LONDON BRIDGE RISK PCC LTD.

AN INTRODUCTION

MARCH 2021

Horseshoe
An Artex Company

AN OVERVIEW

London Bridge Risk PCC (the "PCC") is a transformer vehicle, enabling Qualified Investors to participate in the underwriting of insurance risks at Lloyd's by providing capital to the Lloyd's market through the issuance of a fully collateralised contract of reinsurance, to a Lloyd's Member.

AN OVERVIEW (continued)

The PCC is a protected cell company with limited liability incorporated in England and Wales under the Risk Transformation Regulations 2017. It received approval from the UK's Prudential Regulatory Authority (PRA) and Financial Conducts Authority (FCA) on 8th January 2021 as set out in its Scope Of Permissions (SOP).

The PCC is independently owned and is regulated by the PRA & FCA and is authorised to carry out insurance risk transformation activities within the terms of its SOP. Subject to compliance with the terms of the SOP the PCC is only required to notify the authorities of each reinsurance arrangement it enters into, rather than go through individual approval applications, which can be both lengthy and costly.

A new Cell in the PCC will be created in respect of each new reinsurance arrangement. The assets and liabilities of each Cell are segregated from the other Cells and from the Core of the PCC. Each Cell has limited liability.

AN OVERVIEW (continued)

The PCC is intended to come within the rules set out in the UK Risk Transformation (Tax) Regulations 2017 and, so long as certain conditions are met, there should be no UK corporation tax on profits arising within a cell and no withholding tax on distributions made from a cell. Investors should review their own tax positions and their preferred transaction structure, however (please further comments in the Q&A section of this document).

Subject to meeting qualifying criteria, Investors can establish a Cell within the PCC which can write a contract of quota share reinsurance (of up to 100%) of the whole portfolio of a Lloyd’s Member, in exchange for access to pure insurance risk and the anticipated profits generated through participation in the underwriting of those risks.

Cells can only enter into transactions with Lloyd’s Members. Members may be created expressly for the purpose of each transaction or, alternatively, Cells can enter into transactions with existing Members. Members created expressly for the purpose of a transaction with a Cell could be owned by an orphan trust, by the managers of an ILS fund, or the Managing Agent or its group. However they would not be owned by the investors of the Cell.

AN OVERVIEW (continued)

The Member may participate in one or more Lloyd's syndicate and the Cell will fully fund its liabilities to the Member by depositing assets with Lloyd's as Funds At Lloyd's (FAL) under the standard Lloyd's Deposit Trust Deed for third party deposits. The Cell's funding obligations will be proportionate to the level of quota share reinsurance provided and therefore equal to their liabilities assumed from the Member under the reinsurance agreement. In addition the Cell's liability will be limited to the sum of the FAL deposited by the Cell plus the premium owing to the Cell under the reinsurance agreement.

Assets deposited as FAL remain to the beneficial ownership of the Cell, who will receive any income generated from those assets, in addition to any profit generated on settlement of the underwriting year of account.

Lloyd's is a unique insurance market place operating a three year accounting system, whereby the reinsurance to close (RITC) process is an important mechanism for investors to get more timing certainty around the of the duration of their investment and can be a way for investors to get more comfortable with longer tail business.

KEY Q&A’S & STRUCTURE SUMMARY

A brief introduction to the ILS market

Insurance Linked Securities ('ILS') is an asset class whereby investors allocate capital to re/insurance risks, typically using collateralised structures. In this way the value of the investment into re/insurance is determined by the performance of the re/insurance portfolio being covered with the attraction to investors that there is little to no correlation with the wider financial markets. Some insurance linked securities such as cat bonds are listed and tradeable between investors, others are essentially illiquid for the duration of the transaction. This market emerged in the mid 90's but really accelerated from 2005 onwards as a mechanism for re/insurers to access global capital.

What is London Bridge Risk PCC (the "PCC")?

London Bridge Risk PCC ('LBRPCC'), is a transformer vehicle aimed at providing access to insurance risk exposures at Lloyd's. It is an independently owned Limited Protected Cell Company, that offers investors the opportunity to transact collateralised reinsurance with Members at Lloyd's.

What is the relationship between London Bridge Risk PCC & Lloyd’s?

Whilst Lloyd’s sponsored the creation of LBRPCC, as part of its Future At Lloyd’s programme, and obtained approval from the PRA & FCA in early 2021. Lloyd’s does not own, control or regulate the PCC. It does provide a Lloyd’s employee to be the Chair of the LBRPCC Board of Directors.

Is this a new type of capital backing?

Capital provision to Lloyd’s through a PCC structure is not new but this is the first PCC to be granted permission to provide Member level reinsurance protection in the UK, using the 2017 Risk Transformation Regulations. As approval has been granted for a market facility available for multiple users, the PCC is permitted to enter into multiple arrangements at Lloyd’s, without the need for further approval from the UK regulators and without restrictions on the classes of business covered, subject to complying with its Scope of Permissions (SOP).

Why is Lloyd's sponsoring this facility?

Under the Future At Lloyd's programme, Lloyd's set out to make the Capital journey for all investors in the market a better one; streamlining and updating old and antiquated processes. As well as introducing a new investment management platform to improve the ease and transparency of managing assets, it also sponsored the creation of LBRPCC to provide a new and streamlined route for Institutional Capital to back Lloyd's.

Who might be interested in using London Bridge PCC?

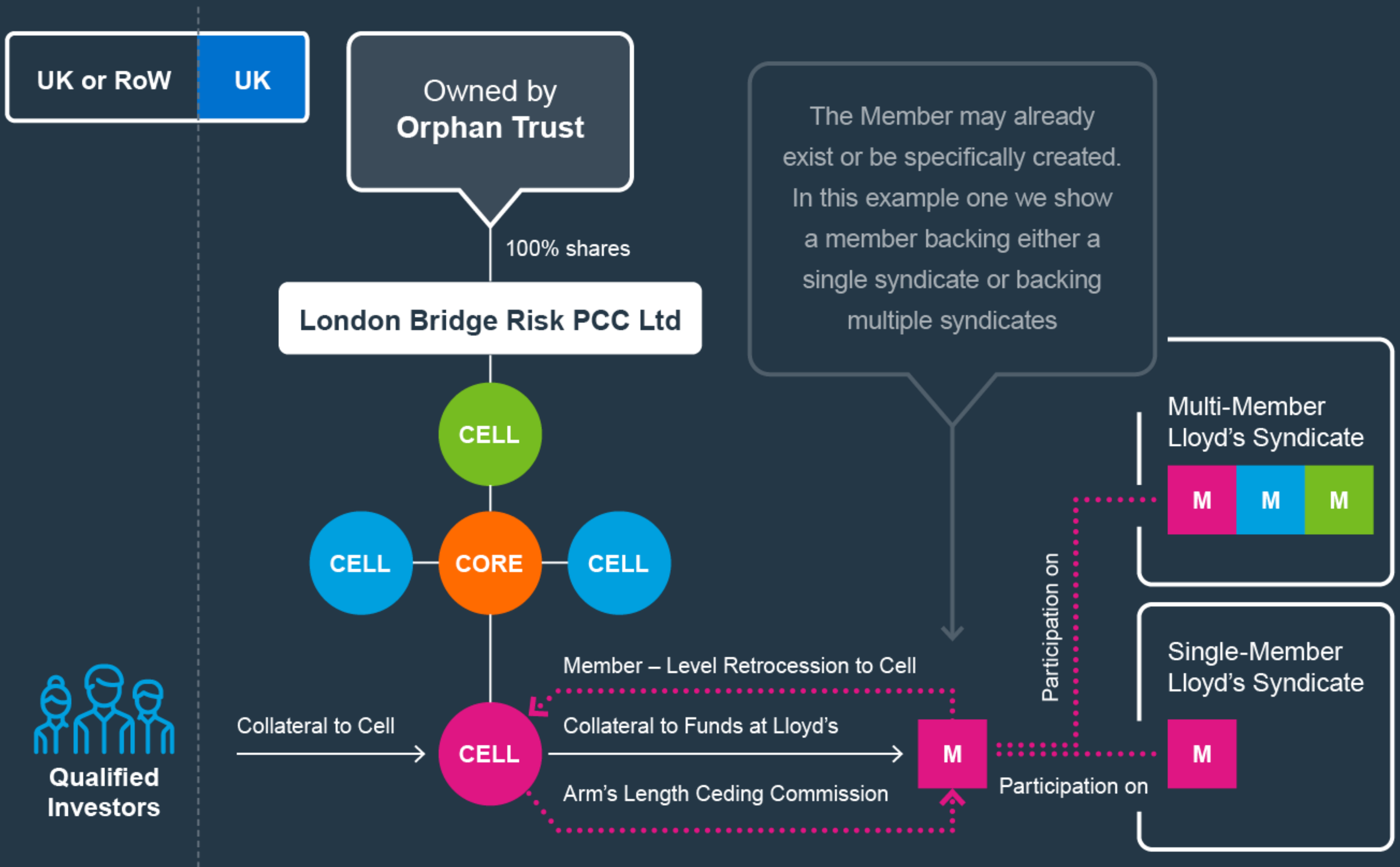
Any Qualified Investors (as defined in the Risk Transformation Regulations) are potential users of LBRPCC and our expectation is that investors with longer term investment horizons, such as Pensions Funds and Sovereign Wealth Funds, will have a particular interest.

LONDON BRIDGE RISK PCC LTD.

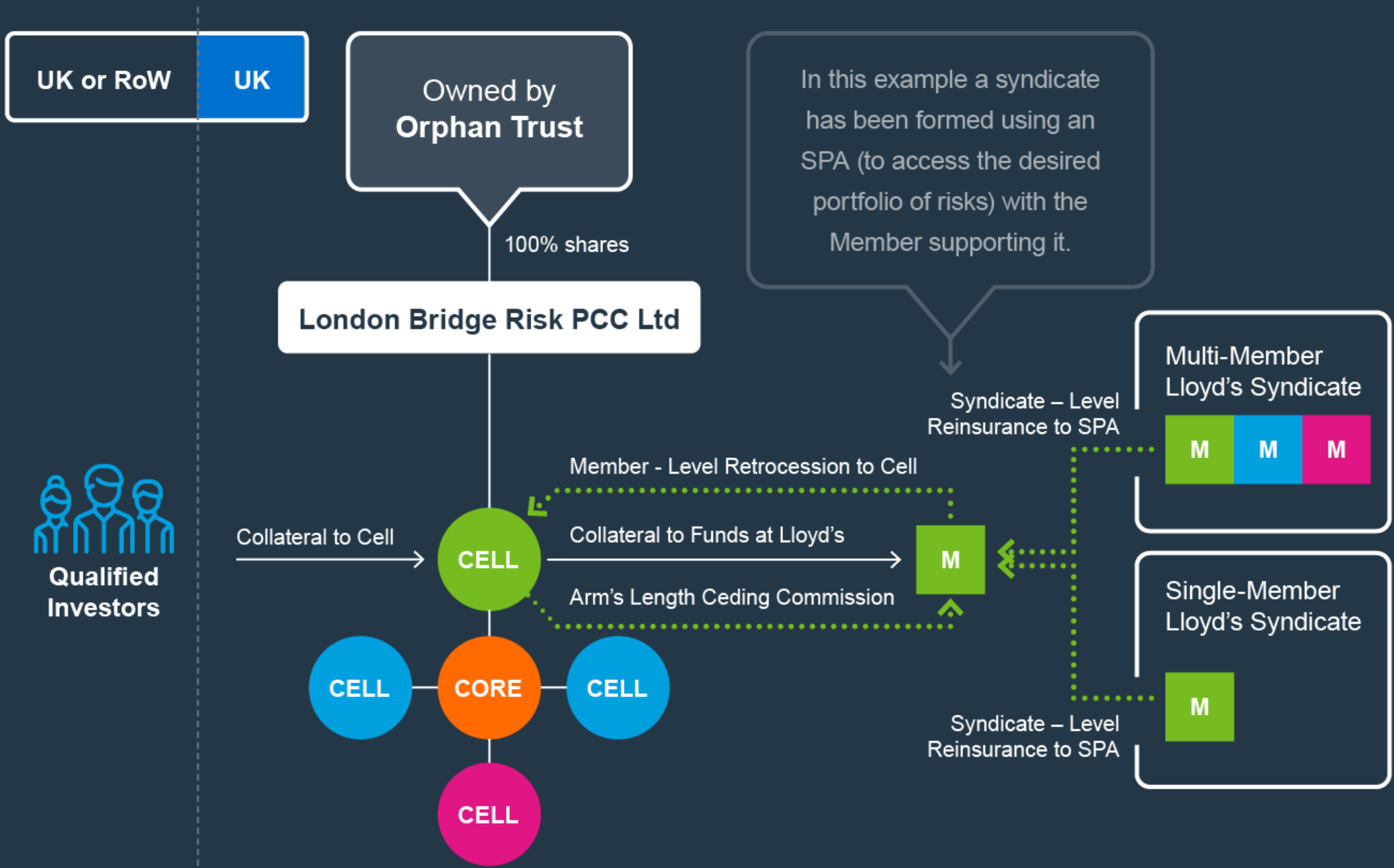
A Multi-Insurance Special Purpose Vehicle (mISPV)

- The PCC interacts with Lloyd's at arms length, with the processes, the oversight and regulations at Lloyd's unaltered.
- Individual Cells providing whole account reinsurance of a Member, depositing Funds At Lloyd's.
- Some possible examples are shown in the following slides

LONDON BRIDGE RISK PCC LTD: POSSIBLE EXAMPLE 1



LONDON BRIDGE RISK PCC LTD: POSSIBLE EXAMPLE 2



What does London Bridge Risk PCC provide?

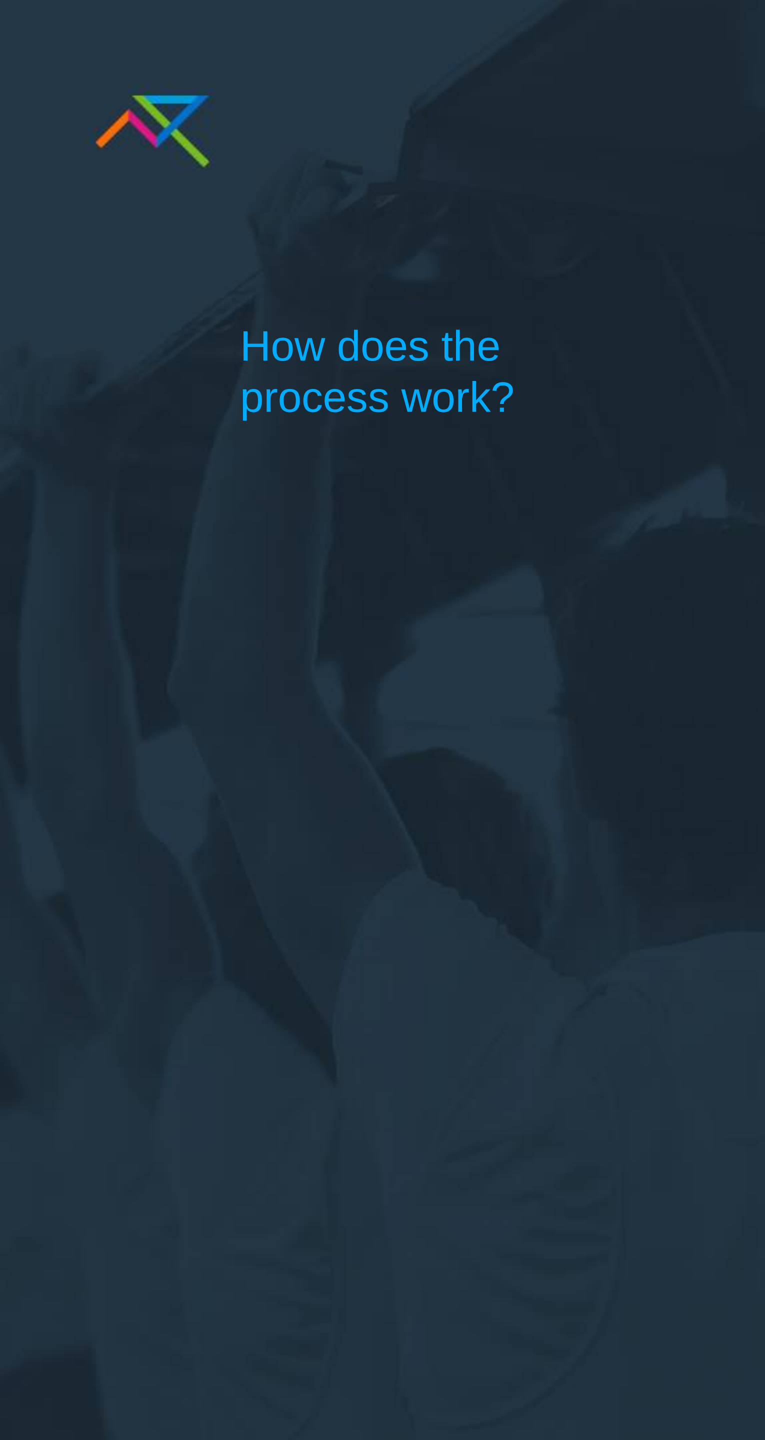
LBRPCC provides a speedy and efficient means of investing into Lloyd's for investors that wish to establish and utilise a Cell in order to provide reinsurance cover to Lloyd's Members. Services provided include the central day to day Insurance Management, together with Financial and Regulatory reporting. LBRPCC also provides a pre-approved regulatory facility based upon the utilisation of standardised and approved documentation for use by Investors and Lloyd's Members.

What documentation is involved?

LBRPCC provides a set of standardised and approved documentation for use by Investors and Lloyd's Members including but not limited to:

- ☑ Quota Share Reinsurance
- ☑ Subscription Agreement
- ☑ Private Placement Memorandum
- ☑ Trust Deed
- ☑ Deed of Charge
- ☑ Account Bank and Custody Account agreements

In addition, and separate to the PCC documentation, it is anticipated that there will need to be an Investment Agreement between Investor(s) and Managing Agent/Member.



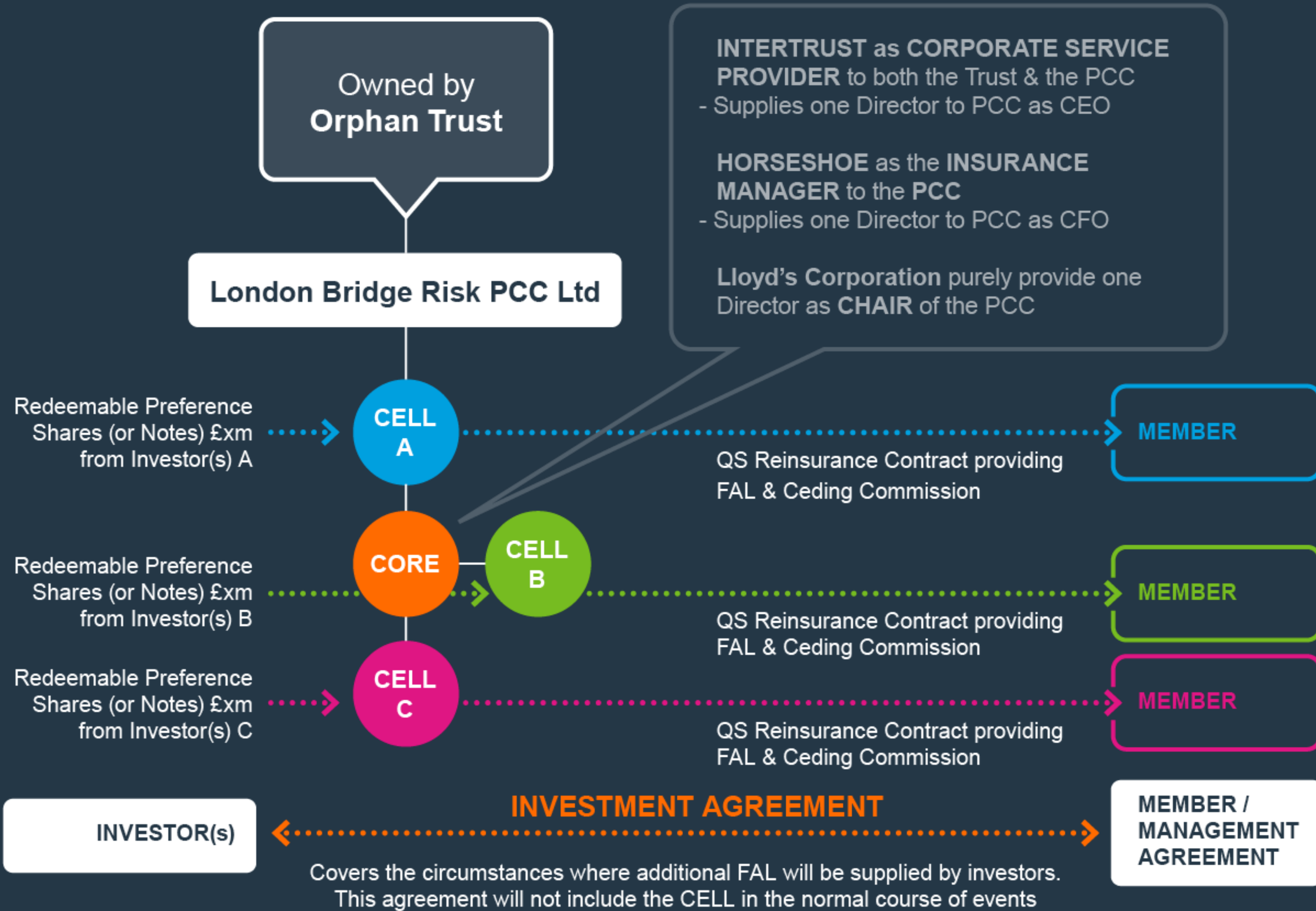
How does the process work?

Provided the proposed transaction meets the necessary qualifying criteria, and once all necessary on-boarding is completed, a new Cell will be created in the PCC. The Cell will be capitalised by the issuance of Redeemable Preference Shares to a level that meets Cell's maximum claims liabilities under the reinsurance agreement (together with the premium due from the Member) plus expenses, for at least the next 12 months. In turn the Cell provides fully collateralised reinsurance by way of a whole account Quota Share Reinsurance of the Member, of up to 100%.

Assets of the Cell are lodged as Funds At Lloyd's (FAL) under the standard Lloyd's Deposit Trust Deed for third party depositors and must meet the qualifying criteria set by Lloyd's for assets deposited as FAL. The Beneficial Ownership of the Assets lodged as FAL remain with the Cell and any income of those assets are to the benefit of the Cell.

Overarching profit from the reinsurance will be declared when the Year of Account closes, using the Reinsurance to Close (RITC) process following the end of the third year.

REINSURANCE & FUNDING STRUCTURE



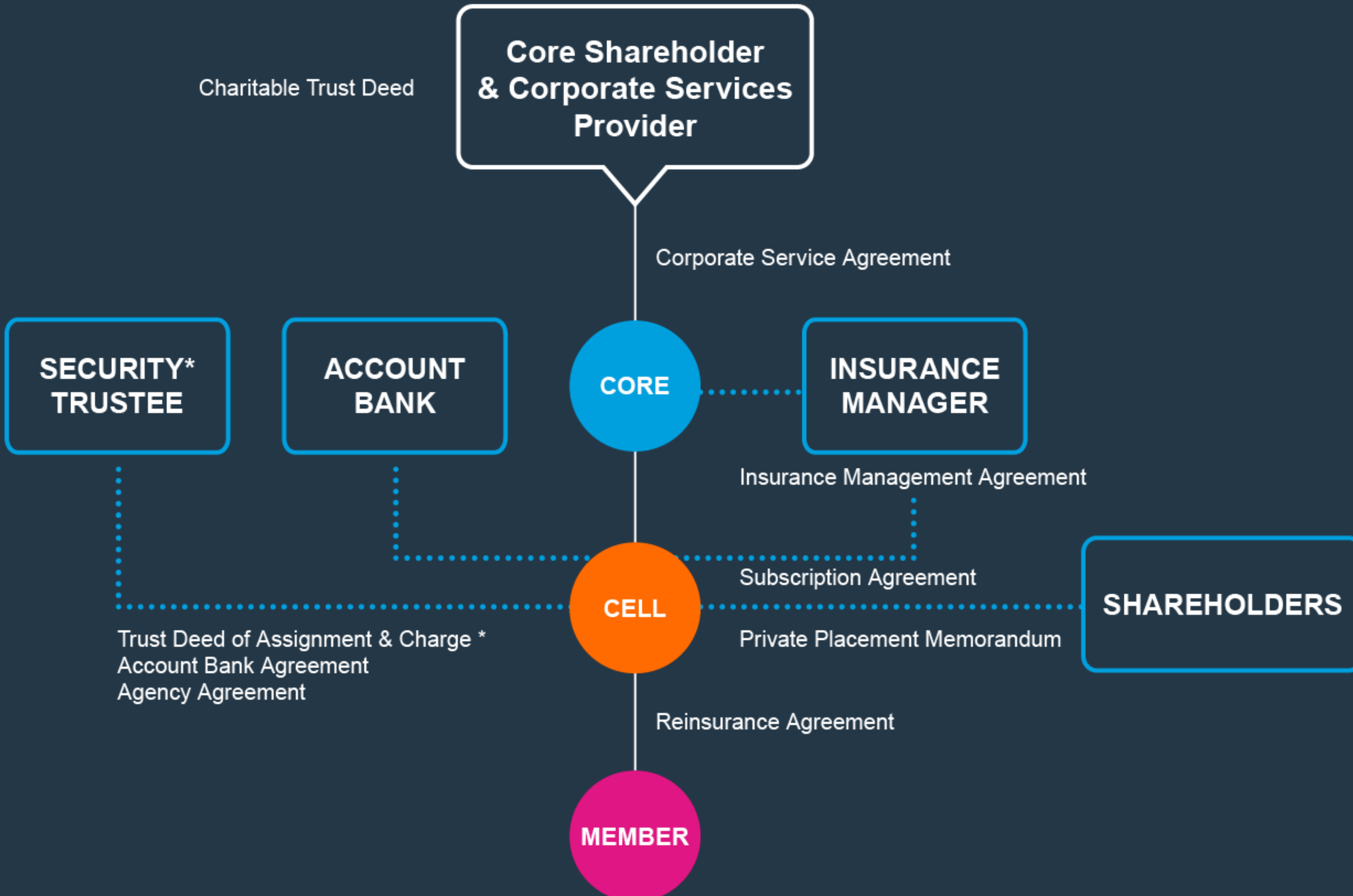
How does a cell cover more than one year of account?

The reinsurance contract may cover multiple years of account, through an annual endorsement process and subscription for a new issuance of Redeemable Preference Shares to meet the Cell's liabilities for each new year of account. Through this mechanism the cover could run in perpetuity.

How is agreement reached on the portfolio to be covered?

The commercial elements of a proposed transaction are negotiated between the Investor and a Member (potentially involving a Managing Agent or a Members Agent, or other parties such as a Broker). Once an investment proposal is agreed the Investor will approach the PCC to start the process of establishing a new cell. LBRPCC will complete the appropriate KYC, AML and Underwriting reviews, and provided the proposal meets all requirements, including the approved Scope Of Permissions from the Regulators, the setup of a Cell and provision of Reinsurance can commence, requiring only a simple notification to the Regulators.

CELL & KEY AGREEMENT STRUCTURE



* Secured Transaction Only

Is there a minimum commitment?

The short answer to this is no, however potential cell users should consider transaction fees and the minimum duration of any investment when considering whether LBRPCC is a suitable facility

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What is the minimum time commitment for the investment?

The minimum commitment will be for one Year of Account at Lloyd's but profit will not be declared (and funds released) until after the closure of that Year of Account. This closure will follow a successful Reinsurance to Close (RITC) process, normally after the end of the third year. LBRPCC expects to appeal to those investors with a longer-term horizon and we generally anticipate Investors seeking at least three Years of Account (through endorsement of the reinsurance contract). Therefore, our belief is that most commitments will be for at least 5 years (3 active years plus two development years to achieve RITC after the third year), Although longer (potentially in perpetuity) is also possible.

How does renewal work?

Renewal will require agreement by both parties, Cell and Member, in advance of the commencement of the subsequent Year of Account and will require close discussion between Cell and Member on business plan and capacity. Renewal is achieved through the endorsement of the reinsurance contract which requires that any additional FAL required to support a further Year of Account, is fully funded in advance. Continuity of investors is needed for all years, in order for a renewal to be considered. Any change in investors can be accommodated by the creation of a new cell. Investors may wish to enter into an investment agreement prior to entering into any transactions which sets out key terms of the investment (e.g. duration, capital investment, approach to cash calls).

What assets can be used for collateral?

In addition to cash, shares in the Cell can be subscribed for using Lloyd's acceptable asset classes for Funds at Lloyd's that pertain at the time. This encompasses tradeable asset where the stock, treasury, gilt or bond must be traded on a recognised exchange, with a daily price feed. A specific asset's acceptability can be checked by the member or Investor, by contacting **acceptabilities@Lloyds.com**

Where is the investment held?

Assets of the Cell are lodged as Funds At Lloyd's (FAL) under a standard Lloyd's Deposit Trust Deed. The beneficial owner of those assets remains the Cell.

How is the transaction regulated?

The PCC is regulated by the PRA and the FCA. The regulatory approval, by way of simple notification, is restricted to the Scope Of Permissions (SOP) as set out by the regulators including the use of the standardised documentation. Details of the SOP are available as part of discussions for a new cell. Proposals for transactions which fall outside of the SOP will require separate regulatory approval if supported in principle by the PCC.

What reporting is available?

The QS Reinsurance contract provides for all copies of material reports, data and information received by the Member from its Managing Agents are made available without delay. Horseshoe will also be producing a template pack based on the routine suite of reports to Lloyd's Members.

Who are the service providers?

Insurance Manager Services are provided by Horseshoe ILS Services UK Limited. Corporate Services (such as Corporate Secretarial Services) are provided by Intertrust Management Limited.

What are the costs?

Fees may vary according to precise circumstances but the following represents the fee structure:

- Insurance Management flat fee per annum, per Cell, reduced by 50% for development only years, where there is no active participation in an open Year of Account.
- Flat Facility Fee (contribution to expenses of the Core) per annum

What are the timescales?

The PCC is happy to receive enquires now for use of the of the facilities discussed in the document.

What is the tax position?

The Company is expected to come within the rules set out in the UK Risk Transformation (Tax) Regulations 2017, which provide that, so long as certain conditions are met, there should be no UK corporation tax on profits arising within a cell and no withholding tax on distributions made from a cell. However, this tax treatment depends on a number of factors, including whether there is a main tax purpose in the risk transformation arrangements, and so no guarantee can be given that this treatment will apply in all cases. Potential investors in a cell should take advice on this. Investors should also take their own advice on the tax treatment that will apply to them as investors in a cell, as this will depend on the nature of the investor and the jurisdiction in which they are resident.

THE BASIS ON WHICH APPROVAL HAS BEEN GRANTED BY THE PRA & FCA

APPROVAL

- Following formal application submission on 25th September 2020 the Regulators granted approval on 8th January 2021.

- This approval is conditionally based on a number of items, first of which are a number of Standardised Documents (see below). Overall this is about compliance with an overarching Scope of Permissions or 'SOP'.

- The documents are not so standardised that they will not vary with each transaction, indeed they absolutely need to be tailored to each new "deal" but the areas that can be varied, are limited.

- Proposals that are outside of the SOP will require an individual application for a Variation of Permissions (VOP). The PRA have indicated that an expedited VOP process maybe available, although the standard version thereof is currently a reasonable intensive one size first all, process.

- Full detail of the approved SOP is restricted to the PCC at present but further detail is provided on the following page.

STANDARDISED DOCUMENTS

IN RESPECT OF THE CORE

INSURANCE MANAGEMENT AGREEMENT	Between the PCC & Horseshoe as the Insurance Management
CORPORATE SERVICES AGREEMENT	Between the PCC and Intertrust as the Corporate Service Provider

IN RESPECT OF RISK TRANSFORMATION

PRIVATE PLACEMENT MEMORANDUM	Offering available to Qualified Investors under the Risk Transformation Regs 2017
CUSTODY AGREEMENT	Between the PCC Cell and the Bank
ACCOUNTS BANK AGREEMENT	Between the PCC Cell and the Bank
LLOYD'S DEPOSIT TRUST DEED	Between the PCC Cell and the Member
REINSURANCE AGREEMENT	Quota Share Reinsurance Agreement that provides for up to 100% Quota Share
SUBSCRIPTION AGREEMENT	Redeemable non-voting shares subscription agreement

IN RESPECT OF SECURED TRANSACTIONS

DEED OF CHARGE	In deals where Security is applicable with Security Trustee
TRUST DEED	In deals where Security is applicable with Security Trustee

SCOPE OF PERMISSIONS

The SOP includes the following terms:

- The insurance risk transformation must be:

  - Between a single Cell and a single Reinsured

  - Must be based on the documented templates as approved by the PRA (see previous slide for list), unless approved by a Variation of Permission (VoP)

- Must in all cases enter into standard Lloyd's Deposit Trust Deed for third party depositors to deposit FAL

- All contractual provisions must include Limited Recourse and Non-Petition Provisions – these essentially:

  - Limit the liability of the Cell to the assets of the Cell alone.

  - Sets a covenant that parties will not institute against the Cell or the PCC for bankruptcy, insolvency etc.

- Settlement process must be consistent with the mechanics set out in the template Reinsurance Agreement, which stipulates that settlement only occurs after the Year of Account closes i.e. after a successful RITC. Any interim Profit Distribution needs to be retained within the Cell until final settlement.

- The Reinsurance Contract can be endorsed to cover subsequent years but if must be on the same terms and it must be capitalized in advance, in order to meet revised FAL/fully funded requirements.

- The Cell's reinsurance obligations must be fully funded at all times and must be deposited as Funds At Lloyd's before the Reinsurance Contract will is bound i.e. fully paid up and deposited.

- The PCC Cells may only provide reinsurance to a Member for business underwritten at Lloyd's, through participation in a Syndicate.

GLOSSARY

PCC: A Protected Cell Company (PCC) is an example of a mISPV. It has a limited liability Core that is Regulated by the PRA & FCA and provides all the usual financial control and reporting services of an approved entity, but has a number of Cells in its structure, each of which has separate assets and liabilities and acts as an individual insurer. Importantly there is no liability between Cells.

ILS: Insurance linked securities, or ILS, are essentially financial instruments which are sold to investors and whose value is affected by an insured loss event. The term insurance-linked security (ILS) encompasses the ILS asset class, which consists of catastrophe bonds, collateralized reinsurance instruments and other forms of risk-linked securitization.

ISPV: An ISPV is an Insurance Special Purpose Vehicle (also known as a transformer vehicle) transforming Insurance Risk into Investable Instruments.

mISPV: An mISPV is a for multi-Insurance Special Purpose Vehicle the “multi” indicates that multiple transactions can utilise one vehicle.

Collateralised Reinsurance:
Collateralized reinsurance refers to a reinsurance contract or program which is fully-collateralized, typically by investors or third-party capital. The collateral is put up to cover in full the potential claims that could arise from the reinsurance contract.

Cat Bond: Catastrophe bonds, also called cat bonds, are an example of insurance securitization, creating risk-linked securities which transfer a specific set of risks (typically catastrophe and natural disaster risks) from an issuer or sponsor (ceding company) to capital market investors

KYC: KYC means Know Your Customer and sometimes Know Your Client. KYC or KYC check is the mandatory process of identifying and verifying the identity of the client when opening a bank account for instance and periodically over time. In other words, banks must make sure that their clients are genuinely who they claim to be

AML: Anti-money laundering (AML) refers to the laws, regulations and procedures intended to prevent criminals from disguising illegally obtained funds as legitimate income.

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