

**REQUIREMENTS FOR SUBORDINATION
AGREEMENT AS COLLATERAL SECURITY TO IGF**

The subordination agreement is given at the sole discretion of the IGF management, IGF Underwriting Committee, and IGF Board.

In order to sign this agreement the IGF will require a letter from your auditor / accounting officer confirming the latest value of the loan amount. They will also have to confirm (in writing) that the subordination of loan account will be noted on the next set of financials.

If the subordination of loan account is not noted on the financials then the IGF has the right not to offer this option of collateral security to the intermediary in future.

Please note the three year prescription period on this collateral security (IGF is entitled to retain the original of this agreement for a period of three years from the termination of your IGF guarantee).

Once approval is given to sign this agreement then the IGF will require the original, signed (by the surety and two witnesses who will also initial all pages), and fully completed document.

No faxed / e-mailed copies will be accepted.

SUBORDINATION AGREEMENT

WHEREAS

1. Regulation 4 issued under Section 45 of the Short-Term Insurance Act, 1998 ("the Act") provides for the safe-guarding of premiums received by independent intermediaries on behalf of registered insurers and relating to short-term insurance business carried on in the Republic; and
2. _____ ("the intermediary") carries business as an insurance broker on behalf of registered insurers and relating to short-term insurance business and is subject to the requirements of the Act; and
3. Intermediary Guarantee Facility Limited ("IGF") has given a guarantee ("the Guarantee") as envisaged in terms of the Act and in the form prescribed in the regulations promulgated in terms of the Act, in terms whereof, *inter alia*:
 - 3.1. IGF guarantees that the intermediary shall comply with the provisions of Regulation 4.3 (1) of the Act and shall pay all premiums received by it on behalf of registered insurers to such in terms of Regulation 4.3 (1) of the Act; and
 - 3.2. If the intermediary shall fail to pay the insurers in terms of Regulation 4.3 (1) of the Act, IGF shall pay on demand in terms of Regulation 4.2 of the Act, to, or to the order of The South African Insurance Association, an amount not exceeding R _____.
4. The intermediary has indemnified IGF in respect of all and any claims, loss, demand, liability, costs and expenses of whatsoever nature which IGF may at any time sustain or incur by reason of or in consequence it having given the guarantee and the broker has undertaken to pay IGF on demand any sum or sums of money which IGF may be called upon to pay under or in terms of guarantee; and
5. _____ ("The surety")
 - 5.1. has bound himself as a surety and co-principal debtor together with the intermediary in respect of the payment to IGF on demand of any and all amounts which IGF pays in connection with or pursuant to the guarantee.
 - 5.2. the surety is the beneficial owner of the entire issued share capital of the broker; and
 - 5.3. the intermediary is indebted to the surety in an amount of R _____ in respect of monies lent by the surety to the broker ("the loan account").

NOW THEREFORE

1. The surety agrees, subject to the terms and conditions contained herein, that:
 - 1.1. the surety subordinates the loan account for the benefit of IGF;

- 1.2. any claim of IGF, both present and future, will rank preferent to the loan account;
- 1.3. in the liquidation or judicial management of or compromise by the intermediary, the surety will not prove the loan account to the extent that such proof would reduce or diminish any dividend payable to IGF and accordingly the surety hereby abandons the loan account to the extent that the loan account would reduce or diminish the dividend payable to IGF.
2. It is the intention of the surety that this agreement shall constitute a contract for the benefit of IGF and that the benefit shall therefore be capable of express or implied acceptance by IGF who may then enforce any term of this agreement.
3. The surety's undertaking as set out in this agreement shall remain of force and effect for as long as the guarantee remains of force and effect; IGF is liable, whether actually or contingently, to any party in respect of any amount arising out of or connected with the guarantee; and/or the intermediary is indebted to IGF in respect of any amount related to or arising from the guarantee.
4. The surety hereby warrants that the subordination by him of the loan account as set out in this agreement shall not in any way affect the surety's ability to pay his debts and shall not have the effect that the liabilities of the surety exceed his assets, fairly valued.
5. Collateral security provided by intermediaries will be held for a three-year prescription period, except where:
 - 5.1. the Intermediary's auditors certify that there are no premiums outstanding to insurers;
 - 5.2. the Underwriting Committee recommends the release of the security;
 - 5.3. the financial position of the Intermediary has improved to the point where a new guarantee has been issued without the need for collateral security.

THUS DONE and SIGNED at _____ on
this the _____ day of _____, 20_____, in the presence
of the undersigned witnesses.

AS WITNESSES:

1. _____
2. _____

THE SURETY