstanding sub-Article 1, above, the Parties represent that they are using, and shall use commercially reasonable efforts to continue to be, in compliance with all laws, regulations, judicial, and administrative orders applicable to the Policies as they pertain to the sanction laws administered by the United States Department of the Treasury's Office of Foreign Asset Control ("OFAC"), (collectively the "Laws"). Neither Party shall be required to take any action under this Agreement that would violate said Laws, including, but not limited to, making any payments in violation of the Laws.

For the purposes of this Agreement, a "Prohibited Person" is a Specially Designated National and Blocked Person as defined by OFAC and a "Sanctioned Country" is collectively a department, agency, branch, instrumentality, government-owned entity or representative of the government of a sanctioned or an embargoed country as identified by OFAC. Should either Party discover or otherwise become aware that a policy, which was/is included within the Reinsured Business, may be insured by, be owned by, or in any way be controlled by a Prohibited Person, or may be for a person residing in a Sanctioned Country, or has been made in violation of the Laws, the Party who first becomes aware of the violation will notify the other Party and the Parties will cooperate in order to take all necessary corrective actions.

The Parties agree that such reinsurance cession will be null, void, and of no effect from its inception, to the same extent as if the policy had never been ceded. Each Party will be restored to the position it would have occupied if the violation had not occurred, including the return of any payments received, unless prohibited by law.

3. Anti-Money Laundering

Each Party, for its part, undertakes that it will discharge its duties under all applicable anti-money laundering legislation and relevant regulations or rules promulgated, and specifically under proceeds of crime (money laundering) and terrorist financing acts and regulations, as such legislation and regulations exist now and hereafter ("AML Laws"). The Cedant and the Reinsurer, each for its part, agrees that it will be solely responsible for and will indemnify the other for any and all fines and/or penalties levied or assessed, whether on it or on the other Party, by reason of its failure to discharge its said duties under all present and future AML Laws.

4. Independence

This Agreement is entered into freely, voluntarily, without duress, in good faith, at arm's length, in the regular course of business and in reliance on its own independent investigations and analyses of the facts underlying the subject matter of this Agreement.

Except as set forth in writing in this Agreement, the decision to execute this Agreement is not predicated on or influenced by any declarations, representations, warranties or promises of any kind made directly or indirectly by the other Party, its subsidiaries, Affiliates, officers, directors, shareholders, employees, representatives, agents, or attorneys, if any, or their respective heirs, administrators, predecessors, and permitted successors and assigns;

The drafting and negotiation of this Agreement has been participated in by each Party and for all purposes this Agreement shall be deemed to have been drafted jointly by the Parties; and

This Agreement and the reinsurance contemplated hereunder were negotiated at arm's length by the Cedant and have been completely read and fully understood after each Party has had the benefit of consulting with legal counsel of its choosing, and have been voluntarily accepted by the Parties. The Cedant is not under any duress to enter into this Agreement. The Reinsurer does not have any ownership or equity-related affiliation with, or ability to control or direct the management of, the Cedant.

5. Fair Value

The Cedant is receiving at least reasonably equivalent value in exchange for its payments and undertakings under this Agreement. The payment and receipt of consideration under this Agreement are not and have not been made on account of an antecedent debt owed by the Cedant to the Reinsurer, and are intended by the Parties to be a contemporaneous exchange for economic value between the Parties. This Agreement was effectuated without intent to hinder, delay or defraud present or future creditors of the Cedant.

6. Independent Responsibility

The Cedant and the Reinsurer acknowledge their respective responsibility for independently forming their own conclusions (in both cases, in reliance upon the representations and warranties made by the other Party in this Agreement) regarding:

- a. the compliance of this Agreement with the laws and regulations of any particular jurisdiction; and
- b. the tax, statutory accounting, and Generally Accepted Accounting Principles impacts of this Agreement on the Cedant or the Reinsurer.

7. Reliance and Rescission

The Cedant and the Reinsurer have entered into this Agreement in reliance upon the representations and warranties of the other. If any one or more of the foregoing representations was materially inaccurate as of the date given, and such material inaccuracy is the result of gross negligence, intentional misconduct or fraud, or material non-disclosure resulting from gross negligence, intentional misconduct or fraud, then the non-offending Party may rescind this Agreement with immediate effect upon Notice.

8. Representations and Warranties of Each Party

a. Authorization

The Party has all requisite corporate power and authority to enter into this Agreement and to perform its obligations hereunder. The execution and delivery by a Party of this Agreement, and the performance by the Party of its obligations under this Agreement, have been duly authorized by all necessary corporate action. This Agreement, when duly executed and delivered by the Party, subject to the due execution and delivery by the other Party, will be a valid and binding obligation of the Party, enforceable against the Party in accordance with its terms.

b. License

The representing Party is properly licensed or accredited in all jurisdictions and territories in which the Policies have been issued.

c. No Conflict or Violation

The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby in accordance with the respective terms and conditions hereof will not (a) violate any provision of the Articles of Incorporation or Bylaws of the Party, or (b) violate any order, judgment, injunction, award or decree of any court, arbitrator or governmental or regulatory body against, or binding upon, or any agreement with, or condition imposed by, any governmental or regulatory body, foreign or domestic, binding upon the Party or (c) violate any statute, law or regulation of any jurisdiction applicable to it in effect as of the date hereof

d. Approvals of Governmental Authorities

No consent, waiver, license, approval, order or authorization of, or registration, filing or declaration with, or notices to, any person, entity or governmental authority is required to be obtained, made or given by or with respect to the Party in connection with (a) the execution and delivery of this Agreement by the Party, or (b) the consummation by the Party of the transactions contemplated hereby.

e. Litigation

The Party is not aware of any suit, action, or legal administrative, arbitration, or other proceeding, pending or threatened, against it materially impacting the its ability to perform its obligations hereunder with respect to the Policies.

f. Current Position on Solvency

The Party is not Insolvent, has no reason to believe it is Insolvent, and is not subject to any Insolvency proceedings as a debtor. The Party is able to meet its liabilities as they become due. This Agreement will not cause the Party to be unable to meet its liabilities as they become due.

9. Further Representations and Warranties of the Cedant

The Cedant represents and warrants to the Reinsurer as of the date hereof and throughout the duration of this Agreement as follows:

a. Prudent Practices

The Cedant conducts its underwriting, administrative, claims paying and managerial procedures in a prudent and reasonable manner as can be expected of an insurance company and consistent with those in effect as of the Effective Date.

b. Cedant Data and Disclosures

The Cedant acknowledges directly or indirectly providing the Reinsurer with certain information regarding the Policies prior to the execution of this Agreement. The Cedant represents and warrants that any assumptions made in compiling these documents were based upon informed judgment and are consistent with sound actuarial and accounting principles. Further, the Cedant represents and warrants that, to the best of its knowledge, all factual information contained in these documents was, as of the date of their making, correct, accurate, complete and accurate in all material respects. The Cedant is not aware of any material omissions, errors, changes or discrepancies regarding the Cedant data or of any non-public changes in the Cedant's executive management, administration, legal, regulatory, or financial conditions since the date such Cedant data was delivered to the Reinsurer which would result in a Material Risk Increase. If the Parties disagree as to whether a Material Risk Increase has occurred, an Expert will be appointed pursuant to Article XV - Dispute Resolution to resolve the dispute. The Cedant acknowledges that the

Reinsurer has relied on these documents and the foregoing representations and warranties in entering into this Agreement.

All data and other information the Cedant provides to the Reinsurer throughout the term of this Agreement will be, to the Cedant's knowledge as of the date such data and information is given, materially true, correct, complete and accurate.

c. Ongoing Disclosure

The Cedant shall provide Reinsurer with such data and information concerning the matters represented and warranted hereunder as the Reinsurer may reasonably request from time to time.

ARTICLE XXI - NOTICES

Any "Notice" that is required or permitted to be given under this Agreement is defined as a written document from one Party to the other Party that must be either (i) delivered personally, (ii) sent by electronic transmission having verifiable receipt, or (iii) sent by courier, recognized overnight delivery service or certified or registered mail. The "Delivery" of a Notice is the earliest date on which the sending Party has employed the services of (i), (ii), or (iii) herein.

The "Receipt" of a Notice is the earliest date on which the Notice was either (i) so delivered personally, (ii) sent by electronic transmission with a valid confirmation, or (iii) signed for when delivered by courier, recognized overnight delivery service, or certified or registered mail.

to the Cedant:

Mike Vrban, SVP

Blue Ridge Indemnity Company

10151 Deerwood Park Blvd.

Building 100, Suite 300

Jacksonville, FL 32256

Email: mvrban@fortegra.com

Phone: 904-350-9660

to the Reinsurer:

Mike Vrban, SVP

LOTS Reassurance Company, Ltd.

10151 Deerwood Park Blvd.

Building 100, Suite 300

Jacksonville, FL 32256

Email: mvrban@fortegra.com

Phone: 904-350-9660

A Party may use the above contact information in the absence of another mutually agreed upon contact.

ARTICLE XXII - EXECUTION

In witness whereof, the Parties have caused this Agreement to be executed by their duly authorized officers hereto in duplicate in any number of counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

BLUE RIDGE INDEMNITY COMPANY

By: _____

Name: _____

Please print

Title: _____

Date:

LOTS REASSURANCE COMPANY, LTD.

By: _____

Date: _____

SCHEDULE A - REINSURED BUSINESS

1. Credit Property products

SCHEDULE B - SETTLEMENT REPORT, PART 1: EXPERIENCE REFUND AND LOSS CARRY FORWARD

For Settlement Period Ending _____

Production Activity Settlement:

| | |
|---|-------|
| Net Written Premium | _____ |
| Less Commission Expense | _____ |
| Less Tax Expense | _____ |
| Less Cede Fee Allowance | _____ |
| Less Paid Claims | _____ |
| Net Production Balance due To (From) Reins before Experience Refund | _____ |

Experience Refund Settlement:

| | |
|--|-------|
| 1 Earned Premiums | _____ |
| 2 Earned Expense Allowance | _____ |
| 3 Incurred Claims | _____ |
| 4 Risk Charge | _____ |
| 5 Loss Carry forward at the end of the prior period | _____ |
| 6 Interest Accrued on Loss Carry Forward | _____ |
| Experience Refund = greater of zero; or [1. + 2. - 3. - 4. - 5. - 6.] | _____ |
| Loss Carry forward= greater of zero; or [-1. - 2. + 3. + 4. +5. + 6.] | _____ |
| Net Balance Due To (From) Reinsurer for Period | _____ |
| Balance Forward | _____ |
| Previously Paid | _____ |
| Net Balance Due | _____ |

ADDITIONAL INFORMATION

| | |
|-------------------------------|-------|
| Statutory Unearned Reserve | _____ |
| Claim Reserve | _____ |
| GAAP Unearned Premium Reserve | _____ |
| Unearned Expense Allowance | _____ |
| Number of Policies | _____ |
| In force Amount | _____ |

EXHIBIT I- TRUST AGREEMENT