

London Bridge 2 PCC (“LB2”)

A risk transformation vehicle for institutional investors to access the Lloyd's market

Executive Summary

- Lloyd's is the world's premier marketplace for insurance and reinsurance, made up of over 50 leading insurance companies underwriting global specialty (re)insurance risks through approx.100 syndicates, generating over £46.7bn in gross written premium*
- Lloyd's is a great place for institutional investors to gain access to global (re)insurance risk. Its unique structure and leading market presence provides investors with the additional comfort of the principles-based oversight by The Corporation of Lloyd's
- The London Bridge risk transformation platform, which was sponsored by Lloyd's as part of its "**Future at Lloyd's**" strategy, is an efficient way for market participants to either:
 - a) raise solvency capital to support underwriting at Lloyd's and/or
 - b) transfer specific risks to the capital markets as part of a syndicates' risk management strategy
- London Bridge has to date issued over US\$750mn in securities to institutional investors, across 13 cells, including its first 144A catastrophe bond transaction
- This transaction success provides a valuable roadmap for other market participants to follow, as Lloyd's seeks to improve access to the market for institutional investors, to provide a more meaningful and diversified source of capital for members and syndicates in support of the profitable growth ambition of the market

Good progress on market access & process improvements

- Development and publication of “*An Introduction to Lloyd’s*” guide for institutional investors, covering an overview of the market, its participants, and the important role of The Corporation of Lloyd’s
- Successful execution of multiple Member Funds At Lloyd’s (“FAL”) Reinsurance transactions and the first 144A cat bond transaction for a syndicate, which provides a valuable roadmap for other potential market participants
- Variation to the LB2 regulatory permissions to (a) streamline the Member FAL Reinsurance structure; and (b) facilitate the issuance of 144A cat bonds for multiple cedants, in the same group, and the use of New York as the governing law for the principal transaction documentation
- Provision of access to the Member Modeller for the leading reinsurance brokers/advisors involved in structuring and placing of Member FAL Reinsurance transactions
- Development and implementation of a fast-track route to review Corporate Member applications, including the KYC process, with the successful deployment of the Onboard tool by RiskScreen
- Enhanced flexibility of liquidity options for Member FAL investors through the Reinsurance to Close (RITC); Quarterly Corridor Test (QCT); and Open Year Profit release mechanisms
- Continue to advocate the other potential uses for the London Bridge platform, including:
 - a) Member FAL Reinsurance (on an Excess of Loss basis)
 - b) Syndicate Reinsurance 144A Cat Bond, using an industry loss index structure, and
 - c) Syndicate Reinsurance Quota-share Sidecar structure

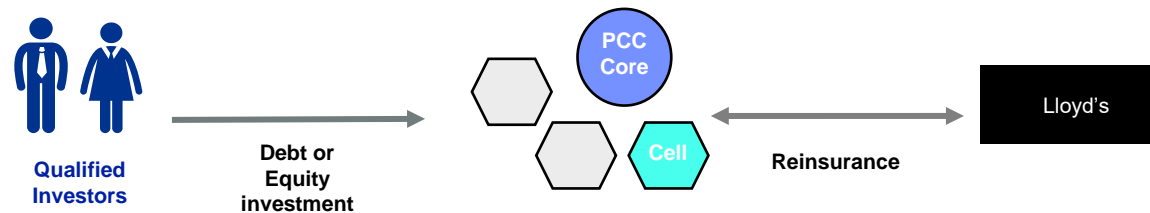
LLOYD'S

LONDON BRIDGE 2 PCC LIMITED

What is London Bridge 2 PCC Limited?

London Bridge 2 PCC Limited (“LB2”) is the second Multi-arrangement Insurance Special Purpose Vehicle (a “transformer” vehicle), sponsored by Lloyd’s, which transforms (re)insurance risk underwritten at Lloyd’s business into investible securities (equity or debt instruments) offered to institutional investors.

Participation in the underwriting of risks at Lloyd’s can be structured in multiple ways, with several unique aspects that can make deploying capital flexible, efficient and cost effective, as LB2 has a set of regulatory permissions that enables it to execute at speed.



Reinsurance Risk Transformation

- LB2 is an **onshore protected cell company** incorporated in England under the Risk Transformation Regulations 2017.
- Authorised and supervised by the PRA and FCA (“UK Regulators”) as a multi-arrangement insurance special purpose vehicle.
- LB2 is licensed to **reinsure business underwritten at Lloyd’s** and issue securities to fully fund the obligations under the reinsurance agreements.
- LB2 is tax transparent and is not subject to withholding or income tax on its transactions.

Protected Cell Structure

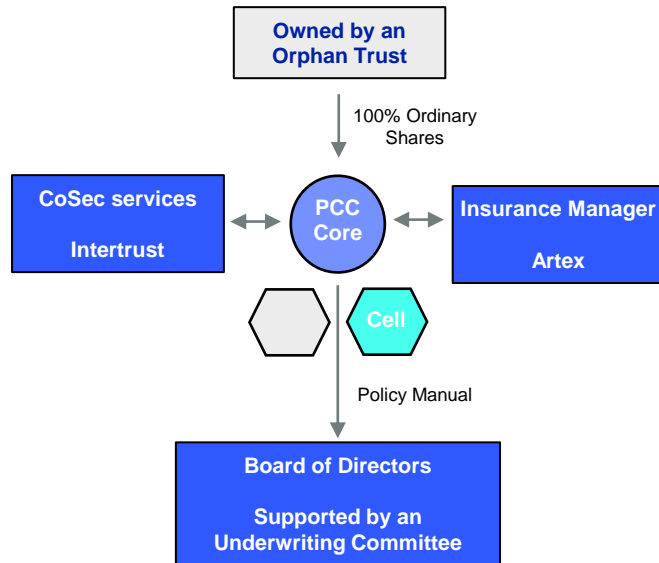
- Each transaction will be entered into through a **segregated protected cell** that will also issue the applicable securities. The liabilities of each cell are **ringfenced for insolvency purposes**.
- Each transaction entered into will be:
 - on a **limited recourse** basis with the aggregate liability limited to the value of the cell’s funded assets, and
 - subject to priority of payments with **investors’ rights subordinated to the reinsured**.

Enhanced Regulatory Permissions

- The regulatory permissions for LB2 enables it to offer a broad range of risk transfer options to both **Corporate Members and Syndicates at Lloyd’s**.
- The Board of LB2 has the authority to enter into these transactions **without further regulatory approval**, *provided that* the key transaction documentation include certain **Mandatory Terms** that comply with the Risk Transformation Regulations 2017 and certain articles of the Commission of Delegated Regulation (EU) 2015.
- LB2 need only share transaction Term Sheets 5 days prior to completion and confirm risk being bound 5 days after.

How is London Bridge 2 Governed

An independent board, with management services outsourced to an ILS market leader



Governance summary

- London Bridge 2 is an independently owned limited company, owned by an orphan trust.
- The Board of Directors have appointed:
 - Artex Capital Solutions to provide insurance management services
 - Intertrust to provide corporate secretarial services
- The independent Board is made up of Directors from Lloyd's, Artex and Intertrust
- The Board has delegated authority for underwriting decisions to an Underwriting Committee
- The Underwriting Committee approves transactions and Cell creation on an ongoing basis, with Board ratification on a quarterly basis
- The Board operates within a set of governance and policy standards, approved by the UK Regulators and consistent with the risk transformation nature of the company.

What is the role of the Artex, the LB2 Insurance Manager?

Artex Capital Solutions has unrivalled experience in managing large ILS platforms



Principal point of access for LB2

- Promote LB2 capabilities to market participants, via various media and initiatives.
- Acting as the 'go-to' subject matter expert for all transaction enquiries.
- Advise potential users on the capabilities of LB2 to achieve their desired risk transfer objectives.



Management of individual Cells

- Deliver Cell level management, including entering into reinsurance transactions.
- Liaison with Members and Syndicates, Investors and other service providers, on potential transaction structures.
- Provides regular reporting and valuation services (as required) to investors.



Management of the Core LB2 company

- Undertakes day-to-day administration of the PCC's operations, including accounting and regulatory reporting.
- Provides regular reports to LB2 board.
- Underwriting sub-committee has been established to provide efficient transaction review and prompt decision making

Ed Saul

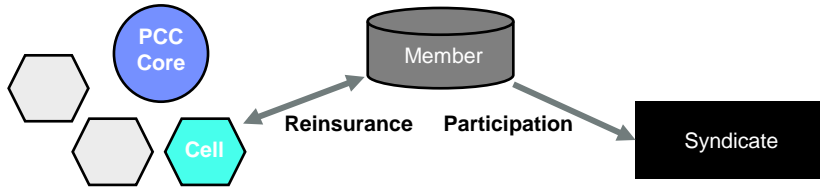
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LB2 TRANSACTION STRUCTURES & CASE STUDIES

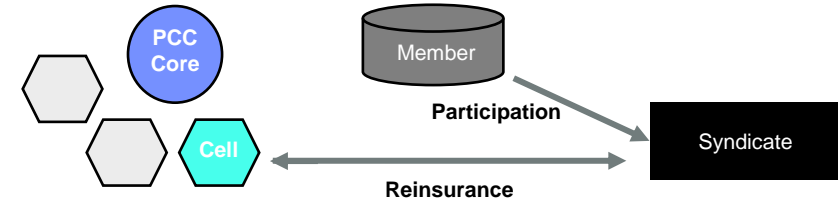
Potential LB2 Transaction Structures

Ability to reinsure at either Corporate Member or Lloyd's Syndicate level

Member Reinsurance - "FAL"



Syndicate Reinsurance - "Collateralised Re"

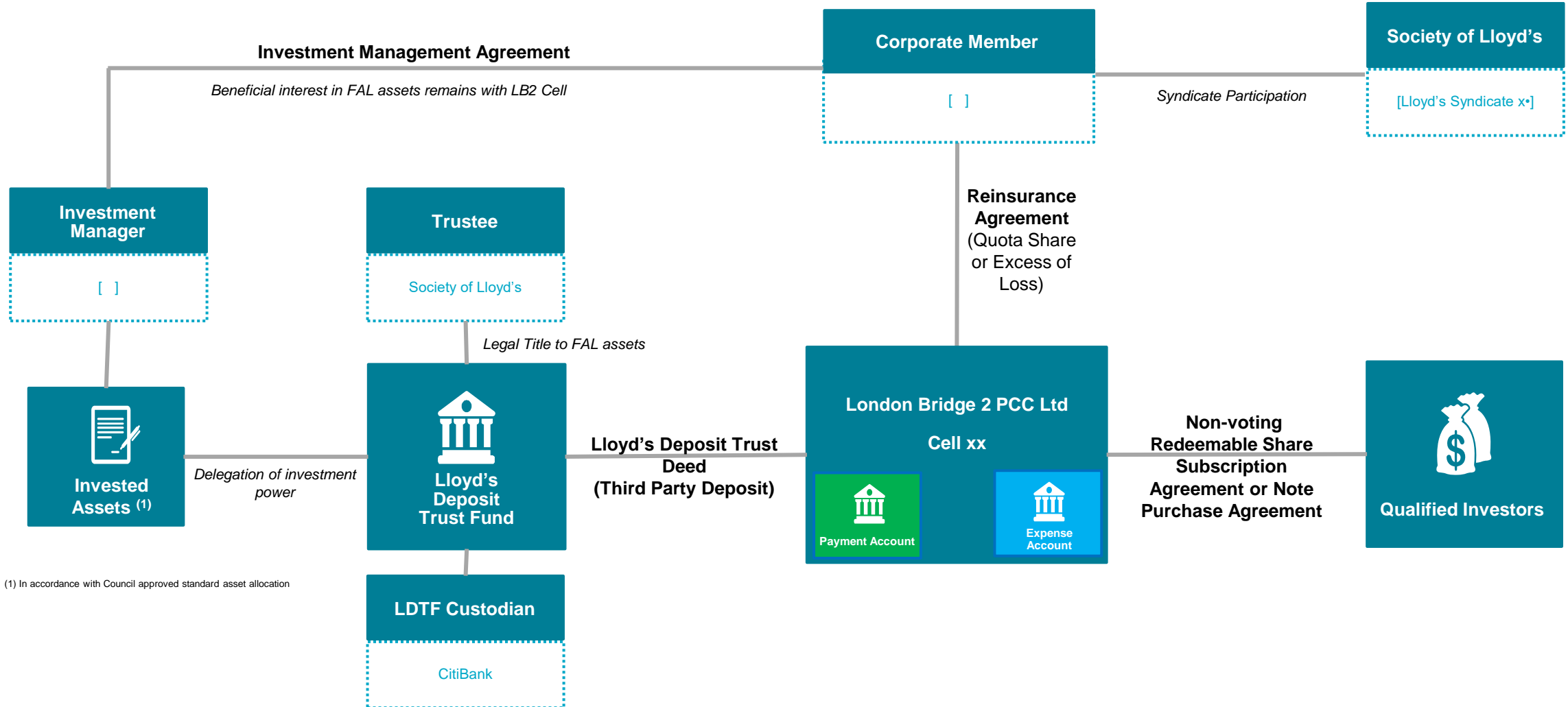


Transaction Options	
Types of Member Reinsurance	<ul style="list-style-type: none"> • Whole account quota share (up to 100%) • Excess of Loss
Capital requirement	<ul style="list-style-type: none"> • SII based assessment for Funds at Lloyd's (FAL) • Diversifications benefits established via Member modeler.
*Types of Security to be issued	<ul style="list-style-type: none"> • Preference Shares • Debt
Duration of Arrangements	<ul style="list-style-type: none"> • Single Year of Account • Multiple Years of Account (subject to annual endorsement)
Investment Policy	<ul style="list-style-type: none"> • Eligible assets under Lloyd's standard strategic asset allocation (does not include LoCs)

Transaction Options	
Types of Syndicate Reinsurance	<ul style="list-style-type: none"> • Whole account or variable quota share • Excess of Loss (inc. cat bonds) • No line of business restriction
Capital requirement	<ul style="list-style-type: none"> • Fund to aggregate limit of liability • QS agreement limit of liability is likely to be determined at a point on an Aggregate EP curves
*Types of Security to be issued	<ul style="list-style-type: none"> • Preference Shares • Debt
Duration of Arrangements	<ul style="list-style-type: none"> • Defined risk period, most likely in accordance with existing annual reinsurance arrangements
Investment Policy	<ul style="list-style-type: none"> • Core eligible assets under Lloyd's standard strategic asset allocation (mainly cash or high quality, short dated government securities)

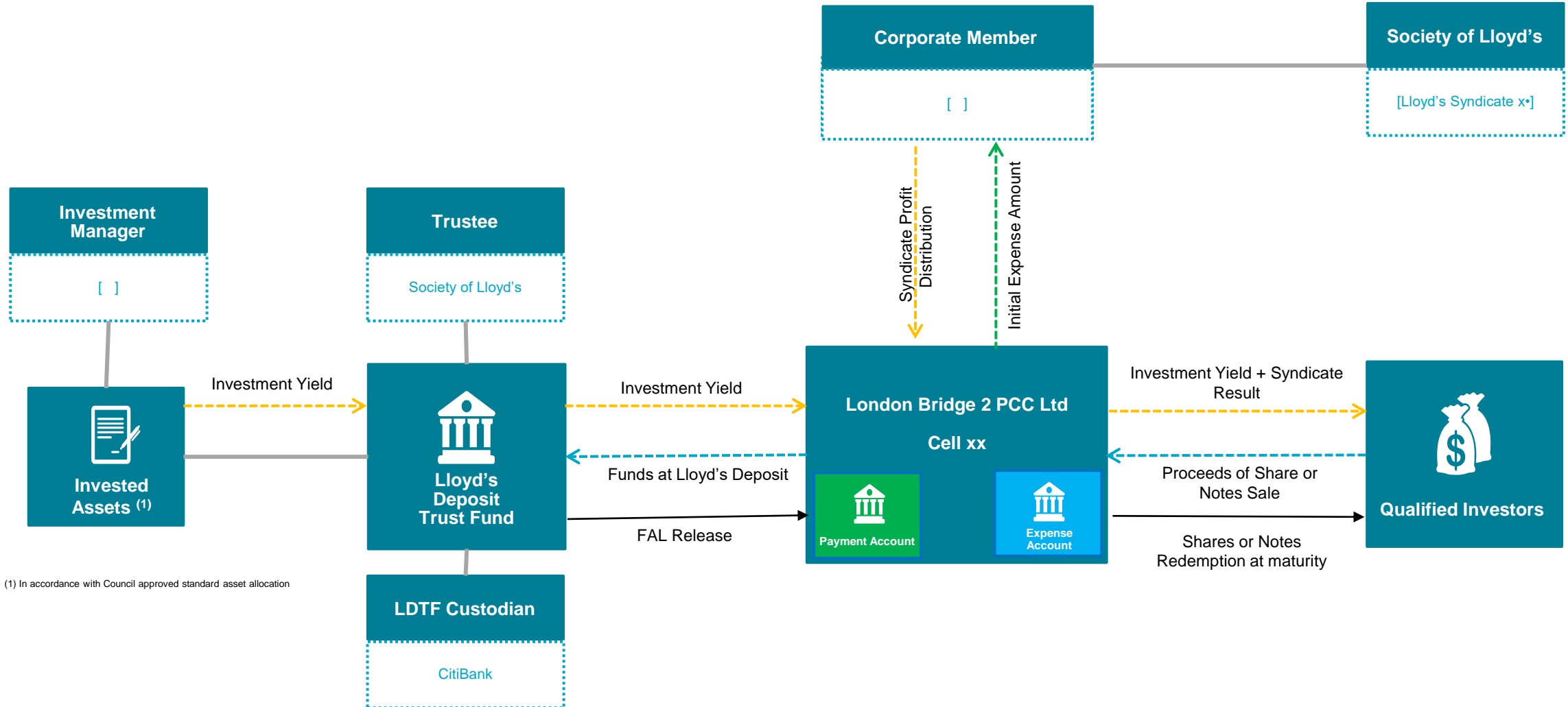
* A single cell may be funded by multiple tranches of security to collateralise a single reinsurance agreement

Transaction Structure - Member Funds at Lloyd's Reinsurance



(1) In accordance with Council approved standard asset allocation

Transaction Cashflows - Member Funds at Lloyd's Reinsurance



(1) In accordance with Council approved standard asset allocation

Case Study: Member FAL Reinsurance

OTTP raises capital to support the 2021 underwriting plan of multiple syndicates

November 2021

LONDON BRIDGE Risk PCC LIMITED
acting through one protected cell.

US\$ Undisclosed



Private Placement of Non-Voting,
Redeemable Preference Shares

Ontario Teachers' Pension Plan (OTTP) became the debut user of the London Bridge Risk PCC ("LB1") risk transformation vehicle.

OTTP invested a substantial undisclosed sum via a single corporate Member supporting multiple syndicates in the Lloyd's market including: Beat Syndicate 1416, Beazley Syndicate 5623 and CFC Syndicate 1988.

The reinsurance agreement with the corporate Member was a whole-account quota share agreement, with the proceeds being lodged as Funds-at-Lloyd's ("FAL"), under the Lloyd's Deposit Trust Fund.

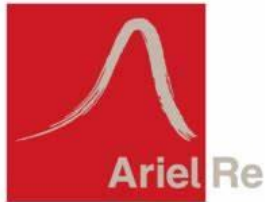
Adrian Cox, CEO of Beazley Group, said: *"Beazley is pleased to see the successful launch of the first LBR PCC acting as a transformer for institutional capital to access one of our most innovative underwriting portfolios. As those portfolios continue to grow over the coming years, Beazley hopes to see further users of the new UK ILS infrastructure benefiting from low cost, efficient access to the group's underwriting expertise."*

Case Study: Member FAL Reinsurance

Ariel Re raises \$172mn to support the 2023 underwriting plan for Syndicate 1910

February 2023

LONDON BRIDGE 2 PCC LIMITED
acting on behalf of 4 protected cells.
US\$171.5 million



Private Placement of Non-Voting,
Redeemable Preference Shares

Financial Advisor:
Howden Tiger Capital Markets & Advisory

Ariel Re became the debut user of the recently established London Bridge 2 PCC (“LB2”) risk transformation vehicle.

LB2, through 4 separate protected cells, issued non-voting redeemable preference shares with an aggregate notional value of US\$171.5 million, to generate funds for 4 separate corporate Members that participate in the 2023 underwriting of Syndicate 1910.

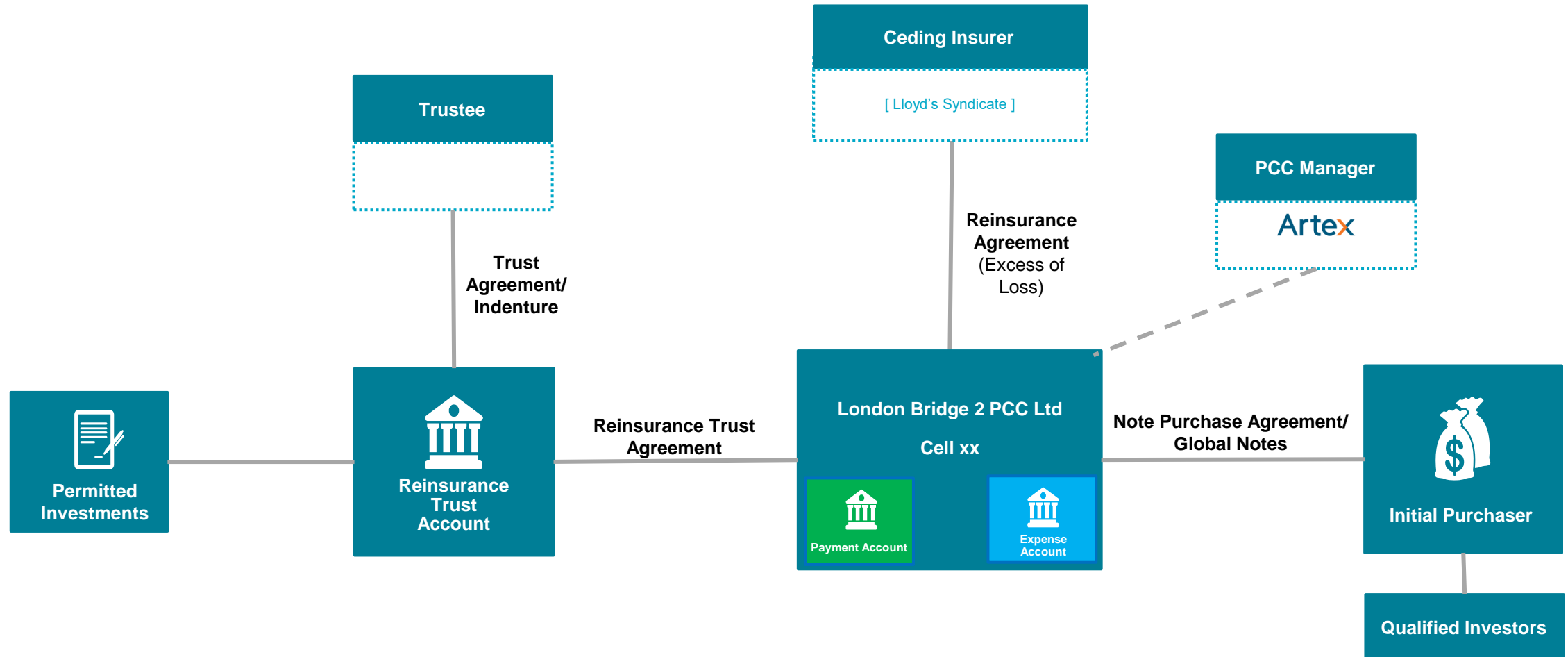
The reinsurance agreements with the respective corporate Members were whole-account quota share agreements, with the proceeds of the securities issued being lodged as Funds-at-Lloyd’s (“FAL”), under the Lloyd’s Deposit Trust Fund.

The qualified investors that purchased the preference shares were all new investors in the Lloyd’s market, including U.S. private equity funds and a U.S. alternative asset manager.

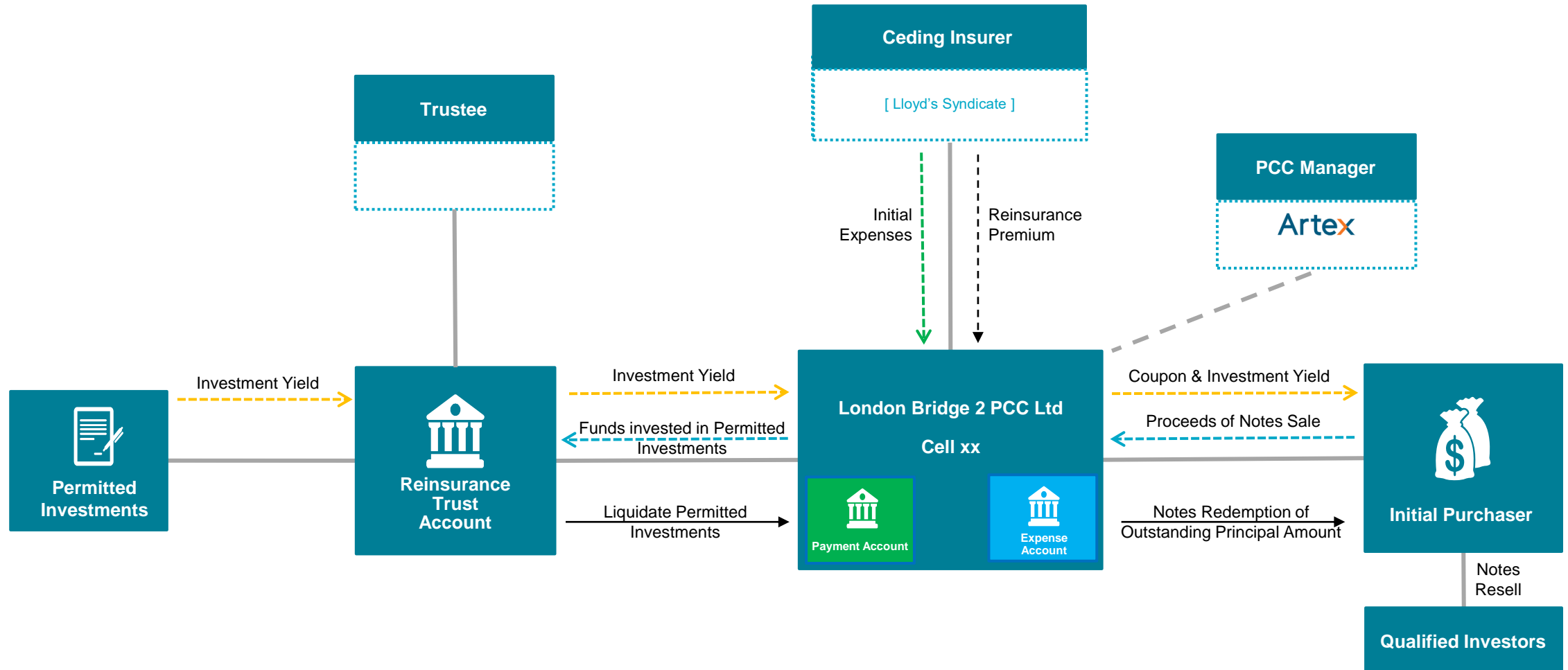
Ryan Mather (CEO of Ariel Re) commented *“We strongly support Lloyd’s effective efforts to make it simpler and more efficient to invest in Lloyd’s, and we are delighted that part of our new funding is the first successful example of investors coming to Lloyd’s via the innovative LB2 structure.”*

Since the initial transaction Ariel not only introduced further investors via LB2 during 2023, but also expanded the level of capital support for the 2024 year of account.

Transaction Structure - Syndicate Reinsurance (144A Cat Bond)



Transaction Cashflows - Syndicate Reinsurance (144A Cat Bond)



Case Study: Syndicate Reinsurance (144A Property Cat Bond)

Beazley sponsors its first ever 144A property catastrophe bond via LB2

December 2023

LONDON BRIDGE 2 PCC LIMITED
acting through its protected cell
Fuchsia 2023-1

Principal At-Risk Variable Rate
Notes due April 6, 2027
US\$100 million

beazley

Financial Advisor:
AON Securities

Beazley sponsored a catastrophe bond via the London Bridge 2 PCC (“LB2”) risk transformation vehicle. This is Beazley’s **debut 144A natural catastrophe bond**, and the **first excess-of-loss cat bond issuance** through the London Bridge 2 PCC structure. London Bridge 2 PCC Limited issued a single, \$100 million tranche of Series 2023-1 notes via a protected cell named Fuchsia 2023-1.

The Fuchsia 2023-1 notes were sold to institutional investors and the proceeds used to collateralise a reinsurance agreement between the cell of London Bridge 2 PCC and Beazley. The principal transaction documentation were governed by New York law, with the mandatory conditions governed by the laws of England and Wales.

The protection provides indemnity coverage to Beazley against losses from named storm and earthquake events affecting the United States, Canada and certain parts of the Caribbean. This multi-year excess of loss reinsurance coverage protects multiple Beazley underwriting entities, including its syndicates at Lloyd’s, its US E&S insurer, and Irish insurer.

Adrian Cox, CEO of Beazley plc, commented: *“Beazley is delighted to be sponsoring the first 144A property catastrophe bond utilising the London Bridge platform. We were impressed with the smooth and efficient way that an ILS transaction can be issued out of the UK market.”*

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