

Summary of the changes to the Scheme

Set out below is a summary of amendments proposed by Lloyd's and Lloyd's Brussels to the Scheme since the Directions Hearing. The amendments have been reviewed by the FCA, PRA and the Independent Expert. The Independent Expert has concluded – in Section 2.5 of his Supplemental Report (available under the Document Library tab) – that the amendments do not impact the conclusions reached in his original report.

Capitalised terms used in this summary, unless otherwise defined herein, shall have the meanings given in the Scheme Document.

Change to the Effective Date

The Effective Date of the Scheme has been changed from 29 October 2020 to 30 December 2020.

List of Syndicates under the Scheme

Schedule 1 of the Scheme includes an updated list of non-life active syndicates updated to be accurate as of 7 October 2020.

Excluded Policies

The scope of Excluded Policies has been amended to include a small number of policies which are subject to restrictions imposed by sanctions regimes (defined in the Scheme as Sanctions Policies). Sanctions Policies will not transfer to the Transferee under the Scheme.

Excluded Assets and Excluded Liabilities

The scope of Excluded Assets has been amended to cover:

- (a) Sundry Assets (as defined in the Scheme); and
- (b) any other assets which Lloyd's and the Transferee agree in writing prior to the Effective Date shall be classified as an Excluded Asset on the Effective Date provided the PRA and the FCA have given their prior consent to such asset being an Excluded Asset.

A corresponding change has been made to the definition of Excluded Liabilities, which has been expanded to cover any liabilities which Lloyd's and the Transferee agree in writing prior to the Effective Date shall be classified as an Excluded Liability on the Effective Date provided the PRA and the FCA have given their prior consent to such liability being an Excluded Liability.

Amended Reinsurance Structure

The provisions relating to the treatment of Existing Outwards Reinsurance Contracts as Retrocession Agreements after the Effective Date has been amended to clarify that:

- (a) each Existing Outwards Reinsurance Contract would respond to the same liabilities both pre and post-Scheme irrespective of the fact that technically post-Scheme such liabilities may have been incurred by the Transferee rather than the Member who was the reinsured under the contract; and
- (b) neither a retrocessionaire nor any other person may take any action to vary or terminate all or any part of a Retrocession Agreement on the basis that a loss or liability has been assumed by the Transferee as a result of the Scheme and reinsured by a new (open-year) Member under a Lloyd's Brussels Reinsurance Contract.

Monaco

An amendment has been made to the Scheme definition of EEA Policy to clarify that policies relating to risks or policyholders located in Monaco (i.e. where there is a requirement for licensing by the Monegasque regulator) will be transferred to the Transferee under the Scheme.

Profit commission

An amendment has been made to the Scheme definition of Non-Insurance Liabilities to clarify that any liability to pay profit commission to a Coverholder under a Binding Authority Agreement is not a Non-Insurance Liability (and so transfers to LIC under the Scheme).

Definition of Transferring Business Reserve Amount

An amendment has been made to the definition of Transferring Business Reserve Amount to clarify that this amount does not include associated expenses as such expense have already been captured by the capital injection amount received by the Lloyd's Brussels prior to the Sanction Hearing.

Definition of Non-Insurance Liabilities

An amendment has been made to the definition of Non-Insurance Liabilities to clarify that the definition of Non-Insurance Liabilities does not include the liabilities of a party in connection with the performance of a Transferring Policy after the Effective Date (and that therefore such liabilities transfer to the Transferee under the Scheme).

Contribution rights

An amendment has been made to paragraph 5 to clarify that nothing in paragraph 5 restricts or otherwise affects the discretion or any decision of the Council of Lloyd's to apply monies out of the central fund of Lloyd's in accordance with its relevant byelaws.