

**SECURITIES PROVIDED BY AGENTS TO MEET FINANCIAL CRITERIA UNDER
THE PASSENGER SALES AGENCY RULES -- CRITERIA FOR THE
EVALUATION, APPROVAL AND REVIEW OF PROVIDERS AND PRODUCTS
ESTABLISHED PURSUANT TO PASSENGER AGENCY CONFERENCE
RESOLUTION 850p**

This document describes the criteria that a provider of securities and its product(s) must meet, and continue to meet, in order to qualify for offering securities to travel agents participating in IATA's BSPs. It has been produced for distribution to potential providers of securities.

DEFINED TERMS

Amount at Risk means the Amount at Risk as per the calculation under the applicable IATA Resolutions.

BSP means Billing and Settlement Plan as per IATA Resolutions

Financial Guarantee means a Product under which a Guarantor guarantees to pay IATA and relevant Members and Airlines

Manager means the IATA RPM for Agency Management and Agency Risk Management in the region in which a Product is offered or is proposed to be offered

Proposal means a proposal by a Provider to offer a Product in a particular market

Provider means an independent third party, Insurer or Guarantor, offering or applying for approval to offer a Product

Product means either a Default Insurance Policy or a Financial Guarantee Agreement

Sales Agency Rules means the contents of the relevant Passenger Agency Conference Resolution of the same name

Security means a product provided to IATA by a third party to enable an Agent to obtain or maintain IATA accreditation in the place in which the Agent carries on business

Third Party Service Agreement means the agreement signed by a Provider for the provision of BSP services rendered to the Provider

PRODUCTS AND PROVIDERS

1. GENERAL

- 1.1 Where, but only where, the Sales Agency Rules permit, Security may be provided by default insurance or a financial guarantee evaluated and approved and subject to periodic review in accordance with these Criteria.

2. EVALUATION AND APPROVAL PROCESS

- 2.1 The Provider must submit its Proposal to the Manager who will:
- a) acknowledge receipt;
 - b) review the Proposal to ensure that it contains all required information and clarify any issues;
 - c)
 - d) forward the application to applicable departments within IATA for evaluation.
- 2.2 IATA will seek input from legal counsel in the country where the Product is proposed to be offered, in any matter which requires local legal confirmation, including but not limited to:
- a) Whether the Insurer and Reinsurer are authorized to conduct insurance business in the country
 - b) Whether the Insurance Regulatory Authority requires reinsurance agreements to be approved
 - c) Whether the documents (policy, schedule, cut-through, etc) are in compliance with local law
 - d) Confirmation that IATA's administrative role does not raise any licensure issues under local law

All legal fees incurred during the investigation of the compliance requirements shall be borne by the Provider, regardless of whether the Product is approved or disapproved.

3 CERTAIN INFORMATION MAY BE PROVIDED TO PROVIDER UPON EXECUTION OF NON-DISCLOSURE AGREEMENT

- 3.1 If the Provider needs information from IATA relating to market potential and risk exposure in order to determine the feasibility of providing a Product, and to calculate the amount of premium or fees to be paid by Agents, IATA may provide that information in accordance with this clause.
- 3.2 The Provider must sign a non-disclosure agreement in the form of Appendix A.
- 3.3 The Manager may then provide, in relation to the places in which the Provider intends to provide a Product, high-level statistical data on total cash sales, number and amount of defaults in the last 2-5 years, without identifying any individual Agent by Numeric Code or name. The Provider shall pay IATA any fees and charges incurred by IATA to obtain this data.

4. REQUIREMENTS FOR PROVIDERS

THE PROVIDER MUST BE AN INDEPENDENT THIRD PARTY

4.1 Provider Rating and Corporate Risk Profile:

- 4.1.1 A Provider making a Proposal will provide IATA with appropriate rating information.
- 4.1.2 IATA will not accept a Proposal from any Provider that does not have a financial strength rating (**FSR**) of A or better from A.M. Best, or the equivalent rating from another recognized rating agency, unless the Provider has one or more reinsurers having a FSR of A or better from A.M. Best or the equivalent rating from another recognized rating agency. The reinsurer/s must comply with all parts of these criteria.
- 4.1.3 The financial strength rating from A.M. Best or other recognized rating agency must not be older than one month at the time of application.
- 4.1.3 IATA will not accept a Proposal from a Provider offering a Financial Guarantee that does not have a credit worthiness rating (**CWR**) from a rating agency such as Standard & Poor's, Moody's or Fitch Ratings that denotes a very low expectation of credit risk and indicating a very strong capacity for timely payment of financial commitments.

4.1.4 IATA will determine, based on information obtained as appropriate to assess any corporate risk associated with a Provider, the level of corporate risk in order to ensure that the Provider and those representing it do not present unacceptable risk for Members and Airlines and that the Product offered is adequately supported financially. Such corporate risk information may include, but is not limited to, the following:

- a) a company and credit search of the Provider and any parent company in order to verify its status and ascertain risks associated with corporate structure and officers;
- b) the Provider's last annual report and audited accounts in order to consider its financial standing, substance and ability to satisfy claims;
- c) corporate/business profile information on the Provider;
- d) information from a press review to check whether there are adverse reports in respect of a Provider;
- e) evidence from regulatory authorities of the Providers entitlement to offer the Product, both in its home jurisdiction and in the jurisdiction in which the Provider proposes to offer the Product;
- f) the same level of information on any agent or broker through or with whom the Provider proposes to operate; and
- g) such other information as is necessary in the circumstances to assess prudently the level of corporate risk associated with the Provider.

4.2 Re-Insurance

4.2.1 If the Provider offering a Product, does not have a credit rating in accordance with clause 4.1.2, the Provider must be satisfactorily reinsured by one or more reinsurers with a FSR of A or better from A.M. Best, or the equivalent rating from another recognized rating agency. Should the Provider not have a FSR at all, the product must be 100% reinsured by a reinsurer meeting these criteria. 4.2.2 If reinsurance is required, the Product must include an explicit statement signed and acknowledged by the reinsurer, that the reinsurer will be liable to the insured claimants, beneficiaries and the like as if it were the Provider, if the Provider fails to perform its obligations.

4.2.2 If reinsurance is required, the reinsurance agreement must be an exact replicate of the contract between the Provider and IATA. The reinsurance agreement must be submitted together with the all other required documents to IATA for review.

4.3 Provider Entitlement to do Business

4.3.1 IATA must be satisfied that the Provider is legally entitled to do business and to offer the Product in the jurisdiction in which it is proposed to be offered, including being licensed to provide the type of Product, where the law of the jurisdiction requires such licensing.

4.3.2 Accordingly, a Provider must provide duly certified copies of all relevant:

- a) statutory or regulatory licenses and approvals in the country in which the Product is to be offered;
- b) statutory or regulatory licenses and approvals in the country in which the Provider is incorporated or carries on the business; and
- c) all corporate authority necessary to offer the Product in the country in which the Product is to be offered.

5. REQUIREMENTS FOR PRODUCTS

5.1 General

5.1.1 A Product must provide coverage for the Amount at Risk of the Agent or group of Agents covered by the Product.

5.1.3 The coverage per Agent and the aggregate cover for all Agents (if any) must be adjustable to meet any increases in Agents' sales turnover, and any new Agents added to the Product.

5.1.4 A Product must be between the Agent and the Provider, while IATA, acting on behalf of Members and Airlines, is the beneficiary.

5.1.5 Agents must be free to opt in or opt out of a Product, at their discretion. IATA will not endorse implementation of a blanket Product, which compels all Agents to participate.

5.2 Legal review

5.2.1 The Product must be of a type that the Provider is legally entitled to provide in the country in which the Agents to whom it is to be marketed are located.

5.2.2 Under the terms of the Product IATA must be able to enforce the Product directly in the country in which the Product is provided.

5.2.3 The Product must be irrevocable and unconditional, except as provided in the models referenced below.

5.3 Product Terms

5.3.1 IATA will review the terms of the Product, as appropriate, against the following model documents (IATA may amend these documents from time to time in light of experience and local legal advice):

- a) the model insurance policy (**Appendix B**);
- b) the model insurance schedule (**Appendix C**);
- c) the model subrogation certificate (**Appendix D**);
- d) the model top up insurance policy (**Appendix E**); and
- e) the model financial guarantee (**Appendix G**).

5.4 Duration of cover, Premium (or Fee) and Termination:

- 5.4.1 It is expected that the Product will be available for an initial period of 12 months, with automatic renewal, provided that the Provider continues to meet these Criteria and continues to be compliant with the terms of the Product.
- 5.4.3 IATA may withdraw its approval of the Product at 6 months' notice, and at 3 months' notice under defined circumstances, including as a result of a Periodic Review or as included in the terms of the Product.
- 5.4.4. The Provider must give the Manager 6 months' notice of its intention to cease to make the Product available to Agents in the country concerned so that Agents may make alternative arrangements for coverage.

5.5 Collection of Premiums or Fees:

- 5.5.1 The Provider may collect premiums or fees directly from the Agent.
- 5.5.2 Where the premium or fee is based on the value of sales via the BSP:
 - a) IATA may provide third party processing (collection of premiums or fees) but only when it has been established that this does not impose "broker" or similar responsibilities on IATA. Any such legal constraints on collection will be determined by IATA, who will seek local legal opinion at a cost borne by the Provider, as per paragraph 2.2 in these Criteria.
 - b) If third party processing is approved, the Provider must enter into a Third Party Services Agreement approved by IATA before collection commences.
 - c) Premiums or fees collected by IATA will be paid into a bank account of the Provider in the country in which the collection is made, and all taxes or other statutory charges will be to the account of the Provider or, to the Agent where specified in the terms of the Product and related documents.

6. CLAIMS PROCESSING

- 6.1 The Product and arrangements supporting the Product must clearly provide for claims to be made in the country in which the Agent is located (except in areas such as the EU/EEA) and met in that country (including the procedure; method of payment; location from which payment will be made; and security for payment).
- 6.2 IATA may approve a Provider who does not propose to provide for claims to be made in the country in which the Agent is located, or met in that country if, in all the circumstances, it is appropriate to do so without materially increasing the prudential risk.
- 6.3 All Providers must agree to submit to dispute resolution in the country in which the Agent is located or such other jurisdiction and venue as IATA may determine. Submission to the relevant jurisdiction must be binding and enforceable.

7. PERIODIC REVIEWS

- 7.1 As provided in Resolution 850p, each approval with respect to a Provider or Product shall be reviewed annually. A Product or Provider may, in addition to the annual review, also be reviewed in the event IATA becomes aware that a material change may have occurred in relation to the continued conformity of a Product or Provider with these Criteria.