

# COINSURANCE AGREEMENT

by and between

Heritage Life Insurance Company

and

Polish Falcons of America

**TREATY #**

**COINSURANCE**

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**ARTICLE I**  
**PREAMBLE**

**1.01 Parties to the Agreement.** This is a Coinsurance agreement for indemnity reinsurance (the “**Agreement**”) solely between Polish Falcons of America (the “**Cedant**”), a fraternal benefit society domiciled in Pennsylvania and Heritage Life Insurance Company (the “**Reinsurer**”) domiciled in Arizona (individually, a “**Party**” and, collectively, the “**Parties**”).

The acceptance of risks under this Agreement will create no right or legal relationship between the Reinsurer and the insured, owner or beneficiary of any insurance policy or other contract of the Cedant.

The Agreement will be binding upon the Cedant and the Reinsurer and their respective successors and permitted assigns.

**1.02 Compliance.** This Agreement applies only to the issuance of the Policies by the Cedant in a jurisdiction in which it is properly licensed. The Cedant represents that, to the best of its knowledge, it is in compliance with all Applicable Law with respect to the Policies and the Reinsured Liabilities. In the event that the Cedant is found to be in non-compliance with any Applicable Law material to this Agreement, the Agreement will remain in effect and the Cedant will defend, indemnify and hold harmless the Reinsurer for any loss the Reinsurer suffers as a result of the non-compliance, and will seek to remedy the non-compliance.

**1.03 Construction; Interpretation.** This Agreement will be construed in accordance with the laws of the Commonwealth of Pennsylvania. The Parties have participated jointly in the negotiation and drafting of the Agreement. In the event of an ambiguity or question of intent or interpretation arises, the Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring either Party by virtue of the authorship of any of the provisions of the Contract. Whenever the words “include,” “includes” or “including” are used in the Agreement, they shall be deemed to be followed by the words “without limitation.”

**1.04 Entire Agreement.** This Agreement constitutes the entire agreement between the Parties with respect to the business reinsured hereunder. There are no understandings between the Parties other than as expressed in this Agreement. Any change or modification to this Agreement will be null and void unless made by amendment to this Agreement and signed by both Parties.

**1.05 Severability.** If any provision of this Agreement is determined to be invalid or unenforceable, such determination will not impair or affect the validity or the enforceability of the remaining provisions of this Agreement.

## **ARTICLE II** **DEFINITIONS**

**2.01 Definitions.** The following terms shall have the respective meanings set forth below throughout this Agreement:

“**Agreement**” has the meaning set forth in the preamble.

“**Applicable Law**” means any domestic or foreign federal, state or local statute, law, ordinance or code, or any written rules, regulations or administrative interpretations issued by any Governmental Entity pursuant to any of the foregoing, and any order, writ, injunction, directive, judgment or decree of a court of competent jurisdiction applicable to the Parties.

“**Business Day**” means any day other than a Saturday, Sunday, a day on which banking institutions in the State of New York are closed or a day on which the New York Stock Exchange is closed for trading.

“**Cedant**” has the meaning set forth in the preamble.

“**Ceding Allowance**” has the meaning set forth in Schedule C.

“**Closing Date**” is the date this Agreement is executed.

“**Code**” has the meaning set forth in Section 7.01.

**“Commission Charge-Backs”** means refunds or returns of commissions paid to agents of the Cedant relating to surrenders, forfeitures or similar terminations of the Policies.

**“Effective Date”** has the meaning set forth in Section 4.03.

**“Excluded Liabilities”** has the meaning set forth in Section 4.02.

**“Extra-Contractual Obligations”** means all liabilities, obligations, costs, damages and expenses, of any kind or nature, not arising under the express terms and conditions of any Policy, that are not based on any act or omission by the Reinsurer, whether such liabilities, obligations, costs, damages or expenses are owing to a Policyholder, a Governmental Entity or any other Person, including (a) any liability for punitive, exemplary, consequential, incidental, special, treble, tort, bad faith or any other form of extra-contractual damages, (b) statutory or regulatory damages, fines, penalties, forfeitures and similar charges of a penal or disciplinary nature, (c) attorney’s fees and all other payments to Persons associated with investigation, litigation and settlement of claims, as distinguished from the amount of a claimant’s recovery under a Policy, and (d) liabilities and obligations arising out of any act, error or omission, whether or not intentional, willful, negligent, reckless, careless, in bad faith or otherwise, including any act, error or omission relating to (i) the form, marketing, production, issuance, sale, cancellation, settlement, or administration of the Policies, or (ii) the failure to pay or the delay in payment of claims, benefits, disbursements or any other amounts due or alleged to be due under or in connection with the Policies.

**“Governmental Entity”** means any federal, state, local, municipal, county, foreign or other governmental, quasi-governmental, administrative or regulatory authority, body, agency, court, tribunal, commission or other similar governmental entity (including any branch, department, agency or political subdivision thereof) or any self-regulating body of similar standing.

**“Insurance Department”** means the governing insurance department or insurance commissioner in each state of the United States.

**“Party” or “Parties”** has the meaning set forth in the preamble.

**“Person”** means any individual, corporation, partnership, limited liability company, limited liability partnership, firm, joint venture, association, joint-stock company, trust, unincorporated

organization, governmental, judicial or regulatory body, business unit, division or other entity of any kind or nature.

“**Policies**” and “**Policy**” have the meanings set forth in Section 3.02.

“**Policyholder**” is the person or entity entitled to exercise all rights granted by the Policies.

“**Quota Share**” means the specific quota share associated with each Policy as set forth in Schedule A, or as otherwise amended in writing by the Parties from time to time.

“**RBC Ratio**” means the ratio of Total Adjusted Capital to Company Actional Level Risk-Based Capital (each capitalized term as defined in the NAIC Risk Based Capital (RBC) Model Act or in the rules and procedures prescribed by the NAIC with respect thereto, in each case as in effect on the date of determination). The Cedant acknowledges that none of the inputs to the RBC Ratio calculation are required by law to be calculated or published on other than an annual basis. Notwithstanding the foregoing, the Reinsurer will estimate its RBC Ratio as of the end of the first, second, and third calendar quarters in a manner consistent with the requirements set forth in the NAIC's Life Risk-Based Capital Report Instructions for the year-end calculation.

“**Reinsured Liabilities**” means the Quota Share of death, surrender, withdrawal, annuity or other benefits incurred by the Cedant under the express terms of the Policies, from and after the Effective Date. For the avoidance of doubt, Reinsured Liabilities does not include any Excluded Liabilities.

“**Reinsurer**” has the meaning set forth in the preamble.

“**Reserves**”, as of any date, has the meaning set forth in Section 13.01.

“**Third Party Reinsurance Agreements**” means the reinsurance agreements permitted under Section 13.05 (other than this Agreement), with which the Cedant is ceding liabilities to reinsurers with respect to the Policies.

### **ARTICLE III** **PURPOSE**

**3.01 Purpose of Agreement.** The purpose of this Agreement is to provide for indemnity reinsurance by the Reinsurer of the Quota Share of certain liabilities of the Cedant under the Policies.

The Parties shall have no other recourse against the other for payments other than those amounts specifically allowed for herein. The Reinsurer agrees to be responsible for the Reinsured Liabilities to the extent of the Quota Share and shall establish Reserves in a statutorily appropriate amount. This Agreement shall commence on the Effective Date of this Agreement, is subject to the terms and conditions set forth herein, and shall cease upon the termination date of this Agreement as defined in Articles XI and XII.

**3.02 Policies Reinsured.** The policies reinsured hereunder are life insurance certificates originally and directly issued by the Cedant on the contract forms identified in Schedule A (such listed policies, the “**Policy**” or “**Policies**”). Policies shall consist of only those forms specifically listed in Schedule A, and will not include any other riders, certificates, endorsements, or agreements in connection therewith.

#### **ARTICLE IV** **REINSURANCE COVERAGE**

**4.01 Cession.** Subject to the terms and conditions of this Agreement, the Cedant hereby cedes and the Reinsurer hereby accepts by reinsurance, on a coinsurance basis as described in Section 4.04, the Quota Share of the Reinsured Liabilities.

**4.02 Exclusions.** Notwithstanding any provision of this Agreement to the contrary, the Reinsurer shall not be liable for any liabilities or obligations of the Cedant that are not Reinsured Liabilities. Without limiting the foregoing, the following are not Reinsured Liabilities:

- a. all liabilities or obligations of any kind or nature whatsoever that do not relate to the Policies, including any liabilities or obligations arising under the terms of riders or endorsements to the Policies that are not listed in Schedule A;
- b. any liabilities resulting from any coverage added after the Effective Date to a Policy that is not required by the express terms of the Policy in effect on the Effective Date, unless such additional coverage has been approved in writing in advance by the Reinsurer;
- c. any Extra-Contractual Obligations (unless such obligations have been approved in writing in advance by the Reinsurer);

(collectively, (a) – (c) constitute the “**Excluded Liabilities**”).

**4.03 Effective Date.** This Agreement shall become effective at 11:59 PM EDT on December 31, 2022 (the “**Effective Date**”).

**4.04 Coinsurance.** The form of reinsurance shall be coinsurance. The obligations of the Reinsurer shall be subject to the same terms and conditions as provided in the Policies between the Cedant and the Policyholders.

**4.05 Misstatement.** In the event that the amount of liability provided by any Policy is increased or reduced because of a misstatement of age or sex, or any other material fact, the reinsurance hereunder shall increase or reduce proportionately. Otherwise, the amount of reinsurance under this Agreement shall be maintained in force without reduction, so long as the amounts of insurance carried by the Cedant on the Policyholders remain in force without reduction.

## **ARTICLE V** **DURATION OF RISK**

**5.01 Duration.** Except as otherwise provided herein, this Agreement shall be unlimited in duration.

**5.02 Commencement of Reinsured Liabilities.** The liability of the Reinsurer with respect to any Policy will begin simultaneously with that of the Cedant, but not prior to the Effective Date of this Agreement. The Reinsurer's liability with respect to any Policy will end on the date the Cedant's liability on such Policy has ended, unless this Agreement is terminated or the Policy is recaptured pursuant to Articles XI or XII, as applicable.

## **ARTICLE VI** **CONSIDERATIONS**

**6.01 Transfer of Cash.** On or as soon as practicable after the Effective Date, but no later than forty-five (45) days after the Effective Date, the Cedant shall transfer to the Reinsurer cash, accrued at a rate of seven percent (7%) per year from the Effective Date to the transfer date, equal to the cash transfer amount as calculated in Schedule A-1.

**6.02 Premiums.** The Reinsurer's Quota Share of all premiums and fees collected on the Policies shall become the sole property of the Reinsurer as of the Effective Date of this Agreement, and the



Cedant shall remit any and all such collected premiums as of the end of each calendar month to the Reinsurer as part of the monthly settlement contained herein.

**6.03 Commissions.** As part of the monthly settlements described in Section 9.03, (i) the Reinsurer shall pay to the Cedant its Quota Share of the commissions paid by the Cedant to agents on the Policies since the preceding monthly settlement, and (ii) the Cedant shall pay to the Reinsurer the Quota Share of the Commission Charge-Backs received on Policies since the preceding monthly settlement.

**6.04 Administration.** The Cedant shall provide all administration and accounting for and in accordance with the express terms of the Policies and Applicable Law. As part of the monthly settlements described in Section 9.03, the Reinsurer shall pay to the Cedant allowances as determined in accordance with Schedule C. Subject to Section 8.03 and the other terms of this Agreement, the Cedant has full authority to administer the Policies, including determining liability on any claim reinsured hereunder and may settle losses as it deems appropriate. In its administration and accounting, the Cedant shall (1) act in good faith and in a professional and timely manner, and without regard to the fact that such Policies are subject to the coinsurance hereunder, (2) act with the skill and diligence commonly expected from qualified personnel performing such duties for U.S. life insurance companies, (3) be in conformance with Applicable Law in all material respects, and (4) act in a manner with no less skill, diligence and expertise as the Cedant applies to servicing its other business.

## **ARTICLE VII** **TAX EXEMPTIONS**

**7.01 Tax Exemptions.** Cedant represents and warrants that it is a fraternal benefit society exempt from tax under Section 501(c)(8) of the Internal Revenue Code of 1986, as amended (the “**Code**”) and under state laws governing fraternal benefit societies. Without limiting the foregoing, the Cedant represents and warrants that it is not subject to U.S. taxation under the provision of subchapter L of Chapter 1 or the provisions of subpart F of subchapter N of Chapter 1 of the Code.

**7.02 Change in Status.** Cedant will promptly notify Reinsurer of any change in its tax exemptions that would have an impact on the Policies or a Party’s rights, benefits and obligations under the Agreement. The Parties agree to negotiate in good faith and amend this Agreement to address any such changes.

**ARTICLE VIII**  
**REINSURED LIABILITIES**

**8.01 Notice.** Upon request of the Reinsurer, the Cedant will notify the Reinsurer after receipt of any information on a claim or surrender on a Policy to the extent it is reinsured hereunder. The reinsurance claim form and copies of notifications, claim papers, and proofs will be furnished the Reinsurer as soon as possible.

**8.02 Liability and Payment.** Subject to the terms of this Agreement, the Reinsurer will accept the decision of the Cedant on payment of a Reinsured Liability and will pay to the Cedant monthly the Quota Share of the Reinsured Liability. Such Reinsured Liabilities shall be paid by the Cedant in accordance with the express terms of the Policy to any beneficiary or Policyholder, net of any permitted Third Party Reinsurance Agreements, whether collectible or uncollectible, during such month. Should the Cedant be in conservatorship or receivership at the time such Policyholder claim is made by any beneficiary or Policyholder under the express terms of his/her Policy, the Reinsurer shall pay the Quota Share of the gross claim against the Cedant's estate or the Reinsurer may interpose a defense on behalf of the Cedant as provided in Article XI.

**8.03 Contested Claims.** The Cedant will provide written notice to the Reinsurer of its intention to contest, compromise, or litigate a claim involving a Reinsured Liability. Absent written consent of the Reinsurer, the Cedant shall not settle any claim involving an Excluded Liability that would reasonably be expected to result in an adverse effect on the Reinsurer. In any event, the Reinsurer shall have the right, upon written notice, to investigate, contest, defend or settle any claim and in such case, will pay its share of the additional expenses of the contest in addition to its share of the Reinsured Liability associated with such claim, or it may choose not to participate. If the Reinsurer chooses not to participate, it will discharge its Reinsured Liability by payment to the Cedant of the full Quota Share of such liability.

**8.04 Credited Rates.** The Reinsurer acknowledges that the Cedant has the sole right to establish the credited rates for the reinsured business so long as this Agreement is in place. Notwithstanding the foregoing, the Cedant shall not do so without the agreement of the Reinsurer, which shall not be unreasonably withheld, conditioned or delayed. If the Reinsurer and the Cedant cannot agree to a

crediting rate for a Policy, the crediting rate dispute will be resolved by arbitration in accordance with Article X.

## **ARTICLE IX** **ACCOUNTING AND SETTLEMENT**

**9.01 Agreement Accounting Period.** The accounting period for this Agreement shall be on a calendar month basis unless otherwise specified herein.

**9.02 Monthly Reports.** Within ten (10) Business Days after the end of each calendar month the Cedant will submit to the Reinsurer a monthly report of activity and settlements in a form substantially similar to Schedule B which shall contain the amount of premiums, commissions, administration expense allowances, policy detail data, Reinsured Liabilities, Reserves, annuitizations, and any and all claim reserves as calculated in accordance with NAIC Convention Blank Exhibit 8, number of Policies and account values in force for such calendar month. The Cedant also agrees to provide a monthly report of the seriatim reserve information containing the Reserve data listed in Schedule B.

**9.03 Monthly Cash Settlements.** Within five (5) Business Days after the Reinsurer receives the Monthly Report as referred to in Section 9.02:

- a. the Cedant shall pay to the Reinsurer:
  - (i) the net amount of premiums and fees as described in Section 6.02; and
  - (ii) the Quota Share of the Commission Charge-Backs pursuant to Section 6.03(ii).
- b. Simultaneously, the Reinsurer shall pay to the Cedant:
  - (i) the net paid Reinsured Liabilities;
  - (ii) the commission allowances pursuant to Section 6.03(i); and
  - (iii) the expense allowances described in Section 6.04.

**9.04 Amounts Due Monthly.** Except as otherwise specifically provided in this Agreement, all amounts due to be paid to either the Cedant or the Reinsurer under this Agreement on a monthly basis shall be determined on a net basis as of the last day of each calendar month and shall be due and payable as of such date. If the amounts, as defined in Section 9.03, cannot be determined at such dates as defined herein, on an exact basis, such payments will be paid in accordance with a mutually agreeable formula which will approximate the actual payments.

**9.05 Delayed Payments.** For purposes of Section 9.04, if there is a delayed settlement of a payment due, there will be an interest penalty assessed, in an amount calculated as: the amount of the payment which is delinquent, multiplied by ten percent (10%), multiplied by the number of days such amount has been delinquent, regardless of holidays or weekends, and divided by the whole number 365. For purposes of this Section, a payment shall be considered delayed after fifteen (15) Business Days from the date such payment is due. For purposes of this Agreement the number of days a payment is delinquent shall commence on the day following the date such payment is deemed overdue, as defined above, and shall end on the date such payment is mailed.

**9.06 Offset of Payments.** All monies due either the Cedant or the Reinsurer under this Agreement, or under any other reinsurance agreement between the Cedant and the Reinsurer, shall be offset against each other, dollar for dollar, regardless of any insolvency of either Party.

## **ARTICLE X** **ARBITRATION**

**10.01 Agreement.** The Parties shall cooperate with each other in a commercially reasonable manner in order that the Parties' performance under this Agreement may be effectively, efficiently and promptly discharged and to resolve all disputes in good faith. However, in the event the Parties cannot mutually resolve a dispute or claim, such disputes or claims will be decided by arbitration, regardless of the insolvency of either Party, unless the conservator, receiver, liquidator, or statutory successor is specifically exempted from an arbitration proceeding by applicable state law. Either Party may initiate arbitration by providing written notification to the other Party. Such written notice shall contain a brief statement of the issue(s), the failure on behalf of the Parties to reach amicable agreement and the date of demand for arbitration. The arbitrators will regard this Agreement from the standpoint of practical business and equitable principles rather than that of strict law. The arbitrators shall be solely responsible for determining what shall be considered and what procedure they deem appropriate and necessary in the gathering of such facts or data to decide such dispute. Both Parties agree that the decision of the arbitrators is final and binding and that no appeal shall be made from that decision.

The costs of the arbitration are to be borne equally by both Parties unless the arbitrators decide otherwise.

**10.02 Method.** Arbitration shall be conducted in accordance with the applicable arbitration rules established by the AIDA Reinsurance and Arbitration Society (ARIAS) or such other neutral organization determined by the Parties.

## **ARTICLE XI** **INSOLVENCY**

**11.01 Insolvency of a Party to this Agreement.** A Party to this Agreement will be deemed insolvent when it:

- a. applies for or consents to the appointment of a receiver, rehabilitator, conservator, liquidator or statutory successor of its properties or assets; or
- b. is adjudicated as bankrupt or insolvent; or
- c. files or consents to the filing of a petition in bankruptcy, seeks reorganization to avoid insolvency or makes formal application for any bankruptcy, dissolution, liquidation or similar law or statute; or
- d. becomes the subject of an order to rehabilitate or an order to liquidate as defined by the insurance code of the jurisdiction of the Party's domicile.

**11.02 Insolvency of the Cedant.** In the event of the insolvency of the Cedant, all reinsurance payments due under this Agreement will be payable directly to the liquidator, rehabilitator, receiver, or statutory successor of the Cedant, without diminution because of the insolvency, for those claims allowed against the Cedant by any court of competent jurisdiction or by the liquidator, rehabilitator, receiver or statutory successor having authority to allow such claims.

In the event of insolvency of the Cedant, the liquidator, rehabilitator, receiver, or statutory successor will give written notice to the Reinsurer of all pending claims against the Cedant on any Policies reinsured within a reasonable time after such claim is filed in the insolvency proceeding. While a claim is pending, the Reinsurer may investigate and interpose, at its own expense, in the proceeding where the claim is adjudicated, any defense or defenses that it may deem available to the Cedant or its liquidator, rehabilitator, receiver, or statutory successor.

The expense incurred by the Reinsurer will be chargeable, subject to court approval, against the Cedant as part of the expense of liquidation to the extent of a proportionate share of the benefit that may accrue to the Cedant solely as a result of the defense undertaken by the Reinsurer. Where two or more reinsurers are participating in the same claim and a majority in interest elect to interpose a defense or defenses to any such claim, the expense will be apportioned in accordance with the terms of this Agreement as though such expense had been incurred by the Cedant.

The Reinsurer will be liable only for the amounts reinsured and will not be or become liable for any amounts or reserves to be held by the Cedant on Policies reinsured under this Agreement.

**11.03 Insolvency of the Reinsurer.** In the event of the Reinsurer's insolvency, upon giving written notice to the Reinsurer, the Cedant may also recapture all of the Policies reinsured by the Reinsurer under this Agreement as provided in Article XII.

## **ARTICLE XII TERMINATION AND RECAPTURE**

**12.01 Termination.** This Agreement may be terminated and recaptured at any time by mutual written consent of the Parties.

**12.02 Termination by Term.** This Agreement shall automatically and immediately terminate at the date the liability of the Cedant on the last Policy covered hereunder terminates. Any and all amounts that may be owed one Party by the other and remain unpaid as of such date shall immediately become due and payable as of the date such last Policy expires. No additional accounting or settlements, other than the customary and usual monthly settlement as defined in Section 9.03, will be made, with the last day of such month defined as the date of termination as contemplated by this Section 12.02. No interpretation should be given to this Section or to this Article in general that would have the result that the Reinsurer could recover any losses of any nature upon the termination of the Agreement under this Section 12.02.

**12.03 Recapture.** Policies are eligible for recapture by the Cedant upon occurrence of the following items:

- a. On or after the 25<sup>th</sup> anniversary of the Effective Date, subject to a recapture fee according to the following schedule:

<u>Treaty</u>	<u>% of Ceding</u>
<u>Anniversary</u>	<u>Allowance</u>

25	33.33%
26	26.67%
27	20.00%
28	13.33%
29	6.67%
30	0.00%

; or

b. The occurrence of insolvency under Section 11.03;

provided that, in the event of recapture under clause (a) above, the Cedant has provided the Reinsurer with thirty (30) days advance written notice of its intent to recapture such Policies, except that any such notice given within forty-five (45) days of the close of any calendar year shall be effective as of January 1, of the following calendar year, and such recapture shall apply to all Policies so eligible.

**12.04 Additional Recapture Rights of the Cedant.** In addition to the recapture rights provided in Section 12.03, the Cedant shall have the additional right to recapture the Policies in full, at such time and in such manner as set forth below for any of the following numerated defaults by the Reinsurer, should the Reinsurer:

- a. cease doing business; or
- b. be voluntarily or involuntarily placed in conservatorship, receivership, liquidation, bankruptcy, or been dissolved; or
- c. be proven culpable for fraud or embezzlement; or
- d. be found to have failed to comply with any applicable federal, state or municipal statute, law, rule, or regulation governing the insurance or reinsurance of the Policies; or
- e. be found in default of this Agreement;
- f. have the reserve credit taken by the Cedant with respect to this Agreement disallowed by any state in which the Cedant is licensed; or
- g. have its RBC Ratio fall below 250%.

The Cedant shall give written notice to the Reinsurer that the Reinsurer is in default of one or more of the conditions described above. Except for Section 12.04(f) and 12.04(g), the Reinsurer shall have

fifteen (15) days in which to remedy such default(s). If at the end of such fifteen (15) days, the Reinsurer shall have failed to secure such remedy as may be required in the sole opinion of the Cedant, the Policies shall be immediately eligible for recapture as of the sixteenth (16th) day from the date such notification of default(s) was first sent.

For a default of Section 12.04(f) and Section 12.04(g), the Reinsurer shall have fifteen (15) days in which to provide the Cedant with a plan to remedy such default and an additional forty-five (45) days in which to remedy such default. If at the end of such sixty (60) days, in the case of Section 12.04(f) the Reinsurer shall have failed to take steps necessary for the Cedant to obtain full credit on its statutory financial statements for reinsurance, or in the case of Section 12.04(g), to secure such remedy as may be required in the sole option of the Cedant, the Policies shall be immediately eligible for recapture as of the sixty-first (61st) day from the date such notification of default was first sent, or in the case of the Reinsurer, should have been sent.

Recapture under this Section 12.04 shall be completed as soon as practical after the event giving rise to the recapture.

**12.05 Method of Termination or Recapture.** Should this Agreement be terminated or recaptured for any of the reasons contained in Section 12.03(b) or Section 12.04, the Reinsurer agrees to pay to the Cedant an amount equal to the Quota Share of the Reserves with respect to the Policies recaptured. Should this Agreement be terminated or recaptured under the terms of Section 12.03(a), the Reinsurer agrees to pay to the Cedant an amount equal to Quota Share of the Reserves, less the applicable percentage of the Ceding Allowance under Section 12.03(a).

### **ARTICLE XIII** **GENERAL PROVISIONS**

**13.01 Reserves.** The term "**Reserves**", whenever used for the purpose of this Agreement, shall mean the gross statutory reserves that would have been required under Pennsylvania law and in accordance with accepted actuarial industry practice on the Policies had this Agreement not have been placed in effect, all as determined by the Reinsurer in its reasonable discretion; provided, that such reserves shall expressly exclude (i) additional actuarial reserves, if any, established by the Cedant as



a result of its annual cash flow testing, (ii) any asset valuation reserves established by the Cedant, (iii) any voluntary reserves, and (iv) any other reserve not directly attributable to specific Policies.

**13.02 Extra-Contractual Obligations.**

- a. The Reinsurer shall not have any liability under this Agreement for Extra-Contractual Obligations (unless specifically agreed to in writing by the Cedant and the Reinsurer).
- b. The Cedant agrees to defend, indemnify, and hold harmless the Reinsurer from and against any and all Extra-Contractual Obligations and all other Excluded Liabilities whatsoever incurred by the Reinsurer, including reasonable attorney fees, arising out of, relating to or in connection with this Agreement or the Policies.
- c. This Section 13.02 shall survive termination of this Agreement.

**13.03 Misunderstandings and Oversight.** Except as otherwise provided with respect to Excluded Liabilities, if any failure to pay amounts due or to perform any other act required by this Agreement is unintentional and caused by misunderstanding or oversight, the Cedant and the Reinsurer will adjust the situation to what it would have been had the misunderstanding or oversight not occurred. A misunderstanding and oversight may only be deemed to have occurred if both the Cedant and Reinsurer agree to its nature and effect herein, or if such a determination is made under arbitration, as contained herein.

**13.04 Reinstatements.** If a Policy reinsured hereunder that was reduced, terminated, or lapsed, is reinstated, the reinsurance for such policy under this Agreement will be reinstated automatically to the amount that would have been in force if the Policy had not been reduced, terminated, or lapsed. The Reinsurer will be entitled to the Quota Share of premiums and interest that the Cedant has received for reinstatement.

**13.05 Facility of Reinsurance.** The Cedant shall not enter into any Third Party Reinsurance Agreements that would cover the Policies, without the express written approval of the Reinsurer. The Reinsurer will not unreasonably withhold its approval as contemplated within this Section. The Reinsurer agrees that no retrocessions of the Policies shall be made to any third party without the express written consent of the Cedant, such consent not to be unreasonably withheld.

**13.06 Policy Changes.** Should the Cedant make any material changes after the Effective Date of this Agreement in the provisions and conditions of the Policy permitted by this Agreement, the Cedant shall, within a reasonable time, inform the Reinsurer of such change. There shall then be a corresponding change in the related reinsurance and appropriate cash adjustments shall be made consistent with the changed rules of the Cedant.

**13.07 Audit.** The Cedant or the Reinsurer, their respective employees or authorized representatives may audit, inspect and examine, during regular business hours, at the home office or principal place of business of the Cedant or the Reinsurer, provided that twenty-four (24) hour advance notice has been given to the other Party, any and all books, records, statements, correspondence, reports, trust accounts and their related documents or other documents that relate to the Policies. The audited Party agrees to provide a reasonable workspace for such audit, inspection or examination and to cooperate fully and to faithfully disclose the existence of and produce any and all necessary and reasonable materials requested by such auditors, investigators, or examiners. The expense of the respective Party's employee(s) or authorized representative(s) engaged in such activities shall be borne solely by such Party.

**13.08 Integration.** This Agreement supersedes all prior discussions and agreements between the Parties with respect to the subject matter of this Agreement, and this Agreement, including the Schedules attached hereto, contains the sole and entire agreement between the Parties with respect to the subject matter hereof.

**13.09 Law and Venue.** This Agreement has been finally executed in the Commonwealth of Pennsylvania and is subject to and is to be interpreted in accordance with the laws of the Commonwealth of Pennsylvania. Venue for arbitration shall be exclusively in Indianapolis, Indiana. The Parties agree to waive any other venue. Should either Party fail to comply with the decision of the arbitrators, a Party shall have the right to seek and receive the assistance of a federal or state court in Allegheny County, Pennsylvania or elsewhere as permitted by Applicable Law to enforce the decision of the arbitrators.

**13.10 Nonwaiver.** No forbearance on the part of either Party to insist upon compliance by the other Party with the terms of this Agreement shall be construed as, or constitute a waiver of, any of the terms of this Agreement.

**13.11 Counterparts.** This Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. Such counterparts may be executed by electronic or facsimile transmission.

**13.12 Amendments.** This Agreement shall be amended only by mutual consent and written agreement of the Parties.

**13.13 Schedules and Section Headings.** Schedules attached hereto are incorporated by reference and made a part of this Agreement. Section headings are provided for reference purposes only and are not made a part of this Agreement.

**13.14 Financial Reports.** The Cedant and the Reinsurer each agree to furnish the other with their respective NAIC Convention Blank Statements, as required by their respective state laws, within fifteen (15) days after such reports are due to be filed with such respective states.

**13.15 Survival.** The representations, warranties, covenants and agreements respectively required to be made by the Cedant and the Reinsurer in this Agreement shall survive the termination or expiration of this Agreement.

**13.16 Notices.** All notices and other communications under this Agreement must be in writing and will be deemed to have been duly given if delivered personally or by overnight delivery by a nationally recognized courier service or mailed, by certified mail, return receipt requested, first class postage, prepaid, to the addresses and to the attention of the Parties described in Schedule D attached hereto.

**13.17 Broker Fees.** Each Party hereby represents and warrants that it has not taken any action that would impose on the other Party liability for payment of any broker, finder, or similar fee in connection with the origin, negotiation, execution or performance of this Agreement.

**13.18 No Third-Party Beneficiaries.** Nothing contained in this Agreement, express or implied, is intended to confer any rights or remedies on a Person other than the Parties. In addition, nothing in this Agreement is intended to relieve or discharge the obligation or liability of any Person who is not a Party to this Agreement.

**ARTICLE XIV**  
**REPRESENTATIONS AND WARRANTIES OF REINSURER**

**14.01 Organization and Standing of Reinsurer.** Reinsurer is an insurance company duly organized and validly existing under the laws of Arizona. Reinsurer is licensed to do business in Pennsylvania and represents and warrants that it is and shall at all times meet all requirements as a reinsurer under applicable Pennsylvania law to enable Cedant to receive statutory financial statement credit for reinsurance under this Agreement.

**14.02 Authorization.** Reinsurer has all requisite power and authority to enter into this Agreement, and to perform its obligations hereunder. The execution and delivery by Reinsurer of this Agreement and the performance by Reinsurer of its obligations hereunder have been duly authorized and are valid and binding obligations of Reinsurer, enforceable against it in accordance with its terms.

**14.03 No Conflict or Violation.** The execution, delivery and performance of this Agreement by Reinsurer will not (i) violate any provision of the Articles of Incorporation, By-laws or other charter or organizational document of Reinsurer; (ii) violate, conflict with or result in the breach of any of the terms of, result in any modification of, give any counterparty the right to terminate, or constitute a default under, any contract or other agreement to which Reinsurer is a Party which would materially affect this Agreement, including the ability of Reinsurer to pay all amounts due hereunder; (iii) violate any order, judgment or decree applicable to Reinsurer; or (iv) violate any statute, law or regulation of any jurisdiction applicable to Reinsurer.

**14.04 Litigation Against Reinsurer.** There are no actions, suits, or proceedings pending or, to the knowledge of Reinsurer, threatened against Reinsurer at law or in equity, in, before, or by any Person, that individually or in the aggregate have or may reasonably be expected to have a material adverse effect on the validity or enforceability of this Agreement or the transactions contemplated hereby.

**ARTICLE XV**  
**REPRESENTATIONS AND WARRANTIES OF THE CEDANT**

**15.01 Organization and Standing of Cedant.** Cedant is an insurance company duly organized and validly existing under the laws of the Commonwealth of Pennsylvania. Cedant was properly licensed, and will remain properly licensed in any state in which a Policy has been or will be issued.

**15.02 Authorization.** Cedant has all requisite power and authority to enter into this Agreement, and to perform its obligations hereunder. The execution and delivery by Cedant of this Agreement and the performance by Cedant of its obligations hereunder have been duly authorized and are valid and binding obligations of Cedant, enforceable against it in accordance with its terms. Without limiting the foregoing, Cedant has obtained all regulatory approvals of the applicable Insurance Departments and other Governmental Entities to enter into the coinsurance agreements hereunder and to perform the asset transfers and other obligations hereunder.

**15.03 No Conflict or Violation.** The execution, delivery and performance of this Agreement will not (i) violate any provision of the Articles of Incorporation, By-laws or other charter or organizational document of Cedant; (ii) violate, conflict with or result in the breach of any of the terms of, result in any modification of, give any counterparty the right to terminate, or constitute a default under any contract or other agreement to which Cedant is a party which would materially affect this Agreement, including the ability of Cedant to cede the liabilities described hereunder; (iii) violate any order, judgment or decree applicable to Cedant; or (iv) violate any statute, law or regulation of any jurisdictions applicable to Cedant.

**15.04 Litigation Against Cedant.** There are no actions, suits or proceedings pending or, to the knowledge of Cedant, threatened against Cedant at law or in equity, in, before, or by any Person that individually or in the aggregate have or may reasonably be expected to have a material adverse effect on the validity or enforceability of this Agreement or the transactions contemplated hereby and there is no past or present class action or purported class action, or any past or present claim, litigation, arbitration, settlement, judgment or order, related generally to the policy forms covered under this Agreement. The Cedant has made available in writing to the Reinsurer true, correct and complete copies of all binders, certificates, endorsements, riders, and agreements in connection with the Policies.

**ARTICLE XVI**  
**CONFIDENTIALITY**

**16.01 Confidentiality.** The Parties will comply with all applicable state and federal privacy laws and requirements. In addition, the Parties will keep the business, policy and other records of the other Party, as well as all the other Party's trade secrets and other confidential information, provided to it in connection with this Agreement confidential and shall not disclose or reveal such information to anyone (other than its employees, representatives and agents and those of its affiliates), and the Parties will not use for any purpose whatsoever, other than performing their responsibilities under this Agreement, any such information, unless such Parties are legally required to disclose or reveal such information, provided that in that event such information shall be disclosed only to the extent required to satisfy such legal requirement and only after giving five (5) Business Days prior notice (to the extent practicable) to the other Party of such required disclosure.

**ARTICLE XVII**  
**EXECUTION AND EFFECTIVE DATE**

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute and deliver this Agreement on the dates set forth, effective as of the Effective Date.

**Polish Falcons of America (Cedant)**

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

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

**Date:** \_\_\_\_\_

**Heritage Life Insurance Company (Reinsurer)**

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

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

**Date:** \_\_\_\_\_

## SCHEDULE A POLICIES

The Reinsurer coinsures the Quota Share of business written on the following forms by the Cedant:

PRODUCT NAME	PLAN CODE	MORTALITY TABLE	QUOTA SHARE
ORDINARY LIFE	17101	2001 CSO 4% Continuous	80%
WHOLE LIFE	17102	2001 CSO 4% Continuous	80%
5 YEAR PAYMENT LIFE	17110	2001 CSO 4% Continuous	80%
20 YEAR PAYMENT LIFE	17113	2001 CSO 4% Continuous	80%
WHOLE LIFE	22102	1980 CSO 4.5%	80%
5 YEAR PAYMENT LIFE (PARTICIPA	22110	1980 CSO 4.5%	80%
ORDINARY LIFE (PARTICIPATING)	22201	1980 CSO 4.5%	80%
20 YEAR PAYMENT LIFE (PARTICIP	22213	1980 CSO 4.5%	80%
WHOLE LIFE	24102	1980 CSO 5%	80%
20 PAY LIFE	24113	1980 CSO 5%	80%
WHOLE LIFE	26102	1980 CSO 5.5%	80%
PAID UP LIFE	30100	American Experience 3%	80%
ORDINARY LIFE	30101	American Experience 3%	80%
PAID UP LIFE	40100	American Men 4.5%	80%
ORDINARY LIFE	40101	American Men 4.5%	80%
WHOLE LIFE (RT)	86103	1958 CSO 4.5%	80%
PAID UP LIFE	94100	1958 CSO 3%	80%
WHOLE LIFE	94102	1958 CSO 3%	80%
ENDOWMENT @85	94201	1958 CSO 3%	80%
ENDOWMENT @65	94203	1958 CSO 3%	80%
20 PAY ENDOWMENT @85	94217	1958 CSO 3%	80%
20 PAY ENDOWMENT @65	94220	1958 CSO 3%	80%
PAID UP-ENDOWMENT @65	94265	1958 CSO 3%	80%
PAID UP-ENDOWMENT @85	94285	1958 CSO 3%	80%
PAID UP LIFE	95100	1941 CSO 3%	80%
ORDINARY LIFE	95101	1941 CSO 3%	80%
WHOLE LIFE	95102	1941 CSO 3%	80%



ENDOWMENT @65	95203	1941 CSO 3%	80%
PAID UP-ENDOWMENT @65	95265	1941 CSO 3%	80%
Paid Up Life	PUL	2001 CSO 4% Continuous	80%

\*including State variations.

A detailed list of the Policies approved by the Parties in writing will be provided in an electronic file referenced as “Schedule A List of Policies”.

## SCHEDULE B REPORTS

### Schedule B-1: Monthly Report of Aggregate Activity and Settlements

By month for 2022

#### Amounts Cedant owes Reinsurer

Reinsurance Premiums (net of cancels)	-
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#### Amounts Reinsurer owes Cedant

a Net paid reinsurance benefits	
Deaths	-
Surrender benefits	-
Loads on surrenders	-
Partial withdrawals	-
Loads on withdrawals	-
Total net paid reinsurance benefits	-

#### b Commissions

Net First year commission	-
Total Commissions	-

#### c Administration Fees

Administration Fees	-
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#### Cash Settlement

Less previously paid	-
Closing month settlement (positive Reinsurer owes Cedant)	-

#### Supplemental Information

<u>Account Value</u>	Account Value
Beginning of Period	-
+ Additions	-
- Reductions	-
End of Period	-

<u>Number of Policies</u>	Policy Counts
Beginning of Period	-
+ Additions	-
- Terminations	-
Other	-
End of Period	-

Pending Death Claim Liability	-
Statutory reserve	-
Cash Surrender Value (no MVA)	-
Tax Reserve	-

Account Value

-

Interest Credited

-

**Schedule B-2: Monthly Policy Transaction Report**

Account Value Beginning of Period  
Interest Credited  
Surrenders  
Withdrawals  
Death Claims  
Maturity/Annuitizations  
Current Account Value  
Guaranteed Interest Rate  
Applicable Current Declared Rates  
Term Period Maturity Date  
Qualified Status

**Schedule B-3: Monthly Policy Detail Reserve Report**

Policy number  
Plan code  
Guarantee Period  
Quota Share  
Issue date  
Sex  
Issue age  
Qualification code  
Account value  
Cash value  
Statutory reserve  
Tax reserve  
Valuation rate  
Current crediting rate  
Guaranteed rate  
Agent Commission  
Premium Commission Allowance  
Reserve Commission Allowance  
Current crediting rate

**SCHEDULE C**  
**COMMISSION AND EXPENSE ALLOWANCES**

1. Ceding Allowance

The “**Ceding Allowance**” shall be a one-time payment to the Cedant in an amount equal to 15.00% multiplied by the Quota Share of the Reserves as of the Effective Date.

2. Maintenance Expense Allowance

Payable monthly:

Quota Share x \$.63/Policy (to be increased annually by 1%)
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SCHEDULE D  
NOTICES

**IF TO THE CEDANT:**

Polish Falcons of America  
1016 Greentree Road, Suite 201  
Pittsburgh, PA 15220  
Attn: President

**IF TO THE REINSURER:**

Heritage Life Insurance Company  
227 West Monroe Street, Suite 3775  
Chicago, IL 60606  
Attn: Senior Vice President, Actuarial