

MASSACHUSETTS PROPERTY INSURANCE UNDERWRITING ASSOCIATION**Surplus Note No. 1 of June 14, 2024**

No. 1

\$80,000,000

MASSACHUSETTS PROPERTY INSURANCE UNDERWRITING ASSOCIATION, an unincorporated joint underwriting association created pursuant to Chapter 175C of the Massachusetts General Law (herein called the “Issuer”), for value received, hereby promises to pay, subject to the prior approval of the Commissioner of Insurance of the Commonwealth of Massachusetts (“Commissioner”), to FairPlan Trust, or registered assigns, (“collectively, Holder”) the principal sum indicated above on the payment dates set forth on Schedule A hereto (“Surplus Note”). If a payment date is not a Business Day (as hereinafter defined), payment shall be made on the following Business Day (the “Scheduled Principal Payment Date”), and to pay interest thereon, subject to the prior approval of the Commissioner, from January 1, 2025, semi-annually in arrears on June 30th and December 31st in each year, commencing on June 30, 2025 (each, a “Scheduled Interest Payment Date”), at the rate of SOFR plus 3.5% *per annum* (subject to a 6% cap), calculated on the basis of a year of twelve thirty-day months. Interest shall not compound. Each period from the issue date of this Surplus Note and including a Scheduled Interest Payment Date is referred to herein as an “Interest Period”. Principal and interest so payable shall be paid by the Issuer only out of its surplus earnings (see, NAIC “Accounting Practices and Procedures Manual”, Statement of Statutory Accounting Principles No. 72 (12)(a) (unassigned funds – surplus)) and then only upon the prior approval of the Commissioner, to the person (the “Registered Holder”) in whose name this Surplus Note has been registered with the secretary of the Issuer at the close of business on, in the case of any Interest Period, May 1st and November 1st (whether or not a Business Day) (each, a “Regular Record Date”), next preceding such Scheduled Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Registered Holder on such Regular Record Date and shall instead be paid, subject to the prior approval of the Commissioner, to the person in whose name this Surplus Note is registered with the secretary of the Issuer at the close of business on a special record date for the payment of such interest to be fixed by the Issuer, notice whereof shall be given to Registered Holders not less than fifteen (15) days prior to such special record date.

“Business Day” means any day that is not a day on which the federal or state banking institutions in Boston, Massachusetts are generally authorized or obligated by law or executive order to close.

In the event that any date on which interest payments are to be made on this Surplus Note is not a Business Day, then payment of the interest payable on such date shall be made on the next succeeding day that is a Business Day, and no interest shall accrue on that payment for the period from and after such date to the date of payment on the next succeeding Business Day.

The date upon which any state or federal agency obtains an order or grants approval for the rehabilitation, liquidation, conservation or dissolution of the Issuer shall be deemed to be the maturity date of this Surplus Note. This Surplus Note shall not be a liability or claim against the Issuer or any of its assets, except as provided in this Surplus Note. This Surplus Note does not

confer any rights upon the Holder other than the right to receive payment of principal and interest on the terms and subject to the conditions set forth in this Surplus Note.

By acceptance of this Surplus Note, Holder agrees that the payment of principal and interest hereunder is expressly subordinated to claims of creditors of the Issuer, including without limiting the generality thereof: (a) policyholders of the Issuer; (b) claimants and beneficiary claimants of policies issued by the Issuer; (c) all other classes of creditors other than Surplus Note holders; (d) operating expenses of the Issuer; and, (e) any reserve and solvency requirements as determined by Massachusetts law. If the Issuer is liquidated and there are insufficient assets to pay in full the principal amount of and interest on all outstanding Surplus Notes, then the Issuer shall pay on the Surplus Notes pro rata on the basis of the outstanding principal amount of each Surplus Note and the interest accrued thereon, subject to approval of the Commissioner, as Liquidator, and the supervising court. Regardless of the issuance date of this Surplus Note or any other surplus notes of the Issuer, this Surplus Note shall be of equal rank with any other surplus note, unless such other surplus note is expressly subordinated to this Surplus Note.

Subject to the advance approval of the Commissioner, the Issuer may at its option prepay this Surplus Note in whole or in part at any time without penalty.


The obligation of the Issuer under this Surplus Note may not be offset or be subject to recoupment with respect to any liability or obligation owed to the Issuer. No security agreement or interest, whether existing on the date of this Surplus Note or subsequently entered into, applies to the obligations under this Surplus Note.

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No modification of this obligation is effective and no other agreement may modify or supersede the terms of this obligation, whether existing on the date of this Surplus Note or subsequently entered into, unless the modification or agreement is approved in writing by the Commissioner.


IN WITNESS WHEREOF, the Issuer has caused this instrument to be duly executed.

**MASSACHUSETTS PROPERTY INSURANCE
UNDERWRITING ASSOCIATION**

By 
Name: Richard J. Connors
Title: Senior Vice President &
Chief Financial Officer

Dated: June 14, 2024

WITNESS:



Name: Eileen M. Burke

Date: June 14, 2024

SCHEDULE A

Surplus Note No. 1

Principal shall be due in ten equal installments of eight million dollars (\$8,000,000) payable, subject to the terms and conditions of the Surplus Note, at twelve-month intervals beginning from the Trigger Date. The Trigger Date shall be the earlier to occur of:

- i. of December 31, 2039; or
- ii. the 31st day of December first following the termination date of a certain Property Casualty Aggregate Excess of Loss Reinsurance Agreement, dated April 1, 2024, by and between FairPlan Trust and the Massachusetts Property Insurance Underwriting Association.

For purposes of illustration, if the Trigger Date is December 31, 2039, principal shall be payable, subject to the terms and conditions of the Surplus Note, on the following schedule:

<u>Payment Date</u>	<u>Principal Payment Due</u>
December 31, 2039	\$8,000,000
December 31, 2040	\$8,000,000
December 31, 2041	\$8,000,000
December 31, 2042	\$8,000,000
December 31, 2043	\$8,000,000
December 31, 2044	\$8,000,000
December 31, 2045	\$8,000,000
December 31, 2046	\$8,000,000
December 31, 2047	\$8,000,000
December 31, 2048	\$8,000,000
Total	\$80,000,000