

## REINSURANCE TREATY CUSTODIAL AGREEMENT - «PRODUCT\_LINE»

Effective Date: «Effective\_Date»

entered into by and among

<<REINSURANCE COMPANY NAME>>  
«Domicile»  
(hereinafter referred to as the "Reinsurer")

and

**LYNDON PROPERTY INSURANCE COMPANY**  
St. Louis, MO  
And  
<<CEDING COMPANY>>  
<Domicile>>  
(hereinafter referred to as the "Company")

and

«BANK\_NAME»  
«Bank\_City\_State»  
(hereinafter referred to as the "Custodian")

### SECTION 1 - PURPOSE OF AGREEMENT

1.1 Pursuant to the terms hereof, Reinsurer, Company, and Custodian hereby create a Custody Account for the sole use and benefit of the Company and to secure reserves under those certain Quota Share Reinsurance Agreement entered into as of even date between <<CEDING COMPANY>> and Reinsurer. The Reinsurer obligates itself to deliver to and deposit with the Custodian "Securities" (as defined in Section 3.1) which shall be received and held by the Custodian in accordance with the terms and conditions of this Agreement. The Securities thus held by the Custodian are hereinafter referred to as the "CUSTODIAL FUND."

1.2 The rights and obligations of Reinsurer, Custodian and Company under this Agreement are not subject to any conditions or qualifications not stated herein.

### SECTION 2 - REINSURER'S DEPOSITS TO AND WITHDRAWALS FROM FUND

2.1 Within seven (7) days after the effective date of this Agreement first set forth above, the Reinsurer shall deliver or transfer to the Custodian Securities with a market value (determined in accordance with Section 3.3) of not less than the full amount of the Reinsurer's Obligations (as defined in Section 4.3(d)), due or which may become due under the Reinsurance Agreement effective between the Reinsurer and Company, less

Obligations paid by the Reinsurer under said agreement (hereinafter referred to as the "Reinsurance Agreement").

2.2 Within forty-five (45) days after the end of each calendar quarter, the Reinsurer shall deposit with the Custodian such additional Securities as may be necessary to increase the aggregate market value of the CUSTODIAL FUND to an amount at least equal to the amount required under Section 2.1.

2.3 In the event the aggregate market value of the CUSTODIAL FUND immediately after each calendar quarter is greater than the amount required in Section 2.2., the Reinsurer may withdraw Securities from the CUSTODIAL FUND so as to reduce the aggregate market value of the CUSTODIAL FUND to an amount not less than the amount required in Section 2.2. The Custodian shall permit such withdrawal upon receipt by it of written authorization from the Company, which shall not be unreasonably withheld.

2.4 The Reinsurer may at any time withdraw Securities from the CUSTODIAL FUND provided that concurrently therewith Securities of equal or greater market value are deposited in the CUSTODIAL FUND, and the Custodian shall permit such substitution of Securities upon receipt by it of written authorization from the Company, which shall not be unreasonably withheld.

2.5 All Securities, other than cash, deposited by the Reinsurer with the Custodian pursuant to Sections 2.1., 2.2., or 2.4. shall be accompanied by executed assignments, endorsements in blank or stock powers as appropriate to enable the Company to transfer title to such Securities pursuant to the Company's right and authority under Section 4. Any such instruments shall be held and safeguarded by the Custodian, and delivered to the Company if the Company is entitled under Section 4 to take possession of the Securities applicable thereto, or returned to the Reinsurer with any withdrawals of the applicable Securities by the Reinsurer pursuant to Sections 2.3., 2.4. or 8.

2.6 The Custodian agrees to provide to the Company and the Reinsurer a statement of all assets in the CUSTODIAL FUND upon its inception and at intervals no less frequent than the end of each calendar quarter. Such reports shall identify all deposits, withdrawals and substitutions made during the preceding calendar quarter and shall list all Securities held in the CUSTODIAL FUND as of the last day of said quarter.

2.7 Custodian agrees to provide to the Company and Reinsurer with written notice of any deposits to or withdrawals from the CUSTODIAL FUND by means of a monthly detailed transactional statement.

### SECTION 3 - SECURITIES

3.1 The term "Securities" as used herein is defined as any combination of (a) cash; (b) certificates of deposit issued by any national or state chartered bank or savings and loan association which shall be payable in United States dollars; (c) United States Government issued or guaranteed bonds, bills, or notes; or (d) any other type of

investment that is approved by the Company and Custodian, provided that these other types of investments are purchased with funds that are in excess of the required reserve amounts.

3.2 Upon receipt of prior approval by the Reinsurer, the Custodian is authorized to invest any cash on deposit in the CUSTODIAL FUND, provided that all such investments shall fall within one of the categories of investments set forth in Section 3.1.

3.3 For the purposes of this Agreement, the market value of Securities shall be determined as follows: (a) at the time any Securities are deposited initially with the Custodian, and as respects Securities on deposit at the end of each calendar quarter, the Reinsurer shall in good faith place a tentative market value on said Securities and shall notify the Company of such valuation by supplement to the Custodian's statement of assets for the calendar quarter in question; (b) if the Company disagrees with such tentative market valuation, it may so notify the Reinsurer within 30 days after the date it receives the Custodian's quarterly statement of assets and the Reinsurer's supplement thereto; and (c) in the event the parties cannot resolve any difference with respect to the market value of the Securities, the market value of the security in dispute shall be determined by using the definition of "value" set forth in the Investment Company Act of 1940, Section 2(a) (41).

#### SECTION 4 - COMPANY'S CLAIM ON CUSTODIAL FUND

4.1 Only to satisfy its Obligations, Company may take possession of the Securities deposited in the CUSTODIAL FUND at any time, and without notice to the Reinsurer, and, at the Company's option, may hold such Securities or sell the same at public or private sale and exercise such other rights as may be permitted by applicable statute; provided, however, that the Company first gives notice to the Custodian in accordance with Section 4.2.

4.2 The Company may demand possession of the CUSTODIAL FUND from the Custodian, and the Custodian is required immediately to deliver physical custody of the Securities in the CUSTODIAL FUND to the Company, solely upon receipt by the Custodian of the Company's written notice stating that the Company is demanding possession of all Securities in the CUSTODIAL FUND pursuant to Section 4 of this Agreement.

4.3 In the event the Company takes possession of the CUSTODIAL FUND pursuant to Sections 4.1. and 4.2. herein, the Company shall deposit the entire CUSTODIAL FUND in a separate account, in the name of the Company in any qualified United States financial institution licensed under the laws of the United States or any State and is eligible to act as a fiduciary of a trust, apart from its general assets, in such CUSTODIAL capacity as specified below. The Company shall use and apply any amounts withdrawn from the CUSTODIAL FUND and deposited in said separate CUSTODIAL account, without diminution because of the insolvency of the Company or the Reinsurer, only for the following purposes:

- (a) to pay or reimburse the Company for the Reinsurer's share under the Reinsurance Agreement regarding any losses and allocated loss expenses paid by the Company, but not recovered from the Reinsurer or for unearned premiums due to the Company, if not otherwise paid by the Reinsurer;
- (b) to make payment to the Reinsurer of any amounts held in the CUSTODIAL FUND that exceed 100 percent of the actual amount required to fund the Obligations (as defined in subparagraph (d) below) under the Reinsurance Agreement; or
- (c) where the Company has received notification of termination of the CUSTODIAL FUND pursuant to Section 8.2, and where the Reinsurer's Obligations under the Reinsurance Agreement remain unliquidated and undischarged ten (10) days prior to such termination date, to maintain said separate CUSTODIAL account for such uses and purposes specified in (a) and (b) above as may remain executory after such withdrawal and for any period after such termination date.
- (d) "Obligations" within the meaning of this Section and this Agreement, means:
  - (i) losses and allocated loss expenses paid by the Company, but not recovered from the Reinsurer;
  - (ii) reserves for losses reported and outstanding;
  - (iii) reserves for losses incurred but not reported; and
  - (iv) reserves for allocated loss expenses and unearned premiums.

4.4 In the event the Company takes possession of the CUSTODIAL FUND pursuant to Sections 4.1 and 4.2., the Reinsurer shall continue to be liable to Company for any amount by which balances due the Company under the Reinsurance Agreement exceed the aggregate market value of the Securities withdrawn from the CUSTODIAL FUND as of the date of withdrawal. The aggregate market value of the Securities shall be determined in accordance with Section 3.3(c).

## SECTION 5 - EXPENSES

5.1 Any interest or dividends from Securities deposited in the CUSTODIAL FUND shall be reinvested by the Custodian into the CUSTODIAL FUND by the Custodian.

5.2 All fees and expenses charged by the Custodian for its services under the terms of this Agreement shall be withdrawn from the CUSTODIAL FUND by the Custodian on

a quarterly basis in advance.

## SECTION 6 - CUSTODIAN

6.1 The Custodian shall receive, hold, and safeguard all Securities deposited under this Agreement and may whenever necessary negotiate any such Securities without consent or signature from the Reinsurer or any other person or entity. The Custodian shall not be responsible for the adequacy of the CUSTODIAL FUND, or for the valuation of the same or of the Securities from time to time deposited in, withdrawn from, or comprising the CUSTODIAL FUND. The Custodian also shall have no power or duty to collect any Securities from the Reinsurer or to enforce the provisions hereof regarding the deposit or withdrawal of Securities except as is herein specifically provided.

6.2 The Custodian shall be liable for its own negligence, willful misconduct or lack of good faith in performing its obligations under this Agreement. In the absence of such liability, the Custodian shall be indemnified by the Reinsurer for actions taken and not taken by the Custodian in performing its obligations hereunder, and for any legal expenses or other costs which the Custodian may reasonably incur with respect to such acts or failures to act or the defense thereof.

6.3 The Custodian hereby waives any right of set-off and all other rights and remedies against or affecting the CUSTODIAL FUND.

6.4 The Custodian may at any time resign from and terminate its capacity hereunder by written notice to both the Company and the Reinsurer effective not less than ninety (90) days after receipt by the Company and Reinsurer of the notice; provided that no such resignation shall be effective until a successor Custodian (the "Successor Custodian") has been duly appointed and approved by the Company and Reinsurer and all Securities in the CUSTODIAL FUND have been duly transferred to the Successor Custodian or, in the event a Successor Custodian is not appointed within ninety (90) days of the receipt of said notice, the CUSTODIAL FUND has been transferred to the Company as provided herein.

The Reinsurer, upon receipt of the above notice of resignation, shall undertake to obtain the agreement of a Successor Custodian to act in accordance with all agreements of the Custodian hereunder. The choice of Successor Custodian is subject to approval by the Company, which approval shall not be unreasonably withheld if the Successor Custodian so chosen is chartered as a national or state bank and has capital and surplus of at least US \$100,000,000. In the event the Reinsurer is unable to obtain such an approved Successor Custodian within ninety (90) days from its receipt of notice from the Custodian, the Custodian is authorized to deliver the CUSTODIAL FUND to the Company. In such event, the Company shall, until an approved Successor Custodian is found, hold the CUSTODIAL FUND pursuant to the terms hereof, being fully substituted for the Custodian except that Section 6 hereof shall not apply.

Upon the Custodian's delivery of the CUSTODIAL FUND to the Successor

Custodian or, if none is approved, to the Company along with a closing statement showing all transactions relating to the CUSTODIAL FUND since the date of the Custodian's last quarterly report, the Custodian shall be discharged of further responsibilities hereunder.

6.5 Custodian, upon written demand of the Company pursuant to Sections 4.1. and 4.2. herein, shall immediately take any and all steps necessary to transfer absolutely and unequivocally all right, title and interest in the Securities held in the CUSTODIAL FUND to the Company and deliver physical custody of such Securities to the Company.

6.6 Custodian shall provide the Company and Reinsurer with the reports and notices required under Sections 2.6 and 2.7 of this Agreement.

#### SECTION 7 - ACCESS TO REPORTS

7.1 The Company, by its duly authorized representatives, shall have the right at any reasonable time to examine all papers in the possession of the Reinsurer and the Custodian applicable to this Agreement and the CUSTODIAL FUND deposited and maintained hereunder.

#### SECTION 8 - TERMINATION

8.1 The Reinsurer may terminate this Agreement at any time by paying in cash to the Company or furnishing a bank letter of credit to the Company in an amount equal to the total net balance due the Company under the Reinsurance Agreement, where the net balance due the Company is defined as the full amount of the Reinsurer's Obligations (as defined in Section 4.3(d)) due or which may become due under the Reinsurance Agreement less Obligations paid by the Reinsurer under said Contract; provided however, that the Custodian shall release Securities held and deposited with the Custodian under this Agreement only upon written notice from the Company that such payment by the Reinsurer has been duly made. Any bank letter of credit furnished pursuant to this provision shall comply in all respects with the applicable provisions of the Missouri Insurance Laws.

8.2 Except for terminations by the Reinsurer pursuant to Section 8.1., the Reinsurer may not terminate this Agreement unless at least thirty (30) days, but not more than forty-five (45) days, prior to termination of the CUSTODIAL FUND written notification of termination shall be delivered by the Custodian to the Company.

8.3 Upon termination of the CUSTODIAL FUND, all Securities not previously withdrawn by the Company shall, with written approval by the Company, be delivered over to the Reinsurer by the Custodian.

## SECTION 9 - CONSTRUCTION AND EFFECT

9.1 This Agreement and all proceedings pursuant hereto shall be governed by the law of the State of Missouri.

9.2 This Agreement shall be binding upon and shall inure to the benefit of the parties hereto, their successors and assigns.

9.3 This Agreement may be executed in any number of counterparts or by attached documents, all of which shall constitute one and the same original.

## SECTION 10 - ADDRESSES FOR NOTICES

10.1 All notices, letters, telexes or other communications between any one party to this Agreement and any other should be addressed as follows:

- (a) Reinsurer:                                <<Reinsurance Company Name>>  
    «Address»  
    «City» <<State>>, «Zip»
  
- (b) Beneficiary:                                Lyndon Property Insurance Company  
    2345 Waukegan Road, Suite 210  
    Bannockburn, IL 60015
  
- (c) Second Beneficiary:                    <<Ceding Company>>  
    2345 Waukegan Road, Suite 210  
    Bannockburn, IL 60015
  
- (d) Custodian:                                 «Bank\_Name»  
    «Bank\_Address»  
    «Bank\_City\_State», «Bank\_Zip»

## SECTION 11 - AUTHORIZATIONS

11.1 Upon the execution of this Agreement, the Reinsurer and the Company each shall provide the Custodian with a list, certified by their respective Secretaries or Assistant Secretaries, of the names and signatures of those persons authorized to furnish the Custodian with the directions and approvals contemplated hereunder on behalf of those parties. Until notified in writing in the same manner of any additions to or deletions from such list, the Custodian may continue to rely upon the same for purposes of this Agreement.

IN WITNESS WHEREOF, the parties hereto by their respective duly authorized officers have executed this Agreement on the dates set forth below.

ATTEST BY:

**LYNDON PROPERTY INSURANCE COMPANY**

By: \_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Officer's Name: Mark Whiting

Title: Compliance

Title: Vice President – Compliance

ATTEST BY:

**<<CEDING COMPANY>>**

By: \_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Officer's Name: Mark Whiting

Title: Compliance

Title: Vice President – Compliance

ATTEST BY:

**«REINSURANCE COMPANY NAME»**

By: \_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Printed Name: «President Name»

Title: \_\_\_\_\_

Title: President

ATTEST BY:

**«BANK\_NAME»**

By: \_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_