ICP 19:
Reinsurance Case Study

Advanced-level Module
Round 2
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This round covers contractual wording of reinsurance contracts. It covers the second half of the contract for ABC Insurance Limited—Casualty Excess-of-Loss Program. Your tasks for this round are the following:

- Review the ABC Insurance Treaty contractual wording and identify areas where clarification is required. Where possible, provide suggestions for improvement. As in round 1, confirm that the contract satisfies appropriate risk mitigation objectives.
- Identify questions that you intend to ask the insurer that, if satisfactorily answered, would clarify your understanding of the operation of the treaty. Include the reasons for the questions you intend to ask.
ABC INSURANCE LIMITED

CASUALTY EXCESS-OF-LOSS PROGRAM

REINSURANCE CONTRACT

Agreement number: TBA

Reinsured: ABC Insurance Limited ABN 10 987 645 321, Sydney, Australia

Type of business: Casualty Excess-of-Loss Program

Period: Losses occurring during the 12-month-period commencing at 4:00 p.m. on June 30, 2005

Contract details:
- Contractual wording—provided in round 1
- Signing pages(s)—not provided
Reference: TN05123456
Reinsured:
ABC Insurance Limited
Type: Casualty Excess-of-Loss Program

CONTRACTUAL WORDING

Casualty excess-of-loss reinsurance

between

the reinsured

as specified in the attached contractual details

and

insurance companies, certain reinsurers, and underwriting members of Lloyds whose names and proportions are the signed percentage lines allocated to the reinsurers, each for their own part and not one for another (the “reinsurer”).
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CONTRACTUAL WORDING

PREAMBLE

The reinsured desires to reinsure its net retention in respect of classes of business specified in attached Contractual Details no. TN05123456 (the contractual details).

ARTICLE 1
Reinsuring Clause

In consideration of the payment of premium as stated in the contractual details, and subject to the provisions of Article 11 and to the other conditions, the reinsurer shall indemnify the reinsured for that portion of the liability attached to the reinsured under the business specified in the contractual details, which represents the limits as stated in the contractual details of ultimate net loss in respect of each and every loss occurrence.

ARTICLE 2
Territorial Scope

Policies issued or renewed in the territory or territories specified under territorial scope in the contractual details.

ARTICLE 3
Exclusions

This reinsurance shall not apply to any classes of business or risks specified in the exclusion list, which is attached as appendix 1, or to any loss or liability excluded by the following:

1. War and Civil War Exclusion Clause: Loss or damage directly or indirectly occasioned by, happening through, or in consequence of war, invasion, acts of foreign enemies, hostilities (whether war be declared or not), civil war, rebellion, revolution, insurrection, military or usurped power, or confiscation or nationalization or requisition or destruction of or damage to property by or under the order of any government or public or local authority.

2. Reinsured's liability for loss arising from fire, flood, and explosion
3. Liability incurred under any pooling agreement

4. Obligatory reinsurance

5. Excess-of-loss reinsurance

6. (a) Excess-of-loss insurance
   (b) Umbrella liability

7. **Terrorism Exclusion Clause—NMA 2930B**: Notwithstanding any provision to the contrary within this reinsurance agreement or any endorsement thereto, it is agreed that this reinsurance agreement excludes death, injury, illness, loss, damage, cost, or expense directly or indirectly caused by, contributed to by, resulting from, or arising out of or in connection with any act of terrorism, as defined herein, regardless of any other cause or event contributing concurrently or in any other sequence to the loss.

   An act of terrorism includes any act, or preparation in respect of action, or threat of action designed to influence the government de jure or de facto of any nation or any political division thereof, or in pursuit of political, religious, ideological, or similar purposes to intimidate the public or a section of the public of any nation by any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organization(s) or government(s), de jure or de facto, and which:

   (a) Involves violence against one or more persons or
   (b) Involves damage to property or
   (c) Endangers life other than that of the person committing the action or
   (d) Creates a risk to health or safety of the public or a section of the public or
   (e) Is designed to interfere with or to disrupt an electronic system.

   This reinsurance agreement also excludes death, injury, illness, loss, damage, cost, or expense directly or indirectly caused by, contributed to by, resulting from, or arising out of or in connection with any action in controlling, preventing, suppressing, retaliating against, or responding to any act of terrorism.

   Notwithstanding the above and subject otherwise to the terms, conditions, and limitations of this reinsurance agreement in respect only of personal lines, this reinsurance agreement will pay actual loss or damage caused by any act of terrorism provided such act is not directly or indirectly caused by, contributed to by, resulting from, or arising out of or in connection with biological, chemical, or nuclear pollution or contamination.

   For the purposes of this agreement, personal lines shall be defined as domestic motor third-party property damage (including CTP gap cover) business and householders’ domestic legal liability business (including strata title policies where the original risk has a sum insured of less than AUD 10 million).
8. **Nuclear Energy Risks Exclusion Clause—Applicable to classes 1, 2 and 3 only**: Nuclear energy risks being operations employing the process of nuclear fission or fusion or handling of radioactive material, which operations include but are not limited to:

(a) The use of nuclear reactors such as atomic piles, particle, particle accelerators or generators, or similar devices or
(b) The use, handling, or transportation of radioactive materials or
(c) The use, handling, or transportation of any weapon of war or explosive device employing nuclear fission or fusion.

This exclusion shall not apply to insurances of occupational risks arising from radioisotopes or radium or radium compounds when used away from the place where such are made or produced and when used exclusively incidental to ordinary industrial, educational, medical, or research pursuits.

9. **Asbestos Exclusion Clause, Absolute Asbestos Exclusion**: This reinsurance does not cover any liability for:

(a) Personal injury arising directly or indirectly, out of or caused by, through, or in connection with the inhalation of (including the fear of inhalation of or exposure to) asbestos, asbestos fibers, or derivatives of asbestos
(b) Property damage, or loss of use or diminution in value of property, arising directly or indirectly, out of or caused by, through, or in connection with asbestos, asbestos fibers, or derivatives of asbestos
(c) The cost of cleaning up, removing, treating, controlling, storing, or disposing of asbestos, asbestos fibers, or derivatives of asbestos.

10. **E-Commerce Exclusion Clause**: This reinsurance does not apply to personal injury or property damage arising directly or indirectly out of or caused by, through, or in connection with:

(a) The total or partial destruction, distortion, erasure, corruption, alteration, misuse, misinterpretation, misappropriation, or use of computer equipment
(b) Any error in creating, amending, entering, directing, deleting, or using computer equipment or
(c) The total or partial inability or failure to receive, send, access, or use computer equipment.

“Computer equipment” means data or part of data, computer hardware, operating system, computer network, web sites, servers, extranet, internet, mail systems, software applications, software, computer chip including microprocessor chip and coded instruction, as well as any new technology, product, or service replacing computer equipment.
11. **Information Technology Hazards Exclusion Clause**: This reinsurance does not apply to any losses (bodily injury, property damage, or any other loss covered under policies reinsured hereunder) arising, directly or indirectly, out of, or in any way involving an original insured’s “internet operations.”

This exclusion does not apply to bodily injury or property damage arising out of any material that is already in print by the manufacturer in support of its product, including but not limited to, product use and safety instructions or warnings, and that is also reproduced on its site. Coverage does not include bodily injury or property damage arising out of any other advice or information located on the site that is used for the purpose of attracting customers.

“Internet operations” means the following:

(a) Use of electronic mail systems by the insured’s employees, including part-time and temporary staff, and others within the insured’s organization
(b) Access through the insured's network to the world wide web or a public internet site by the insured's employees, including part-time and temporary staff, and others within the insured’s organization
(c) Access to the insured’s intranet (meaning internal company information and computing resources) that is made available through the world wide web for the insured’s customers or others outside the insured’s organization and
(d) The operation and maintenance of the insured's web site.

Nothing in this exclusion shall be construed to extend coverage under this contract to any liability that would not have been covered in the absence of this exclusion.

**ARTICLE 4**

**Period**

This reinsurance shall apply to all losses occurring during the period specified in the contractual details. The reinsurance shall follow local time at the location of any loss.

Maximum original policy period: 12 months plus odd time not exceeding 18 months in all.

**ARTICLE 5**

**Definition of “Loss Occurrence”**

The term “loss occurrence” shall mean each and every loss or series of losses arising out of any one accident or event.
Reinstatement

In the event of the whole or any portion of the indemnity as stated in the contractual details being exhausted by loss and, if so specified in the contractual details, the amount so exhausted shall be reinstated to its full amount from the time of the occurrence of such loss or losses to the expiry hereof, in consideration for which the reinsured shall pay to the reinsurer when such loss or losses are settled an additional premium calculated at the rate as specified under reinstatement in the attached contractual details. In the event of any loss or losses requiring payment of reinstatement premium being settled prior to the final adjustment of premium being made, the reinstatement premium shall be provisionally calculated on the deposit premium and adjusted subsequently as may be necessary.

The term “pro rata” shall mean pro rata as to the fraction of the limit of indemnity reinstated.

Nevertheless, the reinsurer shall never be liable for more than the limit of indemnity stated in the contractual details in respect of each loss occurrence, nor more than the limit in all as stated in the attached contractual details.

ARTICLE 6
Ultimate Net Loss

The term “ultimate net loss” shall mean the sum actually paid by the reinsured in settlement of losses or liability after making deductions for all recoveries, all salvages, and all claims on other reinsurances, whether collected or not, and shall include all adjustment expenses including costs of litigation, if any, and all other loss expenses of the reinsured, including those where the reinsured engages its own insurance surveyors and assessors, arising from the settlement of claims other than the salaries of employees and office expenses of the reinsured.

All recoveries or payments recovered or received subsequent to a loss settlement under this reinsurance shall be applied as if recovered or received prior to the settlement, and all necessary adjustments shall be made by the parties.

Nothing in this article shall be construed to mean that losses under this reinsurance are not recoverable until the ultimate net loss of the reinsured has been ascertained.

In the event of a loss occurrence giving rise to a claim under this reinsurance from more than one constituents of the reinsured, the limits shall be applied to the aggregate of all such losses.

ARTICLE 7
Benefit of Underlying Reinsurances

Notwithstanding anything to the contrary, it is understood and agreed that recoveries under all underlying excess reinsurance treaties and/or contracts (as far as applicable) are for the sole benefit of the reinsured and shall not be taken into account in computing the ultimate net loss
or losses in excess of which this reinsurance attaches, nor in any way prejudice the reinsured’s right of recovery.

ARTICLE 8
Net Retained Lines

This reinsurance applies only to that portion of any insurance or reinsurance which the reinsured retain net for their own account and, in calculating the amount of any loss and also in computing the amount in excess of which this reinsurance attaches, only loss or losses in respect of that portion of any insurance or reinsurance that the reinsured retain net for their own account shall be included.

The amount of the reinsurer’s liability in respect of any loss or losses shall not be increased by reason of the inability of the reinsured to collect from any other reinsurers (whether specific or general) any amounts that may have become due from them, whether such inability arises from the insolvency of such other reinsurers or otherwise.

It is further noted and agreed that amounts ceded to any quota share reinsurances shall be considered as being retained net by the reinsured for the purposes of this agreement.

ARTICLE 9
Premium

A premium, as specified in the contractual details, shall be paid by the reinsured in the manner specified in the contractual details.

Where applicable, as soon as possible after the expiry of this reinsurance, the above premium shall be adjusted as specified in the contractual details subject, however, to a minimum premium, if any, of the amount specified in the contractual details.

The term “gross net premium income” shall mean gross premiums as charged by the reinsured to its insureds in each respective territory for the respective classes of business covered for the period, less only cancellations, returns, and premiums on reinsurances which inure to the benefit of this reinsurance.

Statements of actual gross net premium income and number of applicable vehicles in force shall be submitted within three months of the respective dates specified in the contractual details, for the purpose of premium adjustment between the parties hereto. Any balances due to the reinsurer beyond the deposit premiums paid shall be remitted concurrently therewith.

ARTICLE 10
Goods and Services Tax (GST)

a. Payments: Any amount shown as payable under this reinsurance does not include GST and, where applicable, will be calculated with reference to the GST-exclusive premiums payable to the reinsured by its insureds. In addition to any amount shown as payable,
wherever the supplier (whether the reinsurer or the reinsured) is liable for GST on that amount, the supplier shall be paid an amount equal to that GST.

b. **Claims:** The ultimate net loss will be calculated after accounting for any adjustment under the GST legislation to which the reinsured is entitled on settlement of claims to its insureds or on recoveries from any third parties, and any input tax credit to which they are entitled on acquiring goods or services for the purpose of settlement of a claim.

This reinsurance does not cover any liability that the reinsured has for GST on any claim payment under this reinsurance arising from the reinsured's failure to disclose correctly to the reinsurer its entitlement to an input tax credit for the premium.

**Changes to Legislation**

If the effect of this article is changed as a result of any new amendment, enactment, interpretation, or application of any law, the parties hereto must as soon as possible and in the utmost good faith negotiate an appropriate amendment to this reinsurance.

**Withholding Tax**

If Australian nonresident withholding tax applies in respect of any payments under this reinsurance, the amount of that tax will be deducted prior to payment by the paying party, as required by law.

**ARTICLE 11**

**Index Clause: Bodily Injury Only**

It is the intention of this reinsurance that, where applicable, the retention of the reinsured and the limit of liability of the reinsurer shall retain their values relative to those that exist at the date specified in the contractual details.

At the time of payment of any claim, the change in relative monetary value shall be ascertained from the table of average weekly earnings (all male employees)—Australia, as published by the Australian Bureau of Statistics, Canberra, Catalogue no. 6302.0.

The retention of the reinsured and the limit of liability of the reinsurer shall be increased or decreased in proportion to the difference between the average weekly earnings figure at the date stated above and that at the date of payment by the reinsured of any claim. The average weekly earnings figure at the date of payment of the claim by the reinsured shall be that for the quarter immediately preceding that during which the claim payment is made.

The retention of the reinsured and the limit of liability of the reinsurer, where applicable, shall be calculated as follows:
(a) Claims payments are adjusted on the basis:

\[
\text{Actual amount of payment} \times \frac{\text{Average weekly earnings figure at base date}}{\text{Average weekly earnings figure at date of payment}} = \text{Adjusted payment value}
\]

(b) All actual payments and adjusted payment values shall be separately totaled, and the retention of the reinsured and the limit of liability of the reinsurer, where applicable, shall then each be multiplied by the fraction:

\[
\frac{\text{Total of actual payments}}{\text{Total of adjusted payment values}}
\]

to indicate the indexed retention and the limit of liability where applicable.

The date of payment of any claim for the purpose of this reinsurance shall be deemed to be as follows:

i) Except where an award is made by a court, the actual date on which payment is made by the reinsured

ii) The date an award is made by a court, if no appeal is made or if the appeal court reduces or leaves unchanged the original award

iii) The date an award is made by the appeal court if this increases the award made by the original court

iv) In the event of the appeal court not making an award, the date of the final award made by the court to which the case has been returned, if such final award is in excess of the original award.

v) In the event of a loss being settled in more than one payment, any advance payment, being a payment that is deducted from the total damages when they are finally assessed, in respect of any claimant, shall be added to the final or any subsequent payment to that claimant, and the average weekly earnings figure used at the time of the final settlement shall be that employed to ascertain the adjusted value of all advance payments to that claimant.

ARTICLE 12
Claims-Reporting Clause

It is a condition precedent that the reinsured shall advise the reinsurer as soon as possible of any occurrence where the sum claimed or the potential loss may reasonably be considered as likely to give rise to a claim under this reinsurance or alternatively is likely to exceed 50% (fifty percent) of the amount shown as the deductible.
The reinsured shall, on request, furnish the reinsurer with all information in the reinsured's possession regarding such claim or claims.

In addition, the reinsured shall report those cases where it has made or expects to make regular payments for a period of two years or more, irrespective of the amount of such regular payments or the estimated total.

ARTICLE 13
Claims Cooperation Clause

Solely for the purpose of reporting claims or accidents, the reinsured shall in all instances consider itself to be legally liable for such injuries and/or damage.

The course to be adopted by the reinsured in connection with the defense or settlement of any claim or claims falling within the reporting conditions of this reinsurance shall be determined between the reinsured and the reinsurer or their representatives, and the reinsured's litigation, if any, of such claim(s) shall be after consultation and consent of the reinsurer or its representative.

ARTICLE 14
Payment of Losses

All loss settlements made by the reinsured, provided they are within the terms and conditions of the original acceptances and fall within the terms and conditions of this reinsurance, shall be unconditionally binding on the reinsurer, and the reinsurer's portion of such losses shall be payable by it as soon as possible after receipt from the reinsured of the necessary papers proving the loss, always provided that the reinsurer shall have the right to deduct from such payments any sums due to it from the reinsured in respect of premiums due hereunder or under any contract(s) renewing this reinsurance.

ARTICLE 15
Errors and Omissions

Any inadvertent error or omission on the part of either the reinsured or the reinsurer shall not relieve the other party from any liability that would have attached under this reinsurance, provided that such error or omission is rectified immediately upon discovery and shall not impose any greater liability on the reinsurer than would have attached if the error or omission had not occurred.
ARTICLE 16
Books and Records

The books and records of the reinsured, insofar as they relate to business falling within the scope of this reinsurance, shall be open to the inspection of an authorized representative of the reinsurer at any reasonable time.

ARTICLE 17
Confidential Nature

The reinsured and the reinsurer shall regard the transactions under this reinsurance, and any policies, records, or documents obtained, as strictly confidential.

ARTICLE 18
Special Termination Clause WRA2

Section 1 (Rating)

(a) It is a condition on each subscribing reinsurer that participates in this agreement that such individual subscribing reinsurer shall at all times during the period of this agreement maintain an insurer financial strength (IFS) rating from Standard & Poor’s Rating Group of 1221 Avenue of the Americas, New York, New York 10020, USA (S&P) equal to or greater than “A minus.”

(b) In the event of an explicit downgrading of any individual subscribing reinsurer by S&P to an IFS rating inferior to “A minus,” then, at the sole option of the reinsured, the reinsured may elect to terminate the participation of that subscribing reinsurer by giving notice to that reinsurer. The effective date of such termination shall be determined at the sole discretion of the reinsured provided the date so determined shall not be earlier than the date on which the relevant downgrading by S&P was announced in New York, USA, nor earlier than the date the reinsurer is advised that the reinsured intends to invoke its downgrading rights.

(c) Any individual subscribing reinsurer that does not have an IFS rating from S&P but maintains during the period of this agreement a rating from A. M. Best Company of A. M. Best Road, Oldwick, New Jersey 08858-0700 USA (Bests) shall also be considered as falling within the terms of this article. Any explicit downgrading of such an individual subscribing reinsurer by Bests to a rating less than “A minus” shall give the reinsured the same right of termination as set out in (b) above.

(d) In the event that a rating should be given to an individual subscribing reinsurer by both S&P and Bests, then the rating of S&P shall prevail.
(e) For the avoidance of doubt, the status of CreditWatch as defined by S&P or a
rating modifier of “u” (under review) applied to a rated company as defined by
Bests shall not, of itself, be construed as a downgrading for the purposes of this
agreement.

(f) With regard to any Lloyd’s Underwriters participating hereunder, the rating ap-
plicable to each individual Lloyd’s Underwriter shall be the S&P IFS rating ap-
plicable to the Lloyd’s insurance market as a whole.

Section 2 (Termination)

Furthermore, either party shall have the right to terminate this agreement immediately
by giving the other party notice:

(a) If the performance of the whole or any part of this agreement be 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
that is or shall be in force in any country or territory or if any law or regulation
shall prevent directly or indirectly the remittance of any payments due to or
from either party

(b) If the other party has become insolvent or unable to pay its debts or has lost the
whole or any part of its paid-up capital or has had any authority to transact any
class of insurance or reinsurance withdrawn, suspended, or made conditional

(c) If there is any material change in the management or control of the other party

(d) If the country or territory in which the other party resides or has its head office
or is incorporated shall be involved in armed hostilities with any other country
whether war be declared or not or is partly or wholly occupied by another power,
or be in a state of civil war

(e) If the other party shall have failed to comply with any of the terms and condi-
tions of this agreement.

Section 3 (Effect)

(a) After the date of termination, under either sections 1 or 2 above, the liability
of the reinsurer hereunder shall cease outright other than in respect of losses
falling to the reinsurer.

(b) All notices of termination served in accordance with any of the provisions of
sections 1 or 2 above shall be by telex, telefax, or any other means of instanta-
neous communication that provides a permanent record of such communica-
tion and shall be deemed to be served on dispatch or where communications
between the parties are interrupted on attempted dispatch.
(c) All notices of termination served in accordance with any of the provisions of sections 1 or 2 above shall be addressed to the party concerned at its head office or at any other address previously designated by that party.

(d) In the event of termination in accordance with the provisions of sections 1 or 2 above, the exact premium payable hereunder shall be calculated on the premium income of the reinsured up to the date of termination or pro rata temporis of the minimum premium, whichever is the greater.

(e) In the event of termination in accordance with the provisions of Sections 1 or 2 above, reinstatement premiums (if any) payable in respect of losses falling to reinsurers carrying exposure prior to the date of termination shall be payable in full to those reinsurers carrying the exposure. Likewise, reinstatement premiums (if any) payable in respect of losses falling to reinsurers carrying exposure after the date of termination shall be payable in full to those reinsurers carrying the exposure.

ARTICLE 19
Legal Interpretation

This reinsurance shall be governed by the law and jurisdiction of the territory specified in the contractual details.

ARTICLE 20
Specific Conditions

This reinsurance shall be subject to the specific conditions as specified in the contractual details.

ARTICLE 21
Arbitration

Any dispute or difference whatsoever arising in connection with this reinsurance shall be referred to the arbitration of three arbitrators. One arbitrator shall be chosen by each party, and the third arbitrator, who shall act as chairman, shall be a nominee of the president, for the time being, of the Institute of Arbitrators, Australia.

The chairman shall have the deciding vote in the absence of a majority decision. The arbitrators may determine any question that arises for determination in the course of proceedings by reference to considerations of general justice and fairness. The arbitration shall be held in the place specified in the contractual details in accordance with and subject to the provisions of the relevant Commercial Arbitration Act.
This agreement has been drawn up and exchanged between the parties.

Signed in this day of 2003

for and on behalf of the reinsured

and signed in the attached signing page(s) for and on behalf of the subscribing reinsurers whose obligations under contracts of reinsurance to which they subscribe are several and not joint and are limited solely to the extent of their individual subscriptions. The subscribing reinsurers are not responsible for the subscription of any co-subscribing reinsurer that for any reason does not satisfy all or part of its obligations.
APPENDIX 1. SPECIFIC EXCLUSIONS

EXCLUSION LIST—CLASS 2: GENERAL THIRD-PARTY LIABILITY

1. Asbestos Exclusion Clause
2. E-Commerce Exclusion Clause (only in respect of business classified as not-for-profit organizations)
3. Information Technology Hazards Exclusion Clause (other than in respect of business classified as not-for-profit organizations)
7. LGT 400 (1994) Claims-Made Basis Clause
8. LMC1 (A) Gradual Environmental Impairment Clause
9. LMC2 North American Absolute Environmental Impairment Clause

Public and Products Liability

(a) Space and/or satellite risks
(b) Tobacco producers and manufacturers of tobacco products
(c) Toxic waste disposal, contractors, and land site owners and operators
(d) Liability arising from the delegation of underwriting
(e) Retroactive cover for known loss occurrences and/or known incidents/circumstances
(f) Liability arising from loss portfolio transfers of any kind
(g) Offshore platforms, offshore rigs
(h) Products liability policies not carrying an annual aggregate limit
(i) Products guarantee and/or product recall covers
(j) Decennial liability risks
(k) Financial guarantee, insolvency, trade credit risks, and life business
(l) All forms of legal liability arising out of the operation or navigation of ships or vessels over fifteen (15) meters in length
(m) Subaqueous work and liability in respect of the construction, ownership, operation, maintenance, or modification of operational dams and Cofer dams with a capacity greater than 5,000 mega liters other than losses arising out of recreational use
(n) Pure financial or pecuniary loss covers
(o) Claims arising directly or indirectly from the use of human organs, transplants, blood, cells, secretions of any kind, and derivatives therefrom
(p) Claims arising directly or indirectly from clinical trials
(q) Tire manufacturers and retreaders
(r) Municipal and council authorities. This exclusion does not apply to liabilities arising from lease agreements for the use of properties owned by municipal and council authorities

(s) Liability arising from the ownership or operation of oil wells and oil or petroleum refineries. In respect of contractors’ exposure, this exclusion shall not apply where the total contract value is less than AUD 100,000

(t) Liability in respect of the ownership, operation, construction, or maintenance of underground mines

(u) Defamation, libel, or slander arising from publishing, advertising, or broadcasting activities unless incidental to normal activities

(v) Operation, supervision, and maintenance of amusement rides and commercial operators of amusement parks

(w) Original insureds exclusively employed in building demolition

(x) Sports meetings involving motor-propelled vehicles as competitors.

**Products Liability**

For the purpose of exclusions a, b, c, and d below, the term “manufacturers” shall not include the liability of retailers deemed as manufacturers under any consumer legislation.

(a) Product liability of manufacturers of (a) aircraft, (b) aircraft component parts comprising aircraft fuselage, wings, and all structural, landing gear, tires, engines and engine components, propellers, fuel systems, electronic and electrical equipment, hydraulic equipment, aircraft instruments

(b) Manufacturers of inorganic pharmaceutical products; however, this exclusion shall not apply to cosmetics, hair care products, externally applied antiseptic creams and lotions, skin care and skin treatment products

(c) Manufacturers, importers, suppliers, or distributors of:

   i) Chemical/petrochemicals of an explosive, toxic, or noxious nature, chemicals, cleaning agents, detergents, fumigants, and disinfectants. Provided this exclusion shall not apply to retailers or wholesalers with annual turnover less than AUD 50 million of such products intended solely for domestic use

   ii) Fertilizers, pesticides, insecticides, fungicides, herbicides, defoliants, or crop sprays

   iii) Stock feed or poultry feed where the stock feed or poultry feed includes animal rudiment products, the addition of vitamins, minerals, amino acids, enzymes, hormones/synthetic hormones and/or growth hormones, pharmaceuticals or any drug, including a distributor, manufacturer, or direct importer of any of these components.
Provided that, this exclusion shall not apply when such distribution, import, or manufacture is added to an original insured’s trade or business during the policy period. This exclusion also does not apply to original insureds who trade principally as retailers.

(d) Shipbuilders and repairers and manufacturers of machinery and/or components with marine applications. In respect of components, this exclusion shall not apply unless the components are considered critical to the navigation of a vessel.

Provided that, this exclusion shall not apply to the repair and maintenance of watercraft up to 8 meters in length used in Australian inland and coastal waters.

Public Liability

(a) Aerodrome and/or airport operations and aircraft refueling risks and airline or aircraft liability
(b) Ownership, occupancy, or control of any property or structure used as a commercial airport or landing area
(c) Railway authorities and/or companies and tramway authorities
(d) Manufacture, storage, sales, fitting, filling, breaking down, or transport of explosives (including fireworks, ammunition, fuses, cartridges, powder nitroglycerin, or any explosive) or high-pressure gases in containers; fireworks displays are also excluded
(e) Prospecting, extraction, production, storage, and distribution or sale of natural gas, petroleum products, and/or highly inflammable gases or spirits other than contractors engaged in initial surveying or core sampling
(f) Gas, water, and electricity supply utilities/authorities
(g) Port authorities and risks connected with docks and wharves
(h) Liability arising from shipbuilding, ship repair of and the ownership, operation, or loading or unloading of commercial cargo-carrying vessels
(i) Trolley buses or motor vehicles.

EXCLUSION LIST—CLASS 3: WORKER’S COMPENSATION

1. Underground mining
2. Drilling and/or refining of liquid or gaseous fuels
3. Crews of ships or vessels and offshore risks
EXCLUSION LIST—CLASS 4: MOTOR THIRD-PARTY PROPERTY DAMAGE (INCLUDING CTP GAP COVER)

1. Excess of loss
2. Tramways or motor vehicles of any kind running on rails
3. Insurance for any vehicle not designed to run on terra firma.

EXCLUSION LIST—CLASS 5: COMPULSORY THIRD-PARTY LIABILITY

1. Radioactive Contamination and Explosive Nuclear Assemblies Exclusion Clause NMA 1622.

APPENDIX 2. ANNEXURE OF CLAUSES

EMPLOYER'S LIABILITY/WORKER'S COMPENSATION; DEFINITION OF OCCUPATIONAL DISEASE COVER (ACOD A)

The provisions of this article shall override any provisions of any other article contained herein that may conflict.

Insofar as liability is incurred by the reinsured under an employer's liability policy and/or worker's compensation policy in respect of legal liability for occupational disease or physical impairment attributable to a gradually operating cause that does not arise from a sudden and identifiable accident or event, this reinsurance shall provide cover on the basis that any one claim in respect of any one employee of an original insured shall be considered individually as one event for the purpose of recovery hereunder.

(100%) of all such policies. The result, expressed as a percentage, shall be used to calculate the limit of liability of the reinsurer and the retention of the reinsured under this reinsurance.

ACTS IN FORCE

In the event of any change in law by which the reinsurers' liability hereunder is materially increased or extended, the parties hereto agree to take up for immediate discussion a suitable revision in the terms of this reinsurance. Failing agreement on a revision, this reinsurance shall operate from the effective date of a change in law as if the change had not occurred.
SUBSCRIPTION AGREEMENT BETWEEN THE BROKER AND THE INSURERS/REINSURERS THAT WILL NOT FORM PART OF THIS AGREEMENT FOR DOCUMENTATION PURPOSES

Slip leader/leading reinsurer:

Brokerage: 10% (ten percent)—nil on reinstatements

Basis of agreement to contract changes: As per expiring as far as applicable

Signing/document provisions: Reinsurers’ acceptance of a share in this agreement, whether by direct signature of the attached signing page(s) (whether attached hereto or otherwise), or by correspondence, shall constitute their formal signature of the agreement, and no further documentation shall be issued.

Reinsurers agree to allow XYZ Reinsurance Australia Limited, without further authorization, to sign written lines disproportionately. Signing-down estimations given at time of placement are for indication only and are not warranted.

Currency: All settlements (premiums and claims) to be converted to or paid in Australian dollars.