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Unique Reference / Notification ID: XXXX000000
August 2020

Dear Sirs

Notice of the proposed transfer of certain general insurance business written at The Society of Lloyd's ("Lloyd's") to Lloyd's Insurance Company S.A. ("Lloyd's Brussels")

This Notice is being sent to you as you are, or have been, a letter of credit provider, custodian or trustee in respect of collateral or other security arrangements relating to outwards reinsurance contracts placed by Members at Lloyd's.

The information in this notice and all supporting information referred to is available at www.lloyds.com/brexittransfer.

Background to the proposed transfer

Members currently have the right to 'passport' into an EEA member state on freedom of establishment and services basis to enable policies to be managed within Europe without the need for further authorisation.

As a consequence of the UK's exit from the European Union ("Brexit") on 31 January 2020, current EEA passporting is expected to cease at the end of the transition period on 31 December 2020. Lloyd's is therefore proposing, on behalf of the Members, to transfer certain policies from the Members to Lloyd's Brussels (the "proposed transfer"). Lloyd's Brussels is an insurance company incorporated and regulated in Belgium and is a wholly-owned subsidiary of Lloyd's.

Unless specifically excluded, the policies (or parts of policies) to be transferred under the proposed transfer are those where all or part of the risk underwritten at Lloyd's is located in an EEA state or where the policyholder is resident in the EEA, such that the policy (or part of the policy) could not be managed post-Brexit from the UK without breaching legal or regulatory requirements ("Transferring Policies"). The proposed transfer will ensure that Transferring Policies can be compliantly managed after Brexit, including in relation to the payment of claims.

If approved by the High Court of England and Wales ("High Court"), the proposed transfer will not change the terms and conditions of any policy, except that Lloyd's Brussels will become the insurer and Data Controller in respect of Transferring Policies. The proposed transfer has been carefully designed to ensure that it will not change how policies operate. Policyholders will see no direct administrative change as a result of the proposed transfer and the process for making claims and any payments that may be due in settlement of a valid claim is therefore unaffected by the proposed transfer.

Reinsurance of the liabilities relating to the Transferring Policies

Lloyd's Brussels and the members of each syndicate will enter into a reinsurance arrangement (quota share) in which the economic liability of each syndicate's Transferring Policies will, from the Effective Date of the Transfer, be fully reinsured back to the members of that syndicate (the "Lloyd's Brussels Reinsurance Contract"). As a result, the economic liability for the Transferring Policies will continue to rest with those members who underwrite those policies or inherited those policies through the Reinsurance to Close Process.

Existing outwards reinsurance attaching to the Transferring Policies

Existing outwards reinsurance policies currently in place in relation to the Transferring Policies will not be transferred under the proposed transfer. Instead, as part of the proposed transfer, such outwards reinsurance policies will be converted to retrocession cover attaching on top of the Lloyd's Brussels Reinsurance Contract. The benefit of each existing outwards reinsurance shall transfer from the original Member in whose name the policy was issued (as reinsured) to the new Member who has reinsured the original Member's policy under the Lloyd's Brussels Reinsurance Contract existing outwards reinsurance arrangements will otherwise continue on unchanged commercial terms.

Security arrangements in respect of outwards reinsurance policies

The benefit of all related collateral and other security arrangements on existing outwards reinsurance arrangements will continue to support the retrocession covers but, pursuant to the terms of the Scheme, shall include such consequential amendments as are necessary to implement and reflect the fact that those arrangements will, from the Effective Date of the proposed transfer, support a retrocession rather than a reinsurance.

The Scheme

The proposed transfer is to be implemented by an insurance business transfer scheme under Part VII of the Financial Services and Markets Act 2000 ("Scheme"). You can find a copy of the Scheme and a summary of the terms of the Scheme at www.lloyds.com/brexittransfer/scheme.

The Members are represented for the purposes of this Scheme by Lloyd's and Lloyd's has authority to act as transferor on behalf of the Members for the purposes of this Scheme.

The proposed transfer requires the approval of the High Court and an independent expert to give his opinion on the likely impact of the proposed transfer. During this process, Lloyd's is working in close consultation with the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"), who are assessing the proposed transfer having regard to its objectives. The PRA and FCA will each provide reports on the proposed transfer to the High Court.

The High Court will only approve the proposed transfer if it considers it appropriate in all circumstances. If the proposed transfer is approved by the High Court, the Effective Date for the proposed transfer is expected to be 30 December 2020. On the Effective Date, all Transferring Policies (unless specifically excluded) and related assets and liabilities will transfer to Lloyd's Brussels. Any claims or proceedings against the Members, in connection with the Transferring Policies, shall be continued by or against Lloyd's Brussels.

The Independent Expert

Mr Carmine Papa of PKF Littlejohn LLP has been appointed by Lloyd's as the independent expert for the proposed transfer ("Independent Expert"). His appointment has been approved by the PRA in the UK, in consultation with the FCA. The Independent Expert has written a report of his considerations and findings for the High Court to consider.

The Independent Expert's principal conclusion is that no policyholder will be materially adversely affected by the proposed transfer. The Independent Expert has also concluded that the effect of the proposed Court Order should mean that the same Outwards Reinsurance will be in place for Members pre and post transfer and that all Policyholders, after the transfer, will benefit from the same ability of Members to make recoveries on their Outwards Reinsurance as is currently in place. The economic exposure of the Outwards Reinsurers to policies written by the Members remains the same pre and post Transfer, there is no material adverse effect on the Outwards Reinsurers as a result of this proposed transfer.

You can see a profile of the Independent Expert, read a copy of his full report and a summary of it at www.lloyds.com/brexittransfer/independentexpert.

Right to Object

Any person who believes that they would be adversely affected by the proposed transfer, including any letter of credit provider, trustee or custodian has a right to attend the High Court hearing scheduled for 18 November 2020 and object to the proposed transfer, either in person or by representative. If you, or your representative, plan to attend the High Court hearing, we would ask that you make us aware before 11 November 2020, so that we can keep you informed of any changes to the hearing, such as time or date.

You may also object to the proposed transfer by telephone or in writing/email to Lloyd's using the contact details below. We will make a record of your objection and communicate this to the PRA, the FCA, the Independent Expert and the High Court. More information on how to raise any concerns and objections are available at www.lloyds.com/brexittransfer/viewsofpolicyholders.

Further information

Please visit www.lloyds.com/brexittransfer to find out further information about the proposed transfer, or to obtain copies of this notification in different languages. You can also contact Lloyd's Brexit Transfer Team by telephone on **00800 6699 1669** or by email at enquiries@lloydsbrexittransfer.com.

We recommend that you continue to review the information at www.lloyds.com/brexittransfer/importantupdates. We will keep it updated as we progress through the transfer process, including details of any changes to Court hearing timings and outcomes. We will also publish a supplementary report of the Independent Expert during November 2020.

The Scheme and the Independent Expert's report and summaries of each are also available free of charge on request from the contact details above, from our offices in London at the address below and from our offices around the world, the addresses of which can be found at www.lloyds.com/lloyds-around-the-world.

Lloyd's Legal Department (Brexit Transfer)
The Society of Lloyd's
Lloyd's Building
1 Lime Street
London