

## Indian Collateralised Reinsurance - Funds Withheld Single Slip version

1. Notwithstanding any other provision in this Agreement, the Reinsured and the Reinsurers agree that, in compliance with the Regulations, [50% (fifty percent)][AMEND AS APPROPRIATE] of the Gross Written Premium payable to the Reinsurers under this Agreement shall be retained by the Reinsured in India in a Funds Withheld Account as collateral to secure the Reinsurers' Obligations and under this Agreement. The Reinsured shall deposit the retained element of the Gross Written Premium in the Funds Withheld Account within 7 days of receipt.
2. The parties agree that the retention of such funds in accordance with this clause satisfies the collateral requirements set out in the Regulations, and accordingly, no additional form of collateral (including but not limited to a letter of credit) shall be required to be provided by the Reinsurers in respect of the same.
3. Subject to clause 8 below, the funds from the Funds Withheld Account shall be used exclusively for the settlement of the Reinsurers' Obligations after payment of such have been authorised in writing by the Reinsurers and shall not be subject to any set-off, counterclaim, or deduction by either party against any amounts due under this or any other agreement. The Reinsurers and the Reinsured expressly agree that no party shall have the right to apply or offset amounts held in the Funds Withheld Account against any obligations, debts, or claims arising from any other arrangement or agreement between them.
4. The Reinsured shall provide the Reinsurers with [quarterly] [AMEND AS APPROPRIATE] bank statements setting out the balance and transactions of Funds Withheld Account for the [quarter] [AMEND AS APPROPRIATE] immediately preceding the date of the statement.
5. The Funds Withheld Account shall remain in place until:
  - a. all Reinsurers' Obligations have been fully discharged; or
  - b. the parties mutually agree that the Funds Withheld Account is no longer needed for the purpose of securing the Reinsurers Obligations;whichever is the earlier. In any event, after all Reinsurers' Obligations under this Agreement have been fully and finally settled, any remaining balance in the Funds Withheld Account shall be released to the Reinsurers within 7 days and the Reinsured shall facilitate such payment.
6. At annual intervals, or more frequently as agreed but never more frequently than quarterly, the Reinsured shall prepare a specific statement of the Reinsurers' Obligations. If the statement shows that the sum of Reinsurers' Obligations is less than the balance of the Funds Withheld Account, the Reinsured shall release an amount equal to the difference from the Funds Withheld Account and the Reinsurers' Obligations as set out in the statement to the Reinsurer within 14 days of the receipt of such statement by the Reinsurer.
7. Any investment income, interest, or other gains arising from the Funds Withheld Account shall be credited to the account. Such income, interest, or gains shall stand to the account of the Reinsurers.
8. The Funds Withheld Account shall not be an asset of the Reinsured, including in any insolvency of the Reinsured.
9. If the identity of all Reinsurers and their respective proportions subscribing to the Agreement remains unchanged across multiple policy periods, the Reinsured may maintain a single,

consolidated Funds Withheld Account. This account shall be adjusted periodically to ensure that its balance accurately reflects the required percentage collateral amount across all relevant reinsurance contracts between the Reinsurers and the Reinsured per clause 1 above.

10. If there is any change in the identity of the Reinsurers for a new policy period, the Reinsured shall establish a separate Funds Withheld Account for that period. Funds pertaining to different sets of Reinsurers shall not be commingled.

## **Definitions**

**“Funds Withheld Account”** means a designated, ring-fenced account, held in trust on behalf of the Reinsurers by the Reinsured or another vehicle as agreed between the parties.

**“Regulations”** shall mean Chapter III of the Master Circular on Reinsurance, 2024 dated 31<sup>st</sup> May 2024 and issued by the Insurance Regulatory and Development Authority of India.

**“Reinsurers’ Obligations”** shall mean the following items which are covered under this Agreement:

- (a) known outstanding losses that have been reported to the Reinsurer and allocated loss adjustment expense relating thereto;
- (b) losses and allocated loss adjustment expense paid by the Reinsured but not recovered from the Reinsurer;
- (c) reserves for losses incurred but not reported.

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