



Parrkerr Brothers, LLC

Via Email and Federal Express

November 15, 2016

Mr. Scott Dice
VP Reinsurance
Baltic Reinsurance Co., Ltd.
Baltic Way, Building B
Top Hat, Vermont 05401

Dear Scotty:

As you may have heard, The Atlantic & Pacific Assurance Co. is ending its long reinsurance relationship with Oriental Fire & Casualty. The reasons for the break-up have been well publicized and have nothing to do with the economic results of the business currently reinsured with Oriental.

I am writing to see whether Baltic Re would be interested in taking over Oriental's 50% share of A&P's long running and highly profitable Property All Risk Treaty. Baltic Re is being given the rare opportunity to join this Treaty because of its excellent reputation and existing partnership with A&P. Through your participation in A&P's standalone Business Interruption Treaty you have had first-hand experience with A&P's excellent underwriting and claims operations. A&P has been impressed with Baltic Re's service on that program and believes that providing this additional and synchronistic coverage to A&P will allow both companies to build upon their existing, profitable partnership.

I am attaching a copy of the wording for the expiring Treaty which the continuing reinsurers and A&P have agreed to renew without amendment. The basic terms, are as follows:

- Share to be reinsured by Baltic Re: 50%
- Term: 24 months effective January 1, 2017
- Treaty limits: \$40M XS \$10M each and every loss subject to a \$160M aggregate limit as respects any one Loss Occurrence
- Scope: All business in force and written by A&P and classified as Homeowners and Commercial Property
- Territory: North America and the Caribbean
- 100% 24 Mo. Premium: \$35M flat (pd. in 2 annual installments)

I am also providing five years of 100% loss statistics for the layer. It will not come as any surprise to you that the continuing market reinsurers are inclined to renew at the expiring rate owing to the excellent loss history produced by this treaty year on year.

Please let me have your thoughts on this proposal at your earliest convenience. Opportunities like this one do not come along every day.

Best Personal Regards,

Parklynn Place
Vice President, Parrkerr Brothers, LLC

enc.

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THE ATLANTIC & PACIFIC ASSURANCE CO.

Layer Loss experience at 3.31.16				
UW Yr.	Loss to Layer \$M	No. of losses above \$10M	Total losses incurred \$M	OGP \$M
2011	15	2	65	90
2012	10	1	55	95
2013	5	1	45	85
2014	39	4	150	125
2015	10	2	90	115



Baltic
Baltic Reinsurance Co., Ltd.

November 17, 2016

Via Email

Mr. Parklynn Place
Vice President, Reinsurance
Parrkerr Brothers, LLC
The Milton Bradley Tower, Suite 9000
Salem, Massachusetts 01970

Dear Park,

Thank you for reaching out. We are, of course, intrigued at the prospect of winning more of A&P's business but we have some questions/concerns which I thought best to put on the table before going any further.

First, while we have no issue with the balance of the expiring treaty wording, we have not previously encountered a reporting provision like the one you are proposing. As written, the treaty requires A&P to "advise the Reinsurer promptly of all Ultimate Net Losses **which, in the opinion of the Company**, have the potential to result in a claim under this Contract and will also keep the Reinsurer advised of any subsequent material developments in connection therewith." (emphasis mine). In my experience, it is more usual to require large loss reports once reserves reach a particular level (such as 50% of the retention or attachment point). The wording you have proffered appears to be somewhat looser.

Turning next to the 5 years of performance data you provided, this is of course helpful but I will need to see updated loss statistics before I can consider committing Baltic Re to such a large proportion of A&P's exposure at this layer. The numbers you provided (as of March 2016) are a bit too stale.

Finally, I should be up-front in saying that we likely cannot accept the somewhat aggressive rate quoted for the expiring treaty term. I promise that I will keep an open mind and reserve final judgment until after I have reviewed the updated loss figures but I expect we will need to see an increase in the 100% rate to make this work.

Looking forward to continuing this discussion as the risk does look promising from what you have sent thus far.

Best,

Scotty Dice
VP Reinsurance
Baltic Reinsurance Co., Ltd.

From: Place, Parklynn <ParkPlace@Parrkerr_Bros.com>
Sent: Thursday, November 24, 2016 1:41 PM
To: Scott Dice <SDice@Baltic.net>
Subject: Responding to Letter of November 17, 2016 (A&P Proposal)
Attach: Nonamelargelosses40X10.xlsx

Scotty,

I hope you are having a more restful Thanksgiving than I am—no rest for the weary or wicked! I had intended to respond to your letter before the holiday but one thing led to another.

Addressing your questions in order, I'm surprised by your comment that the notice language contained in the Treaty was something you had not seen previously. That provision is our (Parrkerr Bros.) standard form, large loss reporting provision. We have been using it for decades and I believe it is included in the A&P Standalone BI Treaty in which Baltic Re participates. The provision is meant to convey that the ceding company will notify its reinsurers where reserves meet the standard 50% threshold **or in other appropriate cases** where the ceding company believes the layer will ultimately be reached. While I did not draft this wording (it preceded my joining Parrkerr Bros. by many, many years) I have always understood that it provided reinsurers with greater protection than other clauses since it means that a loss will not be withheld from notice merely because a nominal reserve trigger has not yet been met.

With respect to your request for updated loss statistics for the layer, I am afraid to say that I don't have an updated experience report from A&P immediately at hand. I do, however, have a copy of the most recent large loss report that I sent out to the expiring treaty reinsurers. I am happy to share it with Baltic Re. This report is current as of September 30, 2016.

Please let me know if you have any further questions or concerns and again, a very happy Thanksgiving to you and your family.

Best,

Park Place
Vice President



**Parrkerr
Brothers, LLC**

Nov. 20, 2016

Large Losses Inc'd Thru 9.30.16					
UW Yr.	Loss	DOL	FGU Pd \$M	FGU Inc'd \$M	Inc'd to Layer \$M
2011	Ice Storm	2.16.11	18	18	8
	Fire at factory	8.2.11	5	17	7
TOTAL			23	35	15
2012	Explosion at oil refinery	7.13.12	20	22	12
TOTAL			20	22	12
2013	Flood at shopping center	9.2.13	14	15	5
TOTAL			14	15	5
2014	Winter storm damage to hotel	1.15.14	10	13	3
	Winter storm damage to factory	1.15.14	12	22	12
	Fire at oil refinery	4.22.14	8	18	8
	Fire at apartment complex	7.8.14	20	25	15
	Storm damage at leisure complex	10.19.14	2	7	0
TOTAL			52	85	38
2015	Fire at hotel	8.31.15	20	25	15
	Building collapse	10.3.15	0	11	1
TOTAL			20	36	16
2016	Earthquake damage to sports stadium	6.6.16	5	20	10

From the desk of...



Scotty Dice
Baltic Re

Dec. 1, 2016

To: File

Regarding: A&P 40X10 Prop. A/R TTY

The updated figs. indicate TTY profitable 4 out of last 5 years at expiring 100% rate of \$35M for 2 yrs. It would be unrealistic to expect every year of an excess property treaty to run in the black and the winter storms that hit all of North America in 2014 negatively impacted everyone in the industry. Those losses account for about 40% of the layer's losses for the 2014 underwriting year and even there, A&P, either by skill or luck appears to have escaped some of the biggest losses like the Ventnor Avenue Stadium roof collapse.

Still though, I don't believe the expiring premium gives us enough cushion against another bad year. If we are going to play, I think we need to get more bank up front. My calculations indicate a 100% two year premium of \$40M will be about right.

I've attached my pricing to this note. Basically I just ran the loss ratios at \$35M and \$40M (for 100%) divided by 2 for an annual/underwriting year premium to make sure I was matching like with like. I also added 10% to the 2016 year to get a rough idea of where that year would finish up.

SD

A&P 40X10 EEL Pricing Analysis-- Used Layer Loss experience Thru 9.30.16 W/ 10% Completion Factor			
UW Yr.	UPDATED LOSS TO LAYER BASED ON LARGE LOSS REPORT \$M	Loss ratio using \$35M for prem.	Loss ratio using \$40M for prem.
2011	15	85.71%	75.00%
2012	12	68.57%	60.00%
2011/2012 TTY YR	27	77.14%	67.50%
2013	5	28.57%	25.00%
2014	38	217.14%	190.00%
2013/2014 TTY YR	43	122.86%	107.50%
2015	16	91.43%	80.00%
2016	10	57.14%	50.00%
EXPIRING TTY YR	26	74.29%	65.00%
ULTIMATE EXPIRING (10% FUTURE DEV.)	28.6	81.71%	71.50%

SD
12-1-16 (Attach Expl. Note)

From: Dice, Scott <SDice@Baltic.net>

Sent: Friday, December 2, 2016 12:12 PM

To: Parklynn Place <ParkPlace@Parrkerr_Bros.com>

Subject: Responding to Letter of November 17, 2016 (A&P Proposal)

Park:

Sorry your Thanksgiving involved work but I very much appreciated your getting back to me on my questions.

I'm pleased that Baltic Re and A&P have the same understanding of how the notice provision is intended to operate. And I agree also that the updated figures you provided looked very good for all years besides 2014. While we understand the negative impact the 2014 storm season had on the entire industry and while it certainly does appear that A&P came through that difficult year with reasonable results, we do not feel comfortable accepting such a large share of the Treaty at the expiring rate. We believe a more reasonable 100% premium for the two years would be \$40M and we would be pleased to accept a 50% share of the 2017/2018 Treaty at a flat two year premium of \$20M (payable in two equal installments).

We hope this is acceptable to A&P and look forward to hearing from you.

Regards,

Scotty



Baltic
Baltic Reinsurance Co., Ltd.

From: Place, Parklynn <ParkPlace@Parrkerr_Bros.com>
Sent: Friday, December 2, 2016 2:32 PM
To: Scotty Dice <SDice@Baltic.net>
Subject: Responding to Letter of November 17, 2016 (A&P Proposal)

Scotty,

I work most holidays so not an issue and I'm glad you found the information useful. We are indeed of like mind regarding the notice provision and I am happy to say that Atlantic & Pacific has accepted your 50% rate of \$20M flat for the two years.

We will forward a signed copy of the Treaty for Baltic Re to execute early next week

Best,

Park Place
Vice President



**Parrkerr
Brothers, LLC**



THE ATLANTIC & PACIFIC ASSURANCE CO.

CONFIDENTIAL WORK PRODUCT

To: Claim File—Boardwalk Palace Hotel & Casino

From: Virginia St. Charles **V. St. C.**

Date: August 29, 2017

Claim denied under deliberate acts exclusion—see attached news coverage.

Per inspector's preliminary review, the building is a total loss so if Card manages to get out of jail free, we could be on the hook for our full \$35 Mil. Limits. Established \$1M expense reserve and sent denial letter to Card c/o the county jail.

Chance Card goes directly to jail

Residents of Atlantic City awakened early yesterday morning to learn that two of its most beloved institutions – The Boardwalk Palace Hotel & Casino and its flamboyant and omnipresent owner, Chance Card—had been sidelined, perhaps forever.

In the early morning hours of August 28th, the Boardwalk Palace caught fire. The inferno raged for hours, defying all efforts to bring it under control. Once a beacon of hope for an Atlantic City renaissance, the Boardwalk Palace closed on New Years' Eve, 2013. Mr. Card, the owner of the property, had, for years, promised to rebuild or repurpose the local landmark. However police now say this was all just a scheme to

siphon cash out of his charitable foundation, the Community Chest, which holds mortgages on the property.

Mr. Card was reportedly arrested at his home and was not permitted to pass the

GO ATM in order to collect \$200 for bail. He has been charged with 3 counts of arson and 100 counts of tax evasion for allegedly failing to make Luxury Tax and Poor Tax payments over the course of the past two decades.

A spokeswoman for the property's main insurer, Atlantic & Pacific Assurance Co. declined to comment. However, sources at the county jail tell us a woman fitting the description of that company's head of claims, delivered an "official-looking" letter to the warden with instructions to give it to Card ASAP. Looks like the bad news keeps on coming, eh Chance?



MOTHER NATURE PUTS ON A SHOW

Late night denizens of the Boardwalk were treated to quite a show last night as an electrical storm lit up the skies for miles along the Atlantic Sea Board. While farmers and weekend gardeners were likely disappointed that the storm produced no rain, those who braved electrocution witnessed a spectacle. Lightning bolts lit up the sky like bombs while the thunder, at times, drowned out the sounds of the pounding surf.





THE ATLANTIC & PACIFIC ASSURANCE CO.

CONFIDENTIAL WORK PRODUCT

To: Claim File—Hasbro Water Works, Short Line PA

From: Virginia St. Charles **V.St.C.**

Date: June 1, 2018

Cause of explosion under investigation and inspectors and mitigation crews still barred from entering building. Best guess is that engineers will be given access to the structure in late August.

Till then...who knows? Let's put up \$4M in reserves but if the roof or support structures have been compromised—the whole thing could have to come down. On the other hand, once remediation is complete things may turn out to be solid. Need engineers' report as soon as safe to obtain.

Calendar for follow up early September.

From: Dice, Scott <SDice@Baltic.net>
Sent: Thursday, November 8, 2018 5:45 PM
To: Marvin Gardens <MGardens@Baltic.net>
Subject: Renewal Season

Marvin:

I hope this email finds you well. I know that I have been remiss in visiting with your team and I promise to get over to check out your newly renovated space in Building A but I have a somewhat time sensitive request that I'm hoping you can help with. As you know, we have a 50% share of Atlantic & Pacific's North American Property All Risk Treaty. This is in addition to (and distinct from) our participation in their standalone Business Interruption program.

We are starting to think about renewal and if history is a guide, the experience statistics I will get from A&P will be woefully outdated. Could you shoot me a copy of the most recent large loss report we've gotten from the broker (Parrkerr Bros.) on the Property All Risk Treaty? Whatever you can give me will be greatly appreciated.

Regards,

Scotty



From: Gardens, Marvin <MGardens@Baltic.net>

Sent: Tuesday, November 13, 2018 5:45 PM

To: Scott Dice <SDice@Baltic.net>

Subject: Renewal Season

Attach: Nonamelargelosses40X10.xlsx

Scotty:

Keep up the threats to visit this end of the campus and somebody is going to hold you to it one day! ☺ Anywho...I am attaching the large loss report Parrkerr Bros. sent through on September 28, 2018. It shows incurred losses through June 30, 2018.

Just so you know, claims did an on-site audit at A&P's Reading Illinois facility at the beginning of September. We looked at the Property Treaty and the BI Standalone. The written report isn't complete yet—we are still waiting for some comments back from A&P but the results were highly favorable.

Let me know if you need anything else from my team.

Marvin



Sept. 28, 2018

Large Losses Inc'd Thru 6.30.18					
UW Yr.	Loss	DOL	FGU Pd \$M	FGU Inc'd \$M	Inc'd to Layer \$M
2011	Ice Storm	2.16.11	18	18	8
	Fire at factory	8.2.11	15	15	5
TOTAL			33	33	13
2012	Explosion at oil refinery	7.13.12	21	21	11
TOTAL			21	21	11
2013	Flood at shopping center	9.2.13	18	18	8
TOTAL			18	18	8
2014	Winter storm damage to hotel	1.15.14	15	15	5
	Winter storm damage to factory	1.15.14	17	24	14
	Fire at oil refinery	4.22.14	17	17	7
	Fire at apartment complex	7.8.14	21	22	12
	Storm damage to sports complex	10.19.14	2	7	0
TOTAL			72	85	38
2015	Fire at hotel	8.31.15	21	22	12
	Building collapse	10.3.15	10	14	4
TOTAL			31	36	16
2016	Earthquake damage to sports stadium	6.6.16	12	18	8
	Storm damage to pier complex	8.1.16	4	21	11
TOTAL			16	39	19
2017	Flood damage to office tower	4.1.17	10	25	15
TOTAL			10	25	15
2018	Shopping center collapse	1.15.18	1	13	3
TOTAL			1	13	3



Parrkerr Brothers, LLC

Via Email and Federal Express

November 18, 2018

Mr. Scott Dice
Baltic Reinsurance Co., Ltd.
Baltic Way, Building B
Top Hat, Vermont 05401

Dear Scotty:

We are pleased to provide renewal statistics for the A&P Property All Risk program as of the end of Q1 2018. As you can see, the experience for everyone's favorite punching bag—the 2014 underwriting year—is now mostly complete and thanks to A&P's conservatism and adept claims handling, they have actually beaten their incurred reserves by several million dollars.

In light of the Treaty's continued positive performance, A&P are insisting that the reinsurers on this layer hold the line on the existing 100% premium of \$40M for the next two years.

As everyone is happy with the wording, renewal will be accomplished via an endorsement to the expiring wording which will otherwise continue without change.

Please let me know if you require any further information. I look forward to hearing back from you soon.

Best Personal Regards,

Parklynn Place

Vice President, Parrkerr Brothers, LLC



THE ATLANTIC & PACIFIC ASSURANCE CO.

Layer Loss Experience at 3.31.18				
UW Yr.	Loss to Layer \$M	No. of losses above \$10M	Total losses incurred \$M	OGP \$M
2013	8	1	50	85
2014	35	4	140	125
2015	16	2	100	115
2016	20	2	95	130
2017	15	1	100	110
2018	2	1	18	50

From the desk of...



Scotty Dice
Baltic Re

Dec. 10, 2018

To: File

Regarding: RENEWAL PRICING A&P 40X10 Prop. A/R TTY

I obtained an up to date large loss report dated September 28, 2018 from MG in claims. MG also volunteered that claims audit results recently completed for A&P were "highly favorable." NB: LLR dated 9.28.18 but says experience thru 6.30.18.

Figures confirm 2014 underwriting year was something of an aberration although losses have crept up for 2015/16 so I guess I was correct to demand a higher rate for 2017/18.

Using the same method as last time (running loss ratios using the expiring premium and an alternative higher rate) and adding 10% to the final underwriting year (2018) to get a rough idea of where that year will end up, it looks like 2017/18 will do somewhat better than 2015/16 and will end in the black. That said, having more cushion would be a good idea and for this reason I think we should only renew at a 100% rate of \$45M for the two years. See calcs. (attached to this note).

SD

RENEWAL 2019/20 A&P 40X10 EEL Pricing Analysis--Used Losses Reported thru 9.28.18 W/ 10% Completion Factor			
UW Yr.	UPDATED LOSS TO LAYER BASED ON LARGE LOSS REPORT \$M	Loss ratio using \$40M for prem.	Loss ratio using \$45M for prem.
2011	13	65.00%	57.78%
2012	11	55.00%	48.89%
2011/2012 TTY YR	24	60.00%	53.33%
2013	8	40.00%	35.56%
2014	38	190.00%	168.89%
2013/2014 TTY YR	46	115.00%	102.22%
2015	16	80.00%	71.11%
2016	19	95.00%	84.44%
2015/2016 TTY YR	35	87.50%	77.78%
2017	15	75.00%	67%
2018	3	15.00%	13.33%
Current TTY YR	18	45.00%	40.00%
ULTIMATE CURRENT (10% FUTURE DEV.)	19.8	49.50%	44.00%

96.25% or
85.56% (if
add 10%
completion)

SD

12-10-18 (Attach Expl. Note)

From: Dice, Scott <SDice@Baltic.net>
Sent: Friday, December 14, 2018 9:16 AM
To: Parklynn Place <ParkPlace@Parrkerr_Bros.com>
Subject: A&P 40X10 Renewal

Park:

Thank you for the renewal information. Given the updated losses you provided for this account in September, we are unable to renew at expiring rates. We can, however, offer to renew as expiring on all other terms at a 24 month flat premium of \$22.5M (i.e., 50% of a 100% premium of \$45M).

We hope this is acceptable to A&P and look forward to hearing from you.

Regards,

Scotty



From: Place, Parklynn <ParkPlace@Parrkerr_Bros.com>

Sent: Friday, December 14, 2018 4:45 PM

To: Scotty Dice <SDice@Baltic.net>

Subject: A&P 40X10 Renewal

Scotty,

Thank you for your email. I will be quite candid here—A&P was very disappointed to hear that Baltic Re had, once again, insisted upon a sizable increase to the expiring rate. A&P's reaction was especially strong this time around given the positive performance of the Treaty overall. That said, A&P value their relationship with Baltic and they have (however reluctantly) agreed to accept your proposal on the strict condition that no other changes or amendments will be required by yourselves.

Best,

Park Place

Vice President



**Parrkerr
Brothers, LLC**



Jan. 15, 2019

**CORRECTED & UPDATED LARGE LOSS REPORT—please append to large loss report
originally provided September 28, 2018**

Large Losses Inc'd Thru 6.30.18					
UW Year	Claim	DOL	FGU Pd \$M	FGU Inc'd \$M	Inc'd to Layer \$M
2017	Flood at Freid Parking Garage--PD Element	8.14.17	10	15	Combined
	Flood at Freid Parking Garage--BI Element	8.14.17	13	15	Combined
TOTAL			23	30	20
2018	Explosion at Hasbro Water Works	3.29.18	15	20	10
TOTAL			15	20	10

Apologies — the Freid Parking Garage
PD losses were mistakenly omitted
from the last large loss report due to a
coding error.
v. St.C.

Atlantic & Pacific

THE ATLANTIC & PACIFIC ASSURANCE CO.

December 1, 2019

Large Losses Inc'd 10.31.19					
UW Year	Claim	DOL	FGU Pd \$M	FGU Inc'd \$M	Inc'd to Layer \$M
2019	Structural Damage Mediterranean Opera House	10.31.19	0	35	25
2019	Flood at St. James Infirmary	10.31.19	0	15	5
2019	Roof Collapse Indiana Race Car Museum	10.31.19	13	30	20
	TOTAL		13	80	50

WINNER!

Most Iconic Weather Photo of the Decade

As readers of these pages are well aware, our editors rarely agree on anything. But we have ALL agreed that the most Iconic Weather Photo of this (or possibly any) decade was taken by Midshipman Monopleeman in the early morning hours of August 28, 2017. A mile off shore and with an unbroken view from the crows' nest of the USS Tennessee, Mr. Monopleeman's photos caught the breathtaking electrical storm which lit up the Atlantic City skies that evening.

The prize winning pic captures a huge bolt of lightning streaming towards the roof of the now bulldozed Boardwalk Palace Hotel and Casino. Later pictures in the series show the inferno that almost immediately engulfed the landmark structure. Mr. Monopleeman has been stationed overseas for the past several years but his mother-in-law, a long time *Press* reader, had seen the photos and encouraged her son-in-law to submit them before the deadline.

Mr. Monopleeman will be returning to these shores next month and will receive his \$1000 prize during a public ceremony which will be announced in this publication once a date has been set.



Card's Defense Team Calls for Investigation

Seizing upon newly discovered photographic evidence that the Boardwalk Palace Hotel and Casino fire was caused by lightning, lawyers for the building's embattled owner, Chance Card, are pressing local and Federal authorities to re-open their investigation.

Card, who pleaded nolo contendere to 100 counts of tax evasion earlier this year, has steadfastly maintained his innocence regarding the fire. According to Card, he was nowhere near the hotel, once the centerpiece of his real estate empire, on the night of the blaze. Three witnesses interviewed at the scene of the fire claimed to have seen "a bolt of lightning" hit the roof of the hotel shortly before it erupted in flames. However police discounted those accounts on the basis that all three of the witnesses "appeared to be heavily intoxicated and not at all in their right minds." Those detectives may now have egg on their faces and if Mr. Card does wind up getting out of jail, he will have Midshipman Monopleeman to thank (see related story).



Baltic
Baltic Reinsurance Co., Ltd.

April 15, 2020

Via Email

Ms. Virginia St. Charles,
Vice President Claims, Atlantic & Pacific Assurance Co.

C/O Mr. Parklynn Place
Vice President, Reinsurance
Parrkerr Brothers LLC
The Milton Bradley Tower, Suite 9000
Salem, Massachusetts 01970

Dear Ms. St. Charles,

It will come as no surprise I am sure that Baltic Re will be cancelling its participation in Atlantic & Pacific's Property All Risk Treaty effective December 31, 2020. Nor will it come as any surprise that we are reserving all of our rights to pursue appropriate relief under the Treaty for Atlantic & Pacific's complete failure to report losses in accordance with the terms of the Treaty. Atlantic & Pacific's lack of candor and deception regarding the true experience under the Treaty at the time Atlantic & Pacific falsely induced Baltic Re to sign onto the Treaty and again when it falsely induced Baltic Re to Renew its participation for an additional 24 months, has caused Baltic Re to sustain substantial financial losses.

As the Baltic Re executive personally responsible for the pricing of this risk (both at inception and renewal), I can assure you that I relied completely and in good faith on the loss experience data you provided to my company for that purpose. I am outraged at the extent to which our pricing was negatively impacted by Atlantic & Pacific's failure to provide an accurate picture of the incurred losses which had already impacted (or were likely to impact) the layer.

While we remain amenable to resolving this dispute on a business to business footing, we will not hesitate to refer this matter to a Panel of expert arbiters should that become necessary. We are confident that if we are forced to do so, they will agree that Atlantic & Pacific breached both its contractual reporting obligations as well as its obligation to act with utmost good faith towards its reinsurers.

All rights reserved,

Scotty Dice
VP Reinsurance
Baltic Reinsurance Co., Ltd.



THE ATLANTIC & PACIFIC ASSURANCE CO.

April 18, 2020

Via Federal Express

Mr. Scott Dice
Vice President, Reinsurance
Baltic Reinsurance Co., Ltd.
Baltic Way Building B
Top Hat, Vermont 05401

Dear Mr. Dice,

I am writing in response to your letter of April 15, 2020. Your statements to the contrary I was indeed QUITE surprised not only by the substance but also by the tone of your letter. The Atlantic & Pacific Assurance Co. takes its contractual obligations (and baseless accusations that we have breached those obligations) very seriously. Atlantic & Pacific's reporting under the Treaty has, at all times, been in keeping both with the letter and spirit of the terms of our agreement and our relationship with you as a valued reinsurance partner.

With the exception of the miscoded Freid Parking Garage claim (an honest error which we immediately corrected as soon as we discovered the issue) all losses were reported to you and the other reinsurers in accordance with Article 9 of our Agreement which states: "The Company will advise the Reinsurer promptly of all [losses] which, **in the opinion of the Company**, have the potential to result in a claim..." Atlantic & Pacific did so.

While you have an absolute right under the Treaty to terminate your participation at the end of this year, you do not have a right to make false and unfounded accusations against this Company as a purported justification for doing so. Until such time as your participation ends, however, Atlantic & Pacific will expect Baltic Re to continue fulfilling all of its obligations under the Treaty, including its obligation to pay claims "immediately upon being furnished by the Company with reasonable evidence of the amount due or to be due."

Regards,

A handwritten signature in blue ink that reads "Virginia St. Charles".

Virginia St. Charles
Vice President, Claims
Atlantic & Pacific Assurance Co.

cc: Parklynn Place

00026

AUTOMATIC PROPERTY ALL RISK

EXCESS OF LOSS
REINSURANCE CONTRACT

In consideration of the mutual covenants hereinafter contained and
subject to all the terms and conditions hereinafter set forth,

BALTIC REINSURANCE CO., LTD.

of Top Hat, Vermont

(hereinafter, the "Reinsurer")
does hereby agree to indemnify, as herein provided and specified,

THE ATLANTIC & PACIFIC ASSURANCE CO.
of Reading Township, Illinois

(hereinafter referred to as the "Company")

ARTICLE 1

BUSINESS COVERED

1. This Contract is to indemnify the Company in respect of the liability that may accrue to the Company as a result of loss or losses under all Policies, contracts, binders and other evidences of insurance or reinsurance, whether oral or written (hereinafter referred to as the "Policies") classified by the Company as Homeowners and Commercial Property, in force at the inception of this Contract, or written or renewed during the term of this Contract by or on behalf of the Company, subject to the terms and conditions herein contained.
2. The Company shall be the sole judge of what constitutes the above classes of business and which risks may be ceded hereunder.
3. Coverage shall apply irrespective of the number and kinds of risks involved, except as otherwise provided herein, other than Policies or portions thereof hereinafter excluded, subject to the following terms and conditions.

ARTICLE 2

REINSURANCE FOLLOWS ORIGINAL POLICIES

This Contract is subject to the terms and conditions of the original Policies reinsured hereunder. The Company's interpretation and determination of the terms and conditions of the Policies and coverage hereunder are binding on the Reinsurer provided they are within the terms and conditions of this Contract. The Reinsurer shall automatically follow and be bound by all changes in coverage, endorsements and waivers to the original policies. It is further understood that the Company may, and shall have the right, to amend, revise, replace or otherwise change or deviate from Policy forms, procedures, rates and underwriting guidelines in use and effect.

ARTICLE 3

TERM

1. The term of this Contract shall be from 12:01 a.m., Standard Time, January 1, 2017 to 12:01 a.m., Standard Time, January 1, 2019, at the location of the risk or risks applying to losses occurring during the term of this Contract.
2. Should this Contract terminate while a loss covered hereunder is in progress, the Reinsurer shall nevertheless be liable to the extent of their interest, subject to the other conditions of this Contract, for all losses resulting from such loss, whether such losses arise before or after such termination.

ARTICLE 4

TERRITORY COVERED

This Contract shall apply only to Policies issued by the Company to insureds whose principal place of business is located within the territorial limits of the United States of America (comprising the fifty States of the Union and the District of Columbia, its territories and possessions including the Commonwealth of Puerto Rico) and shall only cover insured property located in North America and the Caribbean.

ARTICLE 5

EXCLUSIONS

This Contract shall not apply to and specifically excludes:

1. Pools, Associations and Syndicates:
 - i. All business derived directly or indirectly from any pool, association or syndicate which maintains its own reinsurance facilities.
 - ii. Any pool or scheme (whether voluntary or mandatory) formed after March 1, 1968 for the purpose of insuring Property whether on a country-wide basis or in respect of designated areas.

The foregoing exclusion shall not apply to Policies provided for public entity business, including but not limited to municipalities including city, county, state and schools and housing authorities.

2. Policies, which if written separately would be classified as: Accident and Health, Casualty, Hail on growing or standing Crops, Ocean Marine, Fidelity and Surety, Aviation and Business Interruption coverage written as standalone cover (it being understood that Business Interruption coverage included as part of the Company's Property All Risk policies shall be reinsured hereunder, subject to the single occurrence limits and aggregates provided by this Contract).
3. Loss or liability excluded by the provisions of the attached Nuclear Energy Risks Exclusion Clause (Reinsurance) (1994) (Worldwide Excluding U.S.A. and Canada) - NMA 1975(a).
4. Losses excluded by a pollution exclusion as per original Policy language. This exclusion shall not apply when a judicial entity invalidates or modifies the Company's pollution exclusion thereby obligating the Company for pollution liability.
5. Liability in respect of any loss or damage which is occasioned by war, invasion, hostilities, acts of foreign enemies, civil war, rebellion, insurrection, military or usurped power, or martial law or confiscation by order of any government or public authority. This war exclusion shall not, however, apply to interests which at time of loss or damage are within the territorial limits of the United States of America (comprising the fifty States of the Union and the District of Columbia, its territories and possessions including the Commonwealth of Puerto Rico and including bridges between the U.S.A. and Mexico, provided they are under United States ownership), Canada, St. Pierre and Miquelon, provided such interests are insured under Policies, endorsements or binders containing a standard war or hostilities or warlike operations exclusion clause.
6. Losses in respect of overhead transmission and distribution lines and their supporting structures, other than those on or within 300 meters (or 1,000 feet) of the

insured premises, it being understood and agreed that public utilities extension and/or suppliers extension and/or contingent business interruption coverages are not subject to this exclusion, provided that these are not covered by a transmitters' or distributors' policy.

7. Business classified as Farm Property written through the Livestock Department.
8. Terrorism including but not limited to losses resulting from the use of any biological, radiological, chemical, or nuclear weapon.

ARTICLE 6

DEFINITION OF LOSS OCCURRENCE

1. The term "Loss Occurrence" shall mean the sum of all individual losses directly occasioned by any one disaster, accident or loss or series of disasters, accidents or losses arising out of one event which occurs anywhere in the world. However, the duration and extent of any one "Loss Occurrence" shall be limited to all individual losses sustained by the Company during any period of 168 consecutive hours arising out of and directly occasioned by the same event except that the term "Loss Occurrence" shall be further defined as follows:

- A. As regards hail, or tornado or other windstorm (other than Named Storm) including ensuing collapse and water damage, all individual losses sustained by the Company occurring during any period of 168 consecutive hours arising out of and directly occasioned by the same event.
- B. As regards any "Named Storm" all individual losses sustained by the Company arising out of and directly occasioned by such "Named Storm" defined as any storm or storm system declared by the US National Hurricane Center, US Weather Prediction Center or their successor organizations, all being divisions of the US National Weather Service to be a tropical storm or hurricane, and any precursors or successors thereof. A storm or storm system that merges with a "Named Storm" shall be considered part of that "Named Storm." A "Named Storm"

shall be deemed to begin at the effective time and date of the first watch, warning or other official advisory applicable to such tropical storm, hurricane or precursor, issued by the above referenced governmental meteorological agencies. A "Named Storm" shall be deemed to end 72 hours after the cancellation of the last watch, warning or other official advisory applicable to such tropical storm, hurricane or successor, issued by the above referenced governmental meteorological agencies irrespective of the duration of the timing or spacing between such watches, warnings or other official advisories.

C. As regards earthquake or tsunami and fire following the earthquake or tsunami, all individual losses which commence during the period of 168 consecutive hours may be included in the Company's "Loss Occurrence."

2. It is understood that losses arising from a combination of two or more perils as a result of the same event shall be considered as having arisen from one "Loss Occurrence." Furthermore, all losses arising from an event involving a combination of losses described in subparagraphs 1(A) and 1(C) may be considered as having arisen from one "Loss Occurrence." No single "Loss Occurrence" shall encompass a time period greater than 168 consecutive hours except as respects those "Loss Occurrences" involving a "Named Storm" referred to in paragraph 1(B) above.

ARTICLE 7

DEFINITION OF ULTIMATE NET LOSS

1. The term "Ultimate Net Loss" mentioned herein shall mean the actual sum paid or payable by the Company and shall include expense incurred by the Company in the investigation, negotiation, and settlement of claims, suits or legal proceedings. By way of example and explanation but not limitation, expense shall include, but not be limited to all fees, costs, expenses and/or pro-rated salaries of the Company's employees (including but not limited to in-house attorneys and Declaratory Judgment Expense as defined below) which have been, in the sole discretion of the Company, directly allocated to the settlement or defense of specific claims or suits. The Reinsurer shall not be obligated to pay for office expenses or payments to

any salaried employee of the Company, any subsidiary, or any related or wholly owned company other than expenses specifically allocated to claims as defined or indicated above; salvages and any recoveries including recoveries under all other reinsurances, whether recovered or not, are to be first deducted from such loss to arrive at the amount of liability, if any, attaching hereunder. Nothing, however, in this Article shall be construed as meaning that losses are not recoverable hereunder until the Ultimate Net Loss to the Company has been ascertained.

2. Expense recoverable under this Contract shall specifically include Declaratory Judgment Expenses, defined as any and all legal or other expenses incurred by the Company arising out of coverage or Declaratory Judgment actions related to any claim or Policy reinsured by this Contract, including but not limited to the pro-rated salaries of staff or inside counsel allocated by the Company to specific claims or losses.
3. The Reinsurer shall also pay as expense court costs, interest on any judgment or award, prejudgment interest or delayed damages, except prejudgment interest or delayed damages which: (1) by the terms and conditions of the Company's Policy(ies), or (2) by law or regulation of the governmental body having jurisdiction, are considered to be part of Ultimate Net Loss

ARTICLE 8

NET RETAINED LINES

1. Except as otherwise provided in the Definition of Ultimate Net Loss Article, this Contract applies only to that portion of any insurance or reinsurance which the Company retains net for its own account (including the Company's net retention in all underlying reinsurance programs) and, in calculating the amount of loss hereunder and also in computing the amount or amounts in excess of which this Contract attaches, only loss in respect of that portion of any insurance or reinsurance which the Company retains net for its own account shall be included.
2. The amount of the Reinsurer' liability hereunder in any loss shall not be increased by reason of the inability of the Company to collect from any other Reinsurer, whether specific or general, any amount which may have become due from them, whether such inability arises from the insolvency of such other Reinsurer or not.

ARTICLE 9

LOSS SETTLEMENTS

1. The Company will advise the Reinsurer promptly of all Ultimate Net Losses which, in the opinion of the Company, have the potential to result in a claim under this Contract and will also keep the Reinsurer advised of any subsequent material developments in connection therewith.
2. All loss settlements made by the Company, provided they are within the terms of this Contract, shall be unconditionally binding on the Reinsurer, who agree to pay all amounts for which they may be liable immediately upon being furnished by the Company with reasonable evidence of the amount due or to be due.

ARTICLE 10

FOLLOW THE FORTUNES

The liability of the Reinsurer shall follow that of the Company in every case. All loss and expense payments or settlements made by the Company, whether under strict Policy conditions or by way of compromise, including settlements involving disputed interpretations of Policy terms and/or coverage, shall be unconditionally binding upon the Reinsurer provided they are within the terms and conditions of this Contract.

ARTICLE 11

INDEMNIFICATION

1. The Reinsurer is reinsuring, to the amount herein provided, the obligations of the Company under any Policy. The Reinsurer shall be bound by the judgment of the Company as to the obligation(s) and liability(ies) of the Company under any Policy subject to the terms and conditions of this Contract, it being strictly understood that the Company shall be the sole judge as to:
 - A. what shall constitute a claim or loss covered under any Policy written by the Company;

B. the Company's liability thereunder; and

C. the amount or amounts which it shall be proper for the Company to pay thereunder.

ARTICLE 12

ERRORS AND OMISSIONS

Any inadvertent error, omission or delay in complying with the terms and conditions of this Contract shall not be held to relieve either party hereto from any liability which would attach to it hereunder if such error, omission or delay had not been made, provided such error, omission or delay is rectified after discovery.

ARTICLE 13

ACCESS TO RECORDS

1. The Reinsurer has the right to inspect, examine, audit and verify any of the Policy(ies), accounting or claim files which, in the judgment of the Company, materially relate to the Contract and claims ceded hereunder, subject to the following terms and conditions. The Reinsurer shall advise the Company reasonably in advance of its request to conduct such inspection, which the Company shall schedule at the earliest mutually available time, subject to the Company's normal hours of operation.
2. Prior to commencement of such inspection, unless otherwise agreed and approved by the Company, the Reinsurer shall pay in full all outstanding undisputed balances due pursuant to this Contract. For purposes of this Contract, "undisputed balances" shall mean balances, or partial balances, on any claims or losses overdue or outstanding more than forty-five (45) days after mailing by the Company, for which the Reinsurer have not provided the Company with a written statement outlining with specificity the reasons for the delay or denial of such unpaid balances. Notwithstanding the above, the Reinsurer shall not have any right of access to the records of the Company if it is not current in all undisputed payments due the Company, nor shall the Reinsurer have any right of access to premium and/or accounting files of the Company, after five (5) years following the expiration of this Contract.

3. Prior to commencing an inspection of the Company's records as set forth in this Article, the Reinsurer hereby agree to enter into a confidentiality agreement. Any materials provided in the course of inspection shall be kept confidential by the Reinsurer and its designated representative(s) as against third parties unless disclosure is required pursuant to process of law, unless disclosure is to the Reinsurer' retrocessionaires, financial auditors or governing regulatory bodies, or unless otherwise agreed to and approved by the Company.
4. The Company reserves the right to withhold any documents that:
(a) concern trade secrets of the Company, or (b) are subject to the terms of a third-party non-disclosure agreement with the Company requiring third party consent to disclosure, (c) are subject to confidentiality agreement(s), (d) are Work-Product Privilege Documents or Attorney-Client Privilege Documents, or (e) concern individual private information or personally identifiable information that, under law, cannot be disclosed by the Company.
5. Upon completion of the audit, the Reinsurer and its representative(s) shall consult with the Company promptly and in good faith, no later than thirty (30) days after the completion of the audit unless otherwise agreed, with respect to any and all questions or issues raised by the audit. This right shall survive the termination of the Reinsurance Contract until all the obligations of the Reinsurer are fully exhausted.
6. For purposes of this Article:
 - A. "Attorney-Client Privilege Documents" means communications of a confidential nature between (a) the Company, or anyone retained by or at the direction of the Company, or its in-house or outside legal counsel, or anyone in the control of such legal counsel, and (b) any in-house or outside legal counsel, if such communications relate to legal advice being sought by the Company and/or contain legal advice being provided to the Company.
 - B. "Work-Product Privilege Documents" means communications, written materials and tangible things prepared by or for in-house or outside counsel, or prepared by or for the Company, in anticipation of or in connection with litigation, arbitration, or other dispute resolution proceedings.

ARTICLE 14

ARBITRATION

1. Scope. Any dispute arising out of the interpretation, performance, or breach of this Contract, including the formation or validity thereof, shall be submitted for decision to a panel of three neutral arbitrators. Arbitration shall be initiated by the delivery of a written notice of demand for arbitration by one party to the other, it being understood and agreed that the party initiating arbitration shall bear the burden of proving its case by a preponderance of the evidence.
2. No more than 30 (thirty) days following the issuance of an arbitration demand, the parties shall exchange lists of 5 arbitrators, all of whom shall be current or former officers or directors of Property & Casualty Insurance or Reinsurance Companies, certified for service as arbitrators according to the published list of such arbitrators appearing on the ARIAS website as of the date of such exchange. The parties shall each select one name from the other party's list to serve as arbitrators and the two arbitrators so chosen shall agree upon a third person chosen from the remaining names on the two lists to serve as Umpire.
3. In the event the two arbitrators are unable to agree upon the choice of Umpire within ten business days of being asked to do so, the parties shall simultaneously strike three names from the four names remaining on the other party's list and the Umpire shall be chosen from the two remaining names by drawing lots.
4. The arbitration shall be held in Reading, Illinois, unless the parties mutually agree otherwise.
5. This Contract shall be interpreted as an honorable engagement rather than merely as a legal obligation. The Panel shall not be obliged to follow the strict rules of law or evidence and shall make their award in accordance with the custom and practice of the insurance and reinsurance industry with a view to affecting the general purpose of the Contract. Judgment upon the award may be entered in any court having jurisdiction.
6. It is the intention of the parties that any arbitration proceeding shall be decided by a completely neutral Panel. No person selected as an arbitrator or umpire shall be informed as to the identity of the party responsible for their nomination. Ex parte communications between any party and any arbitrator or umpire is expressly forbidden, it being understood that all communications with the panel shall be made jointly or, in the case of unilateral submissions, shall be sent simultaneously to all three panel members and the other party.

ARTICLE 15

INTEGRATION

This Contract contains the entire agreement among the parties with respect to the transactions contemplated hereby and supersedes all prior negotiations, representations, warranties, commitments, offers, contracts, slips, cover notes, undertakings, understandings, and contracts, whether written or oral, between the parties with respect to the subject matter hereof. No waiver by either party to enforce any provision of this Contract shall be effective unless made in writing and signed by an authorized officer of Company and Reinsurer and shall be effective as to the specifically stated waiver. No amendment to this Contract shall be effective unless made in writing and signed by the parties hereto, and specifying the effective date of such amendment.

ARTICLE 16

GOVERNING LAW

This Contract shall be construed and interpreted in accordance with the laws of the State of ILLINOIS, USA without regard to conflicts of laws principles. With respect to any dispute hereunder, except as otherwise provided by the Arbitration Article, the Reinsurer agrees that it shall submit to the jurisdiction of a state or federal court of competent jurisdiction within the State of ILLINOIS.

ARTICLE 17

INTERMEDIARY

Parrkerr Brothers, LLC is hereby recognized as the Intermediary negotiating this Contract for all business hereunder. All communications (including notices, statements, premiums, return premiums, commissions, taxes, losses, Loss Adjustment Expenses, salvages, and loss settlements) relating thereto shall be transmitted to the Company or the Reinsurer through the Intermediary at the following address:

Parrkerr Brothers, LLC
The Milton Bradley Tower Suite 9000
Salem, Massachusetts 01970

Payments by the Company to the Intermediary shall be deemed payment to the Reinsurer. Payments by the Reinsurer to the Intermediary shall be deemed payment to the Company only to the extent that such payments are actually received by the Company.

IN WITNESS WHEREOF, the Company and the Reinsurer have caused this Contract to be executed by their duly authorized representatives, who by signing this agreement confirm their respective review of, and agreement to be bound by, the terms and conditions of the Interests and Liabilities Agreements attached to and forming part of this Contract.

For Atlantic & Pacific Assurance Company

Signature

Signature

Print Name

Print Name

Title

Title

Date

Date

For Baltic Reinsurance Co., Ltd.

Signature

Signature

Print Name

Print Name

Title

Title

Date

Date

EXHIBIT A

PROPERTY AUTOMATIC RISK EXCESS OF LOSS

SECTION I - RETENTION AND LIMIT

1. The Reinsurer shall be liable in respect of each and every loss, each and every risk, for 50% of the excess Ultimate Net Loss above an initial Ultimate Net Loss to the Company of \$10,000,000 on any one risk, but the Reinsurer shall not be liable for more than 50% of \$40,000,000 in respect of each and every loss for any such risk.
2. The Company shall be the sole judge as to what constitutes one risk.
3. Notwithstanding the foregoing, the Reinsurer shall not be liable for more than 50% of \$160,000,000 as respects any one Loss Occurrence.

SECTION II - PREMIUM

1. The premium to the Reinsurer for this Contract shall be 50% \$40,000,000 or \$20,000,000.
2. Premium shall be paid annually in two equal installments due on January 1, 2017 and January 1, 2018.