

## Appendix 1

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### 1.1.1 Glossary of Terms

**Binding Authority (Binder)** means an agreement between a managing agent and a Coverholder under which the managing agent delegates its authority to enter into a contract(s) of insurance (to be underwritten by the members of a syndicate managed by it) to the Coverholder in accordance with the terms of the agreement.

**Broker** means an entity authorised under the FSMA to advise individuals or corporate entities on their insurance needs and to negotiate insurance contracts on their behalf with insurers in return for a fee or commission.

**Category 1** policies means those policies included in the **Policy File** which have been identified prior to the Effective Date and it is possible to determine with sufficient certainty that they are Transferring Policies.

**Category 2**” or **Category 3**” policies means those policies included in the **Policy File** which have been identified prior to the Effective Date but it has not been possible to determine with sufficient certainty that they are Transferring Policies.

**Central Fund** means a fund held by Lloyd’s to protect policyholders in case any underwriting member of Lloyd’s should be unable to meet their liabilities out of syndicate funds, funds deposited at Lloyd’s, reserves and personal assets outside of Lloyd’s.

**Conduct Liabilities** means any liability, losses, costs and/or obligation (including contingent or prospective) whatsoever and wheresoever arising which results from or arises in connection with the sale, management or conduct of the Transferring Policies prior to the Effective Date by or on behalf of the Member or any agent of the Member, including, without limitation, mis-selling liabilities and other liabilities, losses, costs and/or obligations arising from:

- (a) any complaint, claim, legal action or proceedings brought against the Member by or on behalf of any person or group of persons whether as a result of any agreed settlement or compromise (including, without limitation, an ex gratia payment) or otherwise, including without limitation, the costs and expenses incurred in investigating and defending against any such complaint, claim, legal action or proceeding.
- (b) the Member complying with (or failing to comply with) applicable law, or with rules, regulations, directions, guidance or industry practice (whether formal or informal) set by or given by any Regulatory Authority, including, without limitation, the costs and expenses in connection with any such compliance, non-compliance or review so required. or
- (c) any action taken (including any investigation, decision, penalty charged, fine levied or as a result of any judgement or any arbitration) by any Regulatory Authority, including,

without limitation, the costs and expenses incurred in investigating, challenging and defending against any such decision, penalty, charge or fine.

**Council** means Council of Lloyd's, the governing body of Lloyd's, pursuant to Lloyd's Act 1982.

**Court** means the High Court of Justice in England and Wales.

**Coverholder** means a company or partnership authorised by a managing agent to enter into a contract(s) of (re)insurance (to be underwritten by the members of a syndicate managed by it) in accordance with the terms of a Binding Authority.

**CSCR** means the Central Fund SCR.

**EEA** means the European Economic Area as constituted by the Agreement on the European Economic Area (94/1/ECSC, EC), as amended from time to time, excluding the United Kingdom.

**EEA Policy** means a Policy or part thereof, effected or carried out by or on behalf of any of the Members as insurer, co-insurer, reinsurer or retrocessionaire on or prior to the applicable Cut-Off Date and originally allocated to a Relevant Year of Account, which will immediately after the Transition End Date require an insurer authorised by an EEA regulator to carry out or service that Policy (or the relevant part thereof, in each case whether by reason of its terms or the subject matter of the policy or by reason of the identity or location, domicile or residency of the Policyholder, insured or claimant or for any reason whatsoever), in order to ensure no legal or regulatory insurance authorisation requirements in the EEA are breached. For the purposes of determining whether a Policy (or part thereof) is an EEA Policy for the purposes of this Scheme, the application of, or any permission granted by, any Temporary Run-off Regime shall be ignored in respect of that Policy.

**EEA Policyholder** means a policyholder resident in an EEA State;

**EEA Risk** means any risk in respect of which an EEA State is the state in which the risk is situated; **EEA State** has the meaning given to it in Schedule 1 to the Interpretation Act 1978.

**Effective Date** means the time and date on which the Scheme shall become effective in accordance with the Court Order made under Section 111 of the FSMA sanctioning the Scheme on or before the effective date.

**EU** means the European Union.

**Excluded Assets** means any asset or property of the Members which is not expressly provided for in the Scheme as a Transferring Asset, including the **Existing Outwards Reinsurance Agreements**, the **Tax Recoveries** and loss funds relating, or set up pursuant, to the **Transferring Contracts**.

**Excluded Jurisdiction** means Australia, Canada, Hong Kong, Singapore, South Africa and/or Switzerland.

**Excluded Liabilities** means:

- (a) any liability to a person who is not or was not:
  - (i) a Policyholder or other beneficiary under the terms of the Transferring Policies.
  - or (ii) an assignee or a pledgee entitled to claims resulting from the Transferring Policies, and any Costs in relation to the same.
- (b) any liabilities of the Members not arising in connection with the Transferring Assets or the Transferring Liabilities and any Costs in relation to the same.
- (c) any liabilities of the Members under or relating to the Excluded Policies and any Costs in relation to the same. or
- (d) any Non-Insurance Liabilities of the Members arising in connection with the Transferring Assets including, for the avoidance of doubt, any Conduct Liabilities
- (e) any Tax liabilities arising, or relating to the period, prior to the Effective Date in connection with the Transferring Business.

**Excluded Policy** means:

- (a) a Policy that is a Long-Term Insurance Contract;
- (b) a Non-EEA Policy;
- (c) a Policy or part thereof which would otherwise fall within the definition of “EEA Policy” but the Policy or part thereof is subject to the requirements of a local regulatory licence or other insurance approval granted to Lloyd’s in an Excluded Jurisdiction (“**Excluded Jurisdiction Policy**”);
- (d) an Inwards Reinsurance Policy; and/or
- (e) any other Policy or part thereof, including any class of Policy, under which any liability remains unsatisfied or outstanding at the Effective Date:
  - (i) which is not capable of being transferred pursuant to section 111 of FSMA;
  - (ii) which the Court for any reason determines not to transfer by virtue of the Order; or
  - (iii) which Lloyd’s and the Transferee agree in writing prior to the Effective Date shall not be transferred on the Effective Date.

**Existing Outwards Reinsurance Agreements** means, in respect of any Syndicate or Closed Year Syndicate, any contract of reinsurance to which the Members comprising the Syndicate or Closed Year Syndicate are parties as the reinsured, together with any collateral, letter of

credit facilities or other security arrangements which have been arranged by the relevant reinsurer for the benefit of the Syndicate, which attaches to all or any part of any of the Transferring Policies and under which any obligations remain to be performed in whole or in part at the Effective Date.

**FCA** means the United Kingdom's Financial Conduct Authority and its successors from time to time.

**FCA Handbook** means the handbook of rules and guidance issued by the FCA from time to time pursuant to FSMA.

**Financial Services and Market Authority or Belgium FSMA** is Belgium's Conduct Regulator.

**FSMA** means the Financial Services and Markets Act 2000.

**Inwards Reinsurance Policy** means a Policy or part thereof effected or carried out by or on behalf of any of the Members as reinsurer or retrocessionaire and originally allocated to a Relevant Year of Account where the cedant is domiciled or resident in an EEA State other than Germany.

**LIC** means Lloyd's Insurance Company SA.

**Line Slip** means an agreement by which a managing agent delegates its authority to enter into contracts of insurance to be underwritten by the members of a syndicate managed by it to another managing agent or authorised insurance company in respect of business introduced by a Lloyd's broker named in the agreement.

**Long-Term Insurance Contract** has the meaning given in article 3(1) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001.

**Lloyd's** means the Society of Lloyd's incorporated by Lloyd's Act 1871 by the name of Lloyd's, with its head office at One Lime Street, London EC3M 7HA.

**Lloyd's Broker** means a Placing Broker authorised by Lloyd's to place insurance contracts with a syndicate.

**Lloyd's Insurance Company SA** means a public limited company registered in Belgium and regulated by the Banque Nationale de Belgique to write certain classes of insurance business.

**Managing Agent** means a managing agent is a company set up to manage one or more syndicates on behalf of the members. Managing agents have responsibility for employing underwriters, overseeing their underwriting and managing the infrastructure and day-to-day operations.

**Members** means the underwriting members, former underwriting members and estates of former underwriting members of Lloyd's comprising the Syndicates and Closed Year Syndicates, in their capacity as members of such syndicates.

**MWSCR** means the Market Wide SCR including all risks of Members of Lloyd's and the Lloyd's Central Fund and members funds held by Lloyd's.

**Non-EEA Policy** means a Policy or part thereof, effected or carried out by or on behalf of any of the Members as insurer, co-insurer, reinsurer or retrocessionaire and originally allocated to a Relevant Year of Account, which immediately after the Transition End Date does not require an insurer with authorisation from an EEA regulator to carry out or service that Policy (or part thereof). For the purposes of determining whether a Policy (or part thereof) is a Non-EEA Policy for the purposes of this Scheme: (a) the application of, or any permission granted by, any Temporary Run-off Regime shall be ignored in respect of that Policy; and (b) no Policy (or relevant part thereof) which is identified on the Policy File shall be treated as a Non-EEA Policy.

**Non-Insurance Liabilities** means any and all liabilities other than liabilities arising directly under the terms of a Policy.

**Open Market** means insurance business that may be offered to and placed with any managing agent that is willing to underwrite it on behalf of its managed syndicate. It excludes business that is underwritten pursuant to a binding authority with a Coverholder.

**Order** means an order made by the Court pursuant to section 111 of FSMA sanctioning this Scheme and any order (including, without limitation, any subsequent order) in relation to this Scheme made by the Court pursuant to section 112 of FSMA.

**ORSA** means own risk and solvency assessment which an Insurance entity is required to produce which incorporates a set of processes constituting a tool for decision making and strategic analysis. It aims to assess an Insurance entity's overall solvency needs related to the specific risk profile of that entity.

**Outwards Reinsurance** means, in respect of any Syndicate or Closed Year Syndicate, any contract of reinsurance to which the Members comprising the Syndicate or Closed Year Syndicate are parties to as the reinsured, together with any collateral, letter of credit facilities or other security arrangements which have been arranged by the relevant reinsurer for the benefit of the Syndicate, which attaches to any part or all of any of the Transferring Policies and under which any obligations remain to be performed in whole or in part at the Effective Date.

**National Bank of Belgium or NBB** is Belgium's Prudential Regulator.

**Policy** and **Policyholder** have the meaning ascribed to "policy" and "policyholder" by the Financial Services and Markets Act 2000 (Meaning of Policy and Policyholder) Order 2001, and shall include any expired, surrendered, lapsed, matured or reinstated policies and all treaties, slips and other contracts of insurance, reinsurance and retrocession, binding

quotations, supplements, endorsements, notices, assignments, novation's and riders thereto and all ancillary agreements in connection therewith.

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**Policy file** means the file having the name "The Part VII Master List", as provided by Lloyd's to LIC prior to the Effective Date through a secure file transfer portal. A **Policy** may be included in the Policy File under the column headed "**Category 1**" or "**Category 2**" or "**Category 3**".

**PRA** means the United Kingdom's Prudential Regulation Authority and its successors from time to time.

**QS Reinsurance Contract** means the 100% quota share reinsurance contract agreement between the transferee (as cedent) and each syndicate (as reinsurers) by which the insurance liabilities attaching to the transferring policies are reinsured back into the Lloyd's market.

**Regulatory Requirement** means all applicable laws, statutes, regulations, rules, orders, directives, requirements, guidance, standards, guidelines, supervisory statements and industry codes of practice in each case having legal effect stipulated by any legal, governmental or regulatory body with powers of direction over the relevant entity, including the rules of any stock exchange or listing authority, in each case existing and in force from time to time, where relevant in the context.

**Residual Asset means:**

- (a) any asset to be transferred to the Transferee pursuant to this Scheme and any agreement relating to any such asset (including any right, benefit or power under any Transferring Policy) the transfer of which to the Transferee as at the Effective Date:
  - (i) requires the consent of any person (other than the Transferee or the Court); or
  - (ii) requires the waiver by any person of any right to acquire, to offer or be offered the right to acquire or to procure the acquisition by some other person of all or any part of such assets, in each case being a right which directly or indirectly arises or is exercisable as a consequence of such transfer being proposed or taking effect; or
  - (iii) would result in a third party having a right to terminate an agreement with a Member or to claim compensation in damages or otherwise,

and in each case which the Court either (i) does not have jurisdiction to transfer pursuant to section 112 of FSMA; or (ii) (despite having such jurisdiction) determines, notwithstanding section 112 and 112A of FSMA, not to so transfer but in any case only to the extent of that part of the interest in such Policy in respect of which the transfer requires such consent and/or waiver or would result in such a right;

- (b) any other interest in any asset or agreement relating thereto, the transfer of which Lloyd's and the Transferee agree prior to the Effective Date is to be delayed;

- (c) any interest in any other assets which Lloyd's and the Transferee agree prior to the Effective Date is more conveniently to be transferred pursuant to the Scheme in conjunction with such asset referred to in paragraph (a) or (b) of this definition; and
- (d) any proceeds of sale or income or other accrual or return, earned on or received from time to time after the Effective Date in respect of any assets referred to in paragraphs (a), (b) or (c) of this definition.

**Residual Liability** means any liability under or in connection with the Transferring Policies and in connection with the Transferring Assets:

- (a) the transfer of which liability to the Transferee pursuant to this Scheme requires, as at the Effective Date, the consent or waiver of any person (other than the Transferee, Lloyd's or the Court) and which the Court either does not have jurisdiction to transfer to the Transferee pursuant to section 112(1)(a) of FSMA or which (despite having such jurisdiction) the Court determines, notwithstanding section 112(2A) of FSMA, not to so transfer; or
- (b) which is attributable to or connected with a Residual Asset and arises at any time before the Subsequent Transfer Date applicable to that Residual Asset; or
- (c) which Lloyd's and the Transferee agree in writing prior to the Effective Date shall not be transferred on the Effective Date; or
- (d) which cannot be transferred to or vested to the Transferee pursuant to the Scheme for any other reason.

**Reserves** means **Technical Provisions**

**Scheme** means the way which the liabilities attaching to relevant Years of Account are transferred to LIC as approved by the Court in accordance with Part VII of Schedule 12 to the FSMA.

**Service Company** means a service company Coverholder (Service Company) is an approved.

Coverholder which Lloyd's has agreed can be classified as a "service company" by reason of it being a wholly owned subsidiary of either a managing agent or of a managing agent's holding company and which is normally only authorised to enter into contracts of insurance for members of its associated syndicate and/or associated insurance companies.

**SCR or Solvency Capital Requirement** means a measure of the regulatory capital requirement insurers are required to maintain by the appropriate Solvency II regulations and is an estimate of the capital required to ensure that an insurer is able to meet its obligations over the next 12 months.

**Solvency II** means the Solvency II Directive (EU Directive 2009/138/EC) and any regulations, directive, enactment, statutory provision or other applicable law implementing that directive.

**Solvency Ratio** means a quantitative measure of an entity financial resources and is calculated as follows: Accountants & business advisers

$$\text{Solvency Ratio \%} = \frac{\text{Entities own funds}}{\text{Solvency II capital requirement}}$$

**Syndicate** means a group of underwriting members of Lloyd's, to which a particular number is assigned by or under the authority of the Council, for whose account an active underwriter accepted or accepts insurance business at Lloyd's.

**Tax** or **Taxation** includes, without limitation (a) taxes on gross or net income, profits and gains, and (b) all other taxes, levies, duties, imposts, charges and withholdings of any nature, including any excise, property, value added, sales, use, occupation, transfer, franchise and payroll taxes and any national insurance or social security contributions, and any payment whatsoever which the relevant person may be or become bound to make to any person as a result of the discharge by that person of any tax which the relevant person has failed to discharge, together with all penalties, charges and interest relating to any of the foregoing or to any late or incorrect return in respect of any of them, and regardless of whether such taxes, levies, duties, imposts, charges, withholdings, penalties and interest are chargeable directly or primarily against or attributable directly or primarily to the relevant person or any other person and of whether any amount in respect of them is recoverable from any other person.

**Tax Recoveries** means the rights of the Members to a refund or recovery of Taxation or any other Tax asset relating to the Transferring Business where such refund, recovery or asset arises, or relates to the period, prior to the Effective Date.

**Technical Provisions** means the amounts set aside by insurance entities, at a given date, to pay for all potential future cash-flows that would be incurred in meeting liabilities to policyholders from existing insurance and reinsurance contracts. The principles which are followed to calculate these provisions will differ depending on their purpose e.g. regulatory (Solvency II) or annual accounts reporting (GAAP). In this report, used interchangeably with **Reserves**.

**Temporary Run-off Regime** means, in an EEA State, a temporary national run-off regime for insurance contracts which would permit a Member to carry out a Policy in that EEA State after the UK has ceased to be a member of the EU without breaching applicable legal or regulatory insurance authorisation requirements.

**Third Party Administrator** means any entity to which the managing agent delegates authority in respect of distribution or to provide services to Customers.

**Transfer Date** means the Effective Date

**Transferring Assets** means all of the following whatsoever and wheresoever situated as at the Effective Date:



- (a) the rights, benefits and powers of the Members under or by virtue of the Transferring Policies (including, for the avoidance of doubt, the right to receive premiums).
- (b) the rights, benefits and powers (whether actual or contingent) of the Members whatsoever under or by virtue of the Transferring Contracts;
- (c) the Transferring Business Reserve Amount.
- (d) all rights and claims against any third party in relation to the Transferring Business or arising as a result of the Members having carried on the Transferring Business. and

but excluding the Excluded Assets and, until the relevant Subsequent Transfer Date, if any, the Residual Assets.

**Transferring Business** means the Transferring Policies, Transferring Assets, and Transferring Liabilities.

**Transferring Business Reserve Amount** means the sum of (A) (i) the Lloyd's best estimate of gross reserves in respect of the Transferring Business on a non-discounted basis as at the Valuation Date; plus (B) associated expenses, in each case in an amount agreed between Lloyd's and Transferee prior to the Effective Date;

**Transferring Contract means the whole, or that part, of:**

- (a) a Binding Authority Agreement pursuant to which Transferring Policies have been entered into; or
- (b) a TPA Agreement pursuant to which Transferring Policies are administered;

in each case, provided that the relevant Coverholder or third party administrator (as applicable) is authorised to carry out or service such agreement immediately after the Transition End Date.

**Transferring Liabilities** means all liabilities and commitments of any kind and description of the Members to the extent arising from the Transferring Policies or Transferring Assets, irrespective of whether the liabilities and commitments arise prior to or following the Effective Date, excluding the Excluded Liabilities and, until the relevant Subsequent Transfer Date, if any, the Residual Liabilities (as defined in the Scheme).

**Transferring Policies** means each of the following:

- (a) the Policies or parts thereof included in the Policy File under the column headed "Category 1" as at the Effective Date unless it is subsequently determined by the Transferor and the Transferee that any such Policy or part thereof has been included

- in Category 1 of the Policy File in error because it neither: (i) relates to an EEA Risk; nor (ii) was issued to or is held by an EEA Policyholder;
- (b) the Policies or parts thereof included in the Policy File under the columns headed “Category 2” and “Category 3” as at the Effective Date provided such Policy (or part thereof) (i) relates to EEA Risk; or (ii) has been issued to or is held by an EEA Policyholder; and (c) the EEA Policies, together or individually as the context may indicate, in each case, excluding any Excluded Policy;

**Transferring Policyholder** means a Policyholder in relation to a Transferring Policy.

**UK or United Kingdom** means the United Kingdom of Great Britain and Northern Ireland.

**Valuation Date** means the date of the assessment of the final reserve valuation of the Transferring Business, as determined by Lloyd’s, being a date not later than Effective Date.

**Xchanging** means the independently owned business process and technology services provider which provides technology enabled business services to the commercial insurance industry.