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##

M12 - Termination / Automatic Suspension and Non-Renewal

‘Example of a Complex Fixed Term Agreement’

Embedded Variables - are indicated in red non-bold.

**Referenced Objects** - are indicated in blue bold.

Defined Terms - are black non-bold with all words that are part of the term capitalised

Clause Variations - If a clause has been selected from a number of variations the clause number will be highlighted for example 12.11.1

Optional and Conditional Clauses – Optional and Conditional Clauses that are included are shown in darkest grey.

## Module 12 – Termination / Automatic Suspension and Non-Renewal

**Module 12 – Synopsis**

This Module concerns the rights and obligations of the Insurers and the Coverholder in the case of:

* Automatic Suspension of the entire Agreement
* Termination of the entire Agreement, either by exercising a right of Immediate Termination or Termination with Notice
* Non-renewal of the entire Agreement.

While certain amendments to the Coverholder’s authority during any notice or run-off period are included within this Module, any further amendments must be made in accordance with the provisions in **Module 2 – Contract Status**.

Any amendments to the Agreement involving the removal of a Follow Insurer, where the capacity of that Follow Insurer can be replaced, will be addressed by the provisions in **Module 2 – Contract Status**. Where such capacity cannot be replaced, the Agreement will end in accordance with the provisions in this Module.

**General Provisions**

12.1 Any rights to terminate, automatically suspend or non-renew the Agreement, together with any obligations emanating from such rights, must be enacted in accordance with applicable law and regulation.

12.2 Any instruction given, by the Lead Insurer to the Coverholder, to cease offering terms or quotations or binding or amending policies, or to act partially or fully as the Insurers’ agent, must be made in good faith, and for reasonable business, legal or regulatory purposes.

12.3 The Coverholder and Insurers must comply with any direction, condition or requirement, including any direction to terminate, automatically suspend or non-renew the Agreement and / or the Coverholder’s authority, given by any Regulatory Body with jurisdiction over the Insurers or the Coverholder.

12.4 The Coverholderor Lead Insurer, as appropriate,will inform the other promptly upon becoming aware of any of the events set out in **Automatic Suspension** and / or **Right of Immediate Termination**. Any failure by the Coverholder or the Lead Insurer to inform will not affect the Termination or Automatic Suspension of the Agreement or the rights and obligations under this Module.

12.4.1 If any Follow Insurer becomes aware of any of the events set out in **Automatic Suspension** and / or **Right of Immediate Termination** they must promptly inform the Lead Insurer. Any failure by a Follow Insurer to inform will not affect the Termination or Automatic Suspension of the Agreement or the rights and obligations under this Module.

12.5 Unless specifically stated by applicable law and regulation to the contrary, or otherwise agreed by the Lead Insurer, where it is a requirement that notice of termination, automatic suspension or non-renewal or intention to terminate, automatically suspend or non-renew the Agreement and / or the Coverholder’s authority is to be provided to a Regulatory Body, the Lead Insurer will be responsible, for ensuring that all necessary steps are taken to address any notification actions, including meeting relevant timeframes and the Coverholder must follow any instructions from the Lead Insurer to ensure this requirement is met.

12.6 The Coverholder and Lead Insurer must take reasonable steps to identify and mitigate potential detriment to policyholders when considering termination, automatic suspension or non-renewal of the Agreement.

12.6.1 When considering the invocation of the termination, automatic suspension or non-renewal provisions of the Agreement and any necessary amendments to the Agreement that may arise from such decision / circumstances, the Lead Insurer should make reasonable efforts to consult with the Follow Insurers.

12.7 The Coverholder must comply with any additional exit strategy or runoff plan requirements that are pre-determined and agreed, as specified in the **Exit Strategy / Runoff Plan Instructions**.

12.7.1 In the event of any conflict or inconsistency between the terms of the Agreement and the **Exit Strategy / Runoff Plan Instructions**, the terms in the Agreement will take precedence, unless the **Exit Strategy / Runoff Plan Instructions** explicitly specify otherwise.

**Survivorship**

12.X1 Upon termination, automatic suspension or non-renewal of the Agreement, the Coverholder and Insurers agree that all rights, obligations, and liabilities under the Agreement must survive for the duration of the Runoff Period, unless any applicable law or regulation provides otherwise.

12.X2 In no event must the Runoff Period exceed 6 years from the effective date of termination, automatic suspension or non-renewal of the Agreement, unless any necessary extension is agreed by the Lead Insurer.

**Communication**

12.8 However the Agreement is terminated (either by right of immediate termination or termination with notice) or automatically suspended or non-renewed, for transparency, and to avoid disputes, there must be a clear communication, between the Coverholder and the Insurers:

12.8.1 Specifying the event(s) or decision that triggered the termination, automatic suspension or non-renewal.

12.8.2 Specifying the date on which the termination or automatic suspension takes effect.

12.9 Any communication must be in writing, and communicated either:

12.9.1 By email (where legally acceptable); or

12.9.2 By post (via a pre-paid tracked delivery service), where email is not legally accepted; or

12.9.3 In person.

12.10 Any communication will be deemed to have been received:

12.10.1 If sent by email, at the time of sending, unless the sender receives a notice of failure of delivery, irrespective of whether receipt has been acknowledged; or

12.10.2 If sent by pre-paid tracked delivery service, at the time and date of delivery, as recorded by the delivery service; or

12.10.3 If delivered by hand, on signature of a delivery receipt, or at the time the communication is left at the address.

12.11 In the case of communication to the Coverholder, sent to:

12.11.1 The Coverholder’s nominated person(s) as specified in the **Coverholder Operational Responsibilities Table**.

12.11.2 The Lead Insurer will send a copy of any communication to ABC Broker at the same time the communication is sent to the Coverholder, such copy being for information only. The sending or not sending of such a copy of the communication will not affect the validity of any communication served in accordance with the provisions of this Module.

12.12 In the case of communication to the Insurers, sent to:

12.12.1 The Lead Insurer’s nominated person(s) as specified in the **Insurer Capacity Table** .

12.12.2 The Coverholder must send a copy of any communication to ABC Broker at the same time that the communication is sent to the Lead Insurer, such copy being for information only. The sending or not sending of such a copy of the communication will not affect the validity of any communication served in accordance with the provisions of this Module.

12.13 The Lead Insurer will ensure that copies of any notice of termination, automatic suspension or non-renewal are provided to any other interested parties, where appropriate, associated with the Agreement, for information purposes.

12.13.1 The Coverholder will assist the Lead Insurer in ensuring that any other interested parties are appropriately advised, in accordance with the Lead Insurer’s instruction(s).

12.13.2 The Lead Insurer may request the assistance of ABC Broker in ensuring that any other interested parties are advised of any communication relating to a such communication(s).

**Automatic Suspension / Termination of the Agreement**

**Automatic Suspension**

12.15 The Coverholder and Insurers agree, unless specifically agreed to the contrary in writing, by the Lead Insurer, the Agreement will be automatically suspended, with immediate effect, if any of the following events are triggered in respect of the Coverholder or the Lead Insurer:

12.15.1 Become the subject of voluntary or involuntary rehabilitation or liquidation proceedings.

12.15.2 Become the subject of an action in bankruptcy.

12.15.3 Make or propose any composition with its creditors or make any assignment for the benefit of its creditors or otherwise acknowledge its insolvency.

12.15.4 Have imposed, by a court of competent jurisdiction, the appointment of an administrator or administrative receiver or equivalent office holder.

12.15.5 Have a receiver or equivalent office holder appointed for the whole or any part of its business.

12.15.6 Being a partnership, be dissolved by agreement between the partners or by operation of law.

12.15.7 Cease, for whatever reason, to be regulated by their Regulatory Body or has any relevant licence or authority to conduct business suspended, removed or impaired by any order or decree of any judicial authority or Regulatory Body having jurisdiction over the Coverholder and Insurers.

12.15.8 Cease to continue its business for any other reason.

12.15.9 Cease to be able to operate the Agreement for any other reason.

12.16 During any period of Automatic Suspension, unless specifically agreed by the Lead Insurer, the Coverholder will have **NO authority** to:

12.16.1 Extend the period of any existing policy.

12.16.2 Cancel, and then replace under the Agreement, any existing policy.

12.16.3 Offer any new or renewal terms and / or quotations, and / or bind any new policies or renew any existing policies, other than where terms or quotations have been issued and the quotation period is still valid (or are due to be issued imminently) and / or the Coverholder is legally obliged to honour.

12.16.4 Make any amendments to any existing policy, which will, in effect, increase or extend the Insurers’ risk exposure.

12.17 Where such an event is triggered for the Coverholder, without prejudice to the provisions in **Communication** and **General Provisions**,the Lead Insurer will provide clear instructions to the Coverholder detailing any actions (including required time limits) the Coverholder needs to take, where such actions are possible, for reinstatement of the Agreement or any reinstatement or partial reinstatement of the Coverholder’s authority.

12.17.1 For the purposes of clarity, it is noted that any proposed change to the Coverholder will require the Agreement to end and a new Agreement to be established.

12.18 Where such an event is triggered for the Lead Insurer, without prejudice to the provisions in **Communication** and **General Provisions**, the Coverholder will provide clear instructions to the Lead Insurer detailing any actions (including required time limits) the Lead Insurer needs to take, where such actions are possible, for reinstatement of the Agreement.

12.18.1 For the purposes of clarity, it is noted that any proposed change to the Lead Insurer will require the Agreement to end and a new Agreement to be established.

12.19 If the issue(s) leading to the Automatic Suspension is (are) not resolved within the specified period to the Lead Insurer’s or the Coverholder’s satisfaction, dependant on the party triggering the event, or, where such actions are not possible, the Lead Insurer or the Coverholder will invoke their **Right of Immediate Termination** of the Agreement.

12.20 The Coverholder and Insurers agree, unless specifically agreed to the contrary in writing by the Lead Insurer, the Agreement will be automatically suspended, with immediate effect, if any of the **Automatic Suspension** events are triggered in respect of any Follow Insurer.

12.20.1 Where such an event is triggered for any Follow Insurer, without prejudice to the provisions in **Communication** and **General Provisions**, the Lead Insurer will agree with the Follow Insurer any actions (including required time limits) the Follow Insurer needs to take, where such actions are possible, for reinstatement of the Agreement.

12.20.2 Where a Follow Insurer cannot resolve the issue(s) leading to Automatic Suspension to the Lead Insurer’s or the Coverholder’s satisfaction, and no alternative replacement capacity can be established the Lead Insurer or the Coverholder will invoke their **Right of Immediate Termination** of the Agreement.

12.20.3 It is further agreed that if a Follow Insurer issues notice of termination of their participation in accordance with the provisions in **Module 2 – Contract Status**, and no alternative replacement capacity can be established before the date on which the termination takes place, this will also be considered an Automatic Suspension event.

12.21 The Coverholder and Insurers agree, unless specifically agreed to the contrary in writing by the Lead Insurer, the Agreement will be automatically suspended, with immediate effect, if any of the **Automatic Suspension** events are triggered in respect of ABC Broker, and:

12.21.1 No suitable alternative broker can be readily appointed and

12.21.2 The Lead Insurer does not elect to continue the Agreement on a direct basis with the Coverholder.

**Right of Immediate Termination**

12.22 The Insurers and the Coverholder agree that the Lead Insurer or the Coverholder may terminate the Agreement at any time with immediate effect by giving written notice, in accordance with the provisions in **Communication**, upon the occurrence or reasonable anticipation of the occurrence of any of the following events:

12.22.1 An Automatic Suspension triggering event where the issue(s) leading to the Automatic Suspension is (are) not resolved, in accordance with the provisions in **Automatic Suspension**.

12.22.2 Either the Insurers or the Coverholder fail to comply with any material provisions of the Agreement (where materiality is defined by the aggrieved Agreement Party) and is unable to rectify the failure, to the aggrieved Agreement Party’s satisfaction, within 30 business days of being notified of the failure, unless an alternative timeframe for remediation is agreed, in writing.

12.22.3 Either the Insurers or the Coverholder (or any director, officer or partner of the entity) or any individual named in the Agreement:

12.22.3.1 Is convicted of a criminal offence.

12.22.3.2 Where the Insurers become aware that the Coverholder (or any director, officer or partner thereof) had been convicted of a criminal offence prior to the commencement of the Agreement which had not been disclosed by the Coverholder.

12.22.3.3 Causes either the Insurers or the Coverholder to be subject to any criminal sanction.

12.22.3.4 For the purposes of this provision only, the criminal offence is one that involves fraud, dishonesty, financial crime or is any other criminal offence that may materially affect the operation of the Agreement.

12.22.4 Either the Insurers or the Coverholder is:

12.22.4.1 Merged with, acquired by or otherwise absorbed by any individual, corporation or other business entity or organisation of any kind.

12.22.4.2 Subject to a change in control, including, without limitation, the sale, transfer, or other disposition of a majority of the voting shares or equity interests, or any transaction or series of transactions whereby another party obtains, directly or indirectly, the power to direct or cause the direction of the management, policies, or operations to change.

12.22.4.2.1 For the avoidance of doubt, reorganisations or restructurings wholly within the same group will not be deemed a change in control for the purposes of this Agreement.

12.22.5 Either the Insurers or the Coverholder fails to comply with any applicable law or regulation, specifically in relation to the operation of the Agreement, in the jurisdiction in which it is located or in any other jurisdiction in which it does business.

12.22.6 Instructions to immediately terminate the Agreement are given to either the Insurers or the Coverholder by any Regulatory Body with jurisdiction over the Insurers or the Coverholder.

12.22.7 Any circumstances where the Coverholder’s main source of business to the Agreement ceases or is substantially modified in a manner that impacts the performance or scope of business under the Agreement and, where such source of business cannot be readily replaced.

12.22.8 Any circumstances that are likely to adversely impact the reputation of the Insurers or the Coverholder.

12.22.9 The Coverholder materially and / or consistently fails to comply with ongoing oversight related requirements and / or fails to meet any **Agreed Performance Metrics** and is unable to rectify the failure, to the Lead Insurer’s satisfaction, within 30 business days of being notified of the failure, unless an alternative timeframe for remediation is agreed, in writing.

12.22.10 The Coverholder materially and / or consistently fails to address any audit related recommendations, to the Lead Insurer’s satisfaction, within the timeframes stipulated when the audit recommendations are provided to the Coverholder.

12.22.11 The Coverholder’s staff as stipulated in **Module 4 – Operational Responsibilities** cease to be employed by the Coverholder or otherwise become unavailable to perform their duties under the Agreement, and the Coverholder is unable to replace such staff to the Lead Insurer’s satisfaction.

12.22.11.1 For the purposes of this provision, “unavailability" will include, without limitation, resignation, termination, or any other circumstance in which the approved staff are no longer able to perform their duties under this Agreement, including the failure to maintain staff with the required qualifications and experience required by the Lead Insurer.

12.22.12 Any circumstances relating to the activities of a Producing Intermediary, including without limitation, a breach of applicable law or regulation, that are likely to adversely impact the reputation of the Insurers or the Coverholder, and where the Coverholder is unable or unwilling to terminate its relationship with the relevant Producing Intermediary or otherwise mitigate the reputational impact to the satisfaction of the Lead Insurer.

12.22.13 The Outsourcing Agreement between Lloyd’s Insurance Company SA and the Lead Service Provider is terminated and not immediately replaced.

12.22.13.1 For clarity, if the Outsourcing Agreement between Lloyd’s Insurance Company SA and a Follow Insurer is terminated and not immediately replaced, where the capacity of that Follow Insurer can be replaced, the change will be addressed in accordance with **Module 2 – Contract Status**. Where such capacity cannot be replaced, the Agreement will end in accordance with the provisions in this Module.

12.22.14 Where ABC Broker either:

12.22.14.1 Fails to perform its administrative and support activities in relation to the Agreement.

12.22.14.2 Is subject to any of the following:

12.22.14.2.1 An **Automatic Suspension** triggering event where the issue(s) leading to the Automatic Suspension is (are) not resolved, in accordance with the provisions in **Automatic Suspension.**

12.22.14.2.2 Either the Broker (or any director, officer or partner of the entity) is convicted of a criminal offence.

For the purposes of this provision only, the criminal offence is one that involves fraud, dishonesty, financial crime or is any other criminal offence that may materially affect the operation of the Agreement.

12.22.14.2.3 Causes either the Insurers or the Coverholder to be subject to any criminal sanction.

12.22.14.2.4 Fails to comply with any applicable law or regulation, specifically in relation to the operation of the Agreement, in the jurisdiction in which it is located or in any other jurisdiction in which it does business.

12.22.14.2.5 Any circumstances that are likely to adversely impact the reputation of the Insurers or the Coverholder.

12.22.14.3 The Coverholder is unable or unwilling to replace the Broker with an alternative that is acceptable to the Lead Insurer.

12.22.14.4 The Lead Insurer does not elect to continue the Agreement on a direct basis with the Coverholder.

12.22.15 The operation of a separate Binding Authority Agreement Co-insurance Agreement, operated by the Coverholder, which is used to co-insure policies with this Agreement, adversely affects the operation of this Agreement 7 business days notification by the Lead Insurer.

**Termination with Notice**

12.23 Without prejudice to the provisions specified in **Communication**, the Agreement may be terminated at any time by either the Coverholder or the Lead Insurer giving notice to the other which is not less than:

12.23.1 30 business days; or

12.23.2 Such longer period as may be required by applicable law or regulation.

**Effect of Termination – What happens during any notice period**

12.24 In the event that notice of termination of the Agreement is served, in accordance with provisions in **Communication**, the Coverholderand the Insurers agree that at any time during the notice period:

12.24.1 The Coverholder will have **NO authority**, without the prior written consent of the Lead Insurer, to:

12.24.1.1 Cancel, and then replace under the Agreement, any existing policy.

12.24.1.2 Offer any new or renewal terms and / or quotations, and / or bind any new policies or renew any existing policies, other than where terms or quotations have been issued and the quotation period is still valid (or are due to be issued imminently) and / or the Coverholder is legally obliged to honour.

12.24.1.3 Make any amendments to any existing policy, which will, in effect, increase or extend the Insurers’ risk exposure.

12.24.2 The Coverholder will **have authority**, unless specifically agreed otherwise by the Lead Insurer, to:

12.24.2.1 Cancel any existing policies when instructed to do so by the policyholder.

12.24.2.2 Service existing policies, including making any amendments which do not have the effect of increasing or extending the Insurers’ risk exposure.

12.24.2.3 Utilise any existing production methods, electronic or otherwise, for the ongoing production of policy documentation and other documents evidencing cover, to effect any authorised amendments to existing policies.

12.24.2.4 Extend the period of existing policies up to the **Maximum Period of Policies Bound** detailed in **Module 5 – Scope of Underwriting Authority**.

12.24.2.4.1 This authorisation will not apply to any policies that were subject to a prior “special acceptance” provided by the Lead Insurer and hence any requirement to extend such policies must be pre-authorised by the Lead Insurer.

12.24.2.4.2 This authorisation will apply to a renewing policy that was subject to a prior “special acceptance” provided by the Lead Insurer, but only if the gross loss ratio in respect of the current, expiring policy is less than 50%.

12.24.2.5 For any policies where the risk location is deemed to be Australia the Coverholder must take appropriate action to prevent the renewal of any policy during the remaining period of the Agreement by reason of the operation of section 58 of the (Australian) Insurance Contracts Act 1984.

12.25 For all policies subject to Automatic or Tacit Renewal the Coverholder must:

12.25.1 Provide the Insurers with an initial report, within 10 business days detailing:

12.25.1.1 All policies in force, both during the notice period and at the effective date of termination, which are or may be subject to Automatic or Tacit Renewal.

12.25.1.2 All policies for which quotations have been offered prior to the effective date of termination, which could be bound and may be subject to Automatic or Tacit Renewal.

12.25.1.3 All policies where Automatic or Tacit Renewal cannot be or has not been prevented.

12.25.2 Only incept and / or renew policies where under a legal or regulatory obligation to honour such quotations and / or policies.

12.25.3 Ensure that all existing policyholders with policies subject to Automatic or Tacit Renewal are issued with an appropriate notice of cancellation or non-renewal, in accordance with any specific policy provisions and / or applicable law or regulation.

**Effect of Termination / Automatic Suspension – What happens once the Agreement has ended / suspended**

12.26 Once the Agreement has ended / suspended:

12.26.1 The Coverholder will have **NO authority,** without the prior written consent of the Lead Insurer, to:

12.26.1.1 Cancel, and then replace under the Agreement, an existing policy.

12.26.1.2 Offer any new or renewal terms or quotations and / or bind any new or renewing policies.

12.26.1.3 Make any amendments to an existing policy, which will, in effect, increase or extend the Insurers’ risk exposure.

12.26.2 The Coverholder will **have authority**, unless specifically agreed otherwise by the Lead Insurer, to:

12.26.2.1 Cancel any existing policies, when instructed to do so by the policyholder.

12.26.2.2 Service existing policies, including making any amendments which do not have the effect of increasing or extending the Insurers’ risk exposure.

12.26.2.3 Utilise any existing production methods, electronic or otherwise, for the ongoing production of policy documentation and other documents evidencing cover, to effect any authorised amendments to existing policies.

12.26.2.4 Extend the period of existing policies up to the **Maximum Period of Policies Bound** detailed in **Module 5 – Scope of Underwriting Authority**.

12.26.2.4.1 This authorisation will not apply to any policies that were subject to a prior “special acceptance” provided by the Lead Insurer and hence any requirement to extend such policies must be pre-authorised by the Lead Insurer.

12.26.2.5 For any policies where the risk location is deemed to be Australia the Coverholder must take appropriate action to prevent the renewal of any policy during the remaining period of the Agreement by reason of the operation of section 58 of the (Australian) Insurance Contracts Act 1984.

12.27 At the request of the Lead Insurer, the Coverholder must co-operate with the Lead Insurer, to ensure that where any existing policies are non-cancellable and / or have perpetual obligations on the Insurers:

12.27.1 Such policies are clearly identified.

12.27.2 Where appropriate, policies are transferred to alternative Insurers, with all policyholder communication requirements and applicable law and regulation fully complied with.

12.27.3 Except for any circumstances where such policies are not affected by the termination of the Agreement and will continue to run, unless cancelled on the instruction of the policyholder.

12.28 The Coverholder and Insurers will continue to perform their respective obligations, in accordance with the terms and conditions of the Agreement, until:

12.28.1 Every policy bound has expired, or has been cancelled or transferred.

12.28.2 Any claims arising under such policies, whether the Coverholder has claims related authority or not, have been paid or otherwise resolved.

12.29 Once every policy bound has expired or has been cancelled or transferred, the Coverholder will ensure that any access to policy documentation related electronic production ceases and, where any unused documentation has been made available as paper stocks, these are returned to the Lead Insurer or their nominated representative, or destroyed on the instruction of the Lead Insurer.

12.30 Where the Agreement has terminated, following an event noted in **Automatic Suspension**, and / or because the Coverholder otherwise ceases to have the required authorisation (or any relevant exemption therefrom), the Coverholder will:

12.30.1 No longer be under a duty to perform its obligations under the Agreement, if such obligations would, if performed, cause it to be in breach of any applicable law or regulation.

12.30.2 Be under a duty to co-operate with and implement all reasonable instructions from the Lead Insurer to effect the transfer of servicing of the policies bound by the Coverholder to the Lead Insurer or to such parties as the Lead Insurer may appoint.

12.31 The Coverholder and / or the Insurers rights to receive monies due in respect of policies bound, or otherwise under this Agreement, as detailed in **Module 11 – Management of Monies** and / or **Module 6 – Remuneration**, will not be impaired by any of the provisions of the **Effect of Termination / Automatic Suspension** and each Agreement Party agrees not to challenge these rights, based upon the provisions of this Module;

12.32 If the Insurers collect monies directly from insurance brokers or other insurance intermediaries, policyholders or others from whom monies may be due in respect of policies bound, the Insurers will give the Coverholder credit for such sums in account, in accordance with **Module 6 – Remuneration**, provided always that this obligation will not apply to the extent that the Insurers are legally or regulatorily prohibited, restricted, or prevented (including by reason of applicable sanctions, anti-money laundering laws, or similar requirements) from making or recognising such collection or payment.

12.32.1 Where such prohibition, restriction, or prevention applies, the Insurers will:

12.32.1.1 Notify the Coverholder as soon as reasonably practicable.

12.32.1.2 Use reasonable endeavours, consistent with applicable law and regulation, to identify and implement an alternative lawful mechanism to give effect to the intent of this provision.

12.33 For all policies subject to Automatic or Tacit Renewal the Coverholder must:

12.33.1 If not already provided during any notice period:

12.33.1.1 Provide the Insurers with an initial report, within 10 business days detailing:

12.33.1.1.1 All policies in force at the effective date of termination, which are or may be subject to Automatic or Tacit Renewal.

12.33.1.1.2 All policies for which quotations have been offered prior to the effective date of termination, which could be bound and may be subject to Automatic or Tacit Renewal.

12.33.1.1.3 All policies where Automatic or Tacit Renewal cannot be or has not been prevented.

12.33.1.2 Ensure that all existing policyholders with policies subject to Automatic or Tacit Renewal are issued with an appropriate notice of cancellation or non-renewal, in accordance with specific policy provisions and / or any applicable laws or regulation.

12.33.2 Provide the Insurers with monthly updates to the information provided in the initial report, until such time that all policies subject to Automatic or Tacit Renewal have been either cancelled or non-renewed, in accordance with applicable law or regulation and the Lead Insurer confirms that no further reports are required.

**Non-renewal of the Agreement**

**Notice of non-renewal**

12.34 Without prejudice to the provisions specified in **Communication**, the Agreement may be non-renewed by either the Coverholder or the Lead Insurer giving notice to the other which is not less than:

12.34.1 60 business days prior to the expiry date of the Agreement; or

12.34.2 Such longer period as may be required by applicable law or regulation.

12.35 The **notice period** will not apply if the Lead Insurer or the Coverholder is prevented from renewing the Agreement due to any legal or regulatory constraints, including but not limited to changes in applicable law or regulation, loss of a required license or regulatory authorisation, sanctions, or other legal prohibitions, even if such events occur within the **notice period** in absence of a notice **Communication** from the Lead Insurer or the Coverholder.

12.36 Whilst the Lead Insurer or the Coverholder may intend to renew the Agreement, upon receiving and / or providing the full pre-renewal submission before the Agreement expires, in accordance with the timings specified in Module 4 – Operational Responsibilities, circumstances and intention may evolve during the renewal negotiation and review process. This may result in a subsequent decision not to renew, even if made after the effective notice period has passed.

12.37 In the event that notice of non-renewal is not issued in accordance with the specified **notice period**, except for any prevention due to legal or regulatory constraints noted above, the Coverholder and Insurers agree that:

12.37.1 The Lead Insurer and the Coverholder will co-operate in good faith to agree a non-renewal process. This process must aim to minimise disruption, ensure an orderly transition, and comply with all applicable law or regulation.

12.37.2 ￼The Agreement will be automatically extended for a period of 60 business days.

12.38 Unless otherwise agreed, failure by the Lead Insurer or the Coverholder to provide notice in accordance with the **notice period**, will not result in the automatic renewal or extension of the Agreement.

**Effect of Non-renewal – What happens during the notice period**

12.39 In the event that notice of non-renewal of the Agreement is served, in accordance with the **Communication** section of this Module, the Coverholderand the Insurers agree that at any time during the notice period:

12.39.1 The Coverholder will have **NO authority**, without the prior written consent of the Lead Insurer, to:

12.39.1.1 Cancel, and then replace under the Agreement, any existing policy.

12.39.1.2 Offer any new or renewal terms and / or quotations and / or bind any new policies or renew any existing policies other than where terms or quotations have been issued and the quotation period is still valid (or are due to be issued imminently) and / or the Coverholder is legally obliged to honour.

12.39.1.3 Make any amendments to an existing policy, which will, in effect, increase or extend the Insurers’ risk exposure.

12.39.2 The Coverholder will **have authority**, unless specifically agreed otherwise by the Lead Insurer, to:

12.39.2.1 Cancel any existing policies when instructed to do so by the policyholder.

12.39.2.2 Service existing policies, including making any amendments which do not have the effect of increasing or extending the Insurers’ risk exposure.

12.39.2.3 Utilise any existing production methods, electronic or otherwise, for the ongoing production of policy documentation and other documents evidencing cover, to effect any authorised amendments to existing policies.

12.39.2.4 Extend the period of existing policies up to the **Maximum Period of Policies Bound** detailed in **Module 5 – Scope of Underwriting Authority**.

12.39.2.4.1 This authorisation will not apply to any policies that were subject to a prior “special acceptance” provided by the Lead Insurer and hence any requirement to extend such policies must be pre-authorised by the Lead Insurer.

12.39.2.4.2 This authorisation will apply to a renewing policy that was subject to a prior “special acceptance” provided by the Lead Insurer, but only if the gross loss ratio in respect of the current, expiring policy is less than 50%.

12.39.2.5 For any policies where the risk location is deemed to be Australia the Coverholder must take appropriate action to prevent the renewal of any policy during the remaining period of the Agreement by reason of the operation of section 58 of the (Australian) Insurance Contracts Act 1984.

12.39.3 For all policies subject to Automatic or Tacit Renewal the Coverholder must:

12.39.3.1 Provide the Insurers with an initial report, within 10 business days detailing:

12.39.3.1.1 All policies in force, both during the notice period and at the expiry date of the Agreement, which are or may be subject to Automatic or Tacit Renewal.

12.39.3.1.2 All policies for which quotations have been offered prior to the expiry date of the Agreement, which could be bound and may be subject to Automatic or Tacit Renewal.

12.39.3.1.3 All policies where Automatic or Tacit Renewal cannot be or has not been prevented.

12.39.3.2 Only incept and / or renew policies where under a legal or regulatory obligation to honour such quotations and / or policies.

12.39.3.3 Ensure that all existing policyholders with policies subject to Automatic or Tacit Renewal are issued with an appropriate notice of cancellation or non-renewal, in accordance with specific policy provisions and / or applicable law or regulation.

**Effect of Non-renewal – What happens after the Agreement has ended**

12.40 Once the Agreement has ended:

12.40.1 The Coverholder will have **NO authority**, without the prior written consent of the Lead Insurer, to:

12.40.1.1 Cancel, and then replace under the Agreement, an existing policy.

12.40.1.2 Offer any new or renewal terms or quotations and / or bind any new or renewing policies.

12.40.1.3 Make any amendments to an existing policy, which will, in effect, increase or extend the Insurers’ risk exposure.

12.40.2 The Coverholder will **have authority**, unless specifically agreed otherwise by the Lead Insurer, to:

12.40.2.1 Cancel any existing policies when instructed to do so by the policyholder.

12.40.2.2 Service existing policies, including making any amendments which do not have the effect of increasing or extending the Insurers’ risk exposure.

12.40.2.3 Utilise any existing production methods, electronic or otherwise, for the ongoing production of policy documentation and other documents evidencing cover, to effect any authorised amendments to existing policies.

12.40.2.4 Extend the period of existing policies up to the **Maximum Period of Policies Bound** detailed in **Module 5 – Scope of Underwriting Authority**.

12.40.2.4.1 This authorisation will not apply to any policies that were subject to a prior “special acceptance” provided by the Lead Insurer and hence any requirement to extend such policies must be pre-authorised by the Lead Insurer.

12.40.2.5 For any policies where the risk location is deemed to be Australia the Coverholder must take appropriate action to prevent the renewal of any policy during the remaining period of the Agreement by reason of the operation of section 58 of the (Australian) Insurance Contracts Act 1984.

12.41 At the request of the Lead Insurer, the Coverholder must co-operate with the Lead Insurer to ensure that where any existing policies are non-cancellable and / or have perpetual obligations on the Insurers:

12.41.1 Such policies are clearly identified.

12.41.2 Where appropriate, policies are transferred to alternative Insurers, with all policyholder communication requirements and applicable laws and regulations fully complied with

12.41.3 Except for any circumstances where such policies are not affected by the non-renewal of the Agreement and will continue to run, unless cancelled on the instruction of the policyholder.

12.42 The Coverholder and Insurers will continue to perform their respective obligations, in accordance with the terms and conditions of the Agreement, until:

12.42.1 Every policy bound has expired, or has been cancelled or transferred.

12.42.2 Any claims arising under such policies, whether the Coverholder has claims related authority or not, have been paid or otherwise resolved.

12.43 Once every policy bound has expired or has been cancelled or transferred the Coverholder will ensure that any access to policy documentation related electronic production ceases and, where any unused documentation has been made available as paper stocks these are returned to the Insurers or their nominated representatives, or destroyed on the instruction of the Lead Insurer.

12.44 Where the Coverholder ceases to have the required authorisation (or any relevant exemption therefrom), the Coverholder will:

12.44.1 No longer be under a duty to perform its obligations under the Agreement, if such obligations would, if performed, cause it to be in breach of any applicable laws or regulations.

12.44.2 Be under a duty to co-operate with and implement all reasonable instructions from the Lead Insurer to effect the transfer of servicing of the policies bound by the Coverholder to the Lead Insurer or to such parties as the Lead Insurer may appoint.

12.45 The Coverholder and / or the Insurers rights to receive monies due, as detailed in **Module 6 – Remuneration** and / or **Module 11 – Management of Monies**, must not be impaired by any of the provisions of the **Effect of Non-renewal**.

12.46 If the Insurers collect monies directly from insurance brokers or other insurance intermediaries, policyholders or others from whom monies may be due in respect of policies bound, the Insurers will give the Coverholder credit for such sums in account, in accordance with **Module 6 – Remuneration**, provided always that this obligation will not apply to the extent that the Insurers are legally or regulatorily prohibited, restricted, or prevented (including by reason of applicable sanctions, anti-money laundering laws, or similar requirements) from making or recognising such collection or payment.

12.46.1 Where such prohibition, restriction, or prevention applies, the Insurers will:

12.46.1.1 Notify the Coverholder as soon as reasonably practicable.

12.46.1.2 Use reasonable endeavours, consistent with applicable law and regulation, to identify and implement an alternative lawful mechanism to give effect to the intent of this provision.

12.47 For all policies subject to Automatic or Tacit Renewal the Coverholder must:

12.47.1 If not already provided during any notice period:

12.47.1.1 Provide the Insurers with an initial report, within 10 business days detailing:

12.47.1.1.1 All policies in force at the expiry date of the Agreement, which are or may be subject to Automatic or Tacit Renewal.

12.47.1.1.2 All policies for which quotations have been offered prior to the expiry date of the Agreement, which could be bound and may be subject to Automatic or Tacit Renewal.

12.47.1.1.3 All policies where Automatic or Tacit Renewal cannot be or has not been prevented.

12.47.1.2 Ensure that all existing policyholders with policies subject to Automatic or Tacit Renewal are issued with an appropriate notice of cancellation or non-Renewal, in accordance with specific policy provisions and / or any applicable laws or regulation.

12.47.2 Provide the Insurers with monthly updates to the information provided in the initial report, until such time that all policies subject to Automatic or Tacit Renewal have been either cancelled or non-renewed, in accordance with applicable laws or regulation and the Lead Insurer confirms that no further reports are required.