

Approved by Resolution of the
Supervisory Board of RC NRC JSC
(Minutes No. 7 dated 26.12.2016)

Reviewed by the Reinsurance Board
(Minutes No. 2 dated 23.11.2016)

REINSURANCE POLICY OF REINSURANCE COMPANY NRC JOINT-STOCK COMPANY

Terms and Definitions

Reinsurance Contract means any agreement on reinsurance made as one document and signed by the Parties through slip acceptance or exchange of documents, containing the agreement of the Parties on all material conditions by mail, electronic or other communication, which allows for clear identification of the respective Party;

Underlying Insurance Contract means an insurance contract made by the Insurer and the Insured, the risk of insurance indemnity payment under which is ceded by the Reinsured (Insurer under the underlying contract) to the Reinsurer under the reinsurance contract;

Slip means a proposal submitted to the other Party expressing the intent to make a reinsurance contract with the other Party in case of acceptance of the proposed terms and conditions;

Acceptance means complete and unconditional consent to make the reinsurance contract under the conditions specified in the slip;

Risk means probable and accidental event or a set of events that are insured against;

Facultative Reinsurance means a type of reinsurance when the Reinsured determines what level of risk it should maintain and offers to share the remaining risk (or part of the risk) under one and several original insurance/reinsurance contracts of the Reinsured, and the Reinsurer accepts the risk (or part of the risk) or refuses to accept it;

Obligatory Reinsurance means a type of reinsurance when the Reinsured is obliged to cede the risk (part of the risk) under the original insurance/reinsurance contracts made by the Reinsured to the Reinsurer subject to the terms and conditions of the reinsurance contract made with it, and such risks are deemed reinsured by the reinsurer from the effective date of the respective original insurance/reinsurance contract unless otherwise provided for by the reinsurance contract;

I. General

1. Reinsurance Company NRC Joint-Stock Company (hereinafter referred to as NRC) was incorporated and exists in compliance with Law of the Russian

Federation dated 27.11.1992 N 4015-1 "On Insurance Business in the Russian Federation".

2. The main objectives of NRC are:
 - a) Support of national insurance market by provision of reinsurance capacity to protect the property interests of:
 - (i) persons in respect of whom there are restrictions directly or indirectly connected with the resolutions of authorities of foreign states or international organizations and preventing reinsurance of risks under the underlying insurance contracts outside the Russian Federation;

The restrictions are detailed in Appendix A - Sanctions.
 - (ii) owners of residential premises holding policies issued by the reinsured (insurer) covering the risk of loss of residential premises as the result of extraordinary situations, including fire, flood, other natural calamity, in the cases stipulated by the legislation of the Russian Federation;
 - b) Assurance of adequate profitability in each of the segments of business by acceptance of risks from Russian and foreign reinsured under insurance (reinsurance) contracts made by them in respect of persons other than those specified in Clause 2(a) of this Section.
3. To this end, NRC shall form a balanced reinsurance portfolio of accepted risks.
4. To assure profitability of its portfolio and protect capital, NRC will accept natural catastrophe and cumulative risks.
5. In compliance with the valid license, NRC shall not perform insurance and co-insurance operations.
6. NRC shall establish partner relations with the insurance market participants.

II. Reinsurance Conditions

1. The risks accepted for reinsurance shall have the signs of probability and contingent probability of occurrence.
2. NRC will consider proposals on acceptance of risks from insurers (reinsured), including those received with participation of insurance (reinsurance) brokers.
3. NRC will make facultative and obligatory reinsurance contracts, including the reinsurance contracts within the frameworks of reinsurance pools.

4. The conditions of risk acceptance by NRC will be as follows:
- a) If the share of NRC does not exceed 10% of the ceded risks, the conditions of NRC participation shall be similar to the conditions of participation of other reinsurers.
If the conditions of reinsurer participation differ, NRC shall accept equal share in the risks under the conditions of each reinsurer.
If the conditions of reinsurer participation differ only by premium rates, the rate for the share of RC NRC JSC shall be calculated as the ratio of the total reinsurance premium to the total share under the reinsurance contracts with other reinsurers (weighted average value).
If there is more than one excess (amount or loss) in the reinsurance contract, NRC will accept an equal share in each excess.
 - b) If the share of NRC exceeds 10% of the ceded risks, the conditions of their acceptance by NRC shall be determined:
 - (i) By the leading reinsurer, if there is information on the leading reinsurer in the reinsurance contract;
 - (ii) Independently by NRC, if NRC is the leader, the sole reinsurer, in other cases when NRC deems it expedient to offer its conditions of reinsurance;
At that, if several Reinsured are willing to cede one and the same risk, NRC will set similar conditions of reinsurance if the original conditions of applications and provided risk data are similar.
5. In compliance with the declared objectives, the procedure of risk acceptance by NRC will be determined based on the category of persons whose property interests are protected by the underlying insurance contracts:
- a) under underlying contracts of insurance of property interests of the persons specified in Clause 2 (a) of Section I, the reinsured (insurer) shall cede, and NRC shall accept 10% share in the ceded risk or offer the conditions of participation exceeding 10%;
 - b) in case of a reinsurance of persons specified in Clause 2 (b) of Section I, NRC may:
 - (i) accept a share of 10% or less;
 - (ii) offer to accept a share exceeding 10%;
 - (iii) reject the offer to accept the risk.
6. To improve profitability, NRC shall:

- a) strive to participate in the target segments specified in Appendix B within the limits of net retention;
- b) limit the share in the segments of limited interest specified in Appendix B;
- c) control accumulation and acquire protection against catastrophic risks;
- d) strive to cut policy administration costs.

III. NRC Net Retention

1. The size of the net retention shall be determined on the basis of the internal model and shall be approved by the Board of NRC. NRC shall accept risks to the extent not exceeding the net retention. In separate cases, on the basis of decision of NRC Risk Committee, the share of NRC in risks may exceed the net retention. Such decision shall be executed as the minutes of NRC Risk Committee.
2. For the avoidance of accumulation in respect of a risk/object, NRC usually does not take part in retrocession contracts on the Russian market.
3. When determining its share, NRC shall calculate accumulation for the event which simultaneously affects numerous objects when participating in risks under reinsurance contracts covering the same perils within the same territory. Own or existing evaluation models are used to calculate loss from such events.

IV. Losses

1. In case of an event covered by the reinsurance contract, NRC shall have the right to get information, documents and interact with the reinsured, its representatives, surveyors and adjusters to the extent not less than other reinsurers and within the same periods.
2. If NRC acts as the leader or has the largest share, the conditions of the reinsurance contract shall at least provide for the possibility of immediate receipt of information on the events and the possibility to send its adjuster and/or representative for participation in all negotiations on claim settlement.
3. NRC shall have the right to regularly receive the information from the reinsured on the amount and status of unpaid losses.
4. Payment of losses incurred under the reinsurance contracts made with NRC shall be made in the amount corresponding to the share of NRC in the risk and by the dates determined by the reinsured or the leading reinsurer as the dates of loss payment if NRC was engaged in loss settlement according to the amount and

terms of provision of information on the course of loss settlement by the direct insurer together with other reinsurers.

V. Interaction with Insurance Brokers

1. NRC shall ensure that the broker has respective authorities granted by the reinsured.
2. NRC shall accept risks offered by insurance brokers on similar terms and conditions in case the original slip terms and conditions are similar. In case of simultaneous receipt of slips from the reinsured and from the insurance broker, NRC shall accept risks on similar conditions from the reinsured and the insurance broker.

VI. Appendices

Appendix A - Sanctions.

Appendix B - Priority areas.

Appendix C - Processing of applications.

Appendix A

Sanctions

1. Sanctions prevent reinsurance of risks of persons, territories, objects on the international markets in respect of which there are restrictions directly or indirectly connected with resolutions of authorities of foreign states or international organizations.
2. NRC will accept risks of persons and/or companies subject to sanctions of the USA, EU countries and other countries of any kind (personal, territorial, industrial, etc.) and existing and/or imposed as of the date of risk ceding.
3. Sanction risks include risks that meet any of the following criteria:

- a) Restrictions in respect of the person or company (Insured/Beneficiaries);

The fact of US and EU restrictions in respect of individuals and legal entities can be verified using the following resources:

US sanctions

<https://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/fuzzy-logic.aspx>

EU sanctions

https://europa.eu/newsroom/highlights/special-coverage/eu-sanctions_en

- b) restrictions in respect of insurance territory;
 - c) restrictions in respect of designation of the insured object, including military or dual-purpose facilities.
4. The burden of proving sanction restrictions in respect of reinsured risks shall be borne by the reinsured.

Appendix B

Priority Areas

NRC focuses on:

Target segments - the most preferred business for the company;

Special segments – high risk/volatility businesses;

Segments of limited interest.

Such classification does not apply to reinsurance of the risks set forth in Clause 2(a) of Section I.

Target Segments

- Corporate and industrial property, except for warehouse risks;
- Engineering risks with a warranty period of not more than 3 years;
- Cargo, except for transportation of cash, securities, jewelry and precious metals;
- Builders' risk hull;
- Third party liability;
- Aviation hull and third party liability.

Special Segments

- Warehouse risks;
- Energy risks, including drilling contractor's expenses;
- Warehouse operator and owner liability;
- Space risks;
- Marine hull and third party liability;
- Medical device, medical services, medical experiments product liability.

Segments of Limited Interest

- Financial guarantees, bankruptcy, contractual liability and other purely financial risks, except for the cases stipulated by law;
- Financial lines, including directors' liability insurance, comprehensive insurance of banking risks;
- Liability of arbitration managers, tour operators, developers, notaries;
- Motor hull insurance, except for obligatory reinsurance and fleets of legal entities;
- Types of personal insurance, except for obligatory reinsurance and collective accident insurance contracts;
- Title insurance, except for obligatory reinsurance.

Appendix C

Processing of Applications

1. Upon slip forwarding to slip@rnrc.ru, the sender will receive an e-mail confirmation of its receipt specifying the slip reference number, date and full name of the underwriter.
2. If the share of NRC in the proposed risk is not more than 10%, response to the slip will be sent to the sender within 24 hours in the form of an e-mail message with confirmation of acceptance, refusal to accept, counteroffer or request for additional information unless the slip allows for a longer term response.
3. Refusal to accept the slip will be executed in the form of a letter or slip with the refusal stamp specifying the reason of refusal.