

APPLICATION AND RENEWAL AGREEMENT
TO REQUEST TO ADD OR MAINTAIN THE NAME OF A FINANCIAL INSTITUTION ON
THE NAIC LIST OF QUALIFIED U.S. FINANCIAL INSTITUTIONS
ISSUERS OF LETTERS OF CREDIT FOR USE AS COLLATERAL IN REINSURANCE ARRANGEMENTS

Part One – Information

1. **About the List** - The Qualified U.S. Financial Institutions (“QUSFI”) List (the “List”) is maintained by the NAIC Securities Valuation Office (the “SVO”) as part of a service provided by the NAIC to its members (i.e. the commissioners, directors, superintendents and other named state officials that regulate the insurance business in each U.S. state, the District of Columbia and each U.S. territory). NAIC members and their domiciled insurance companies use the List to administer state laws pertaining to reinsurance arrangements that incorporate or are based on the NAIC’s Credit for Reinsurance Model Law (#785) (“Model 785”). This List is not intended to be used and may not be used for any other purpose or by any other person or entity. Detailed information about the List is contained in Part Two of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (the “P&P Manual”), which can be purchased through the NAIC’s publications department on the NAIC website: (https://www.naic.org/prod_serv_alpha_listing.htm).
2. **About Credit for Reinsurance** – Model 785 establishes procedures for domestic insurers to apply to a state insurance department for the grant of an asset or a reduction from liability (i.e. a credit) when the domestic insurer cedes insurance exposure to an assuming insurer (the reinsurer) in a reinsurance arrangement consistent with Model 785. One arrangement contemplated by Model 785 involves reinsurance arrangements in which the reinsurer provides security (collateral) for performance of its reinsurance obligation in the form of a letter of credit issued or confirmed by a “qualified U.S. financial institution.”
3. **Definition of Qualified U.S. financial institution** – Section 4.A. of Model 785 defines the term “qualified U.S. Financial Institution” as follows: “For purposes of Section 3C [of Model 785], a “qualified U.S. financial institution” means an institution that: (1) Is organized or (in the case of a U.S. office of a foreign banking organization) licensed, under the laws of the United States or any state thereof; (2) Is regulated, supervised and examined by U.S. federal or state authorities having regulatory authority over banks and trust companies; and (3) Has been determined by either the commissioner or the Securities Valuation Office of the National Association of Insurance Commissioners to meet such standards of financial condition and standing as are considered necessary and appropriate to regulate the quality of financial institutions whose letters of credit will be acceptable to the commissioner.” **Source:** Model 785, available for free download at: http://store.naic.org/prod_serv_model_laws.htm.
4. **About this Initial Application or Renewal Application** – A financial institution that issues a letter of credit as collateral in reinsurance arrangements may request that the NAIC add its name to the List in order to be deemed a Qualified U.S. Financial Institution for purposes of Model 785, **if it agrees to the Conditions for Adding an Applicant to the List in Part Two of this Application and Renewal Agreement.** Annually, financial institutions are obligated to renew their position on the List within six (6) months of the fiscal year end. Beyond six (6) months of fiscal year end, the financial institution will be removed from the List and will be obligated to reapply as an initial applicant. **Please direct all inquiries to: SVOInquiry-FI@naic.org.**
5. **The Significance of Being on the List** – By adding the name of a qualified U.S. financial institution to the List the SVO communicates to NAIC members and their domiciliary insurers that the Applicant meets the QUSFI requirements and eligibility standards specified in Part Two of the P&P Manual. No other communication is intended or should be inferred by anyone. When the SVO adds the name of a qualified

U.S. financial institution to the List, the SVO is not expressing an opinion on any aspect of the financial institution's operations, the appropriateness of doing business with the financial institution or the suitability of using any entity on the List as a provider of credit enhancement for securities transactions.

Part Two – Agreement: Conditions for Adding an Applicant to the List

- 1. Assumption of Risk of Being on the List** - The Applicant has either read Part Two of the P&P Manual or has had an opportunity to do so which it declined and, in either case, understands the nature of the NAIC activity represented by the List and fully assumes any risk to itself of exposure to such activities.
- 2. Acknowledges SVO Notices and Activities** - The Applicant acknowledges that the SVO will notify NAIC members and their insurers if the Applicant's letter of credit or senior debt credit rating has or is likely to fall below the NAIC established minimum for the List and that the SVO may place the Applicant's name on a privately published Watch List (as described in Part Two of the P&P) to communicate that the Applicant either (i) will not be permitted to renew its Application in a subsequent business cycle or (ii) may be removed from the List at the discretion of the SVO if the SVO deems the Applicant's credit rating is unlikely to remain at or above the minimum and will be removed from the List if the NRSRO downgrades the Applicant's credit rating(s) below the minimum established by the NAIC for the List. The Applicant acknowledges that the identified SVO communications and actions are intended to permit NAIC members to effectively administer existing reinsurance arrangements including the opportunity to make alternative arrangements if the Applicant's credit rating falls, or is likely to fall, below the NAIC established minimum. The Applicant agrees that it shall not deem such communications and activities to constitute commercial defamation, slander or tortious interference with the business of the Applicant.
- 3. Provide Evidence of Legal Status as QUSFI** - The Applicant will provide evidence (via upload to VISION, the web-based application maintained by the NAIC to enable industry participants to file information required by the SVO to perform its several functions) that it is (i) a qualified U.S. financial institution as defined in Part One, Section 3 of this Application and Renewal Agreement; (ii) authorized to issue letters of credit for reinsurance; (iii) has a credit rating assigned by an NRSRO for its letter of credit or senior debt obligation not lower than the minimum established by the NAIC for the List, produced by the NRSRO using the methodology and criteria identified in the "NRSRO List to Administer QUSFI List" found on the SVO website: <https://www.naic.org/svo.htm>.
- 4. Agrees to Provide Financial Information** - The Applicant agrees to provide the financial information identified in Part Two of the P&P so that the SVO can monitor its credit rating(s) and notify NAIC members and their insurers of the status of the Applicant's credit rating(s).
- 5. Status of Application** - The Applicant acknowledges and agrees that the SVO's receipt and or administration of the Application does not indicate that the SVO has agreed to add (or that it will add) the Applicant's name to the List. The Applicant will be advised in writing or by electronic communication should the application be rejected.
- 6. Not an Endorsement** - Adding the name of the Applicant to the List is not and shall not be represented by the Applicant to insurers or anyone else to be an endorsement, recommendation or a grant of regulatory approval for any activity whatsoever (including reinsurance transactions structured to use letters of credit as collateral for a reinsurance obligation) by the SVO, any NAIC employee, the NAIC or any of its members.
- 7. The Application** – The Applicant must agree to this entire, original Application and Renewal Agreement and may not alter, amend or otherwise modify this Application and Renewal Agreement in any way.
- 8. Fees** – The Applicant agrees to pay the NON-REFUNDABLE initial or renewal fee, as applicable, as

indicated on the current VISION fee schedule maintained on the SVO website at:
<https://www.naic.org/svo.htm>.

9. **Governing Law** – Any dispute or controversy arising out of the Agreement set forth in Part Two hereof, or the activities otherwise described in this Application and Renewal Agreement shall be governed by the laws of the State of New York and shall be adjudicated in the New York Supreme Court or the US District Court for the Southern District of New York in New York City.