

Economic Capital Assessment (ECA) Guidance Manual

July 2019

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Contents

| | | |
|-----------|---|-----------|
| 1 | Introduction | 4 |
| 2 | SCR Submission Requirements | 4 |
| 3 | Syndicate Business Plan Submissions | 4 |
| 3.1 | Capacity | 4 |
| 4 | The Capital Setting Process | 5 |
| 5 | Member Modeller Releases | 6 |
| 5.1 | August: Member Modeller Test Release | 6 |
| 5.2 | September: Member Modeller Updates | 6 |
| 5.3 | October: Non-Aligned Member Modeller Update (pre-auction) | 6 |
| 5.4 | November: Further and final Updates | 6 |
| 5.5 | Further Releases of the Software | 6 |
| 6 | Notification of Syndicate ECA | 6 |
| 7 | Life Syndicates | 7 |
| 7.1 | Life member conversions | 7 |
| 8 | Economic Capital Uplift (ECU) | 7 |
| 9 | Summary of the Coming into Line “equation” | 7 |
| 10 | Reinsurance Contract Boundaries | 8 |
| 11 | Publishing Results at Coming into Line | 8 |
| 12 | Year End Adjustments | 8 |
| 13 | Market Turning Events | 9 |
| 14 | Recapitalisation outside of bi-annual CIL exercise | 9 |
| 15 | Responsibilities | 9 |
| 16 | Member Modeller Software Requirements | 10 |
| 16.1 | Application Form | 10 |
| 16.2 | System Requirements | 10 |
| 16.3 | Training and Support | 10 |
| 17 | Appendix A - Member Modelling Software Application Form | 12 |
| 18 | Appendix B – Member modelling software user terms and conditions | 13 |
| 19 | Appendix C – Privacy and Security Statement | 20 |

1 Introduction

This guide outlines the general process for setting and modelling member capital for the proposed underwriting year. Practical arrangements are described herein, and a description of key modelling and functional improvements are provided in the appendices.

Syndicate and member capital requirements are based on the syndicate ultimate SCR (uSCR). The uSCR should take account of one year of new business in full, attaching to the next underwriting year (using Inception Date Accounting), and the risks over the lifetime of the liabilities (“to ultimate”) assessed at 1:200 confidence level. Managing agents are also required to prepare an SCR for each managed syndicate that meets the one-year balance sheet to balance sheet Solvency II regulatory test at the 99.5th percentile (SCR1).

Lloyd’s will issue a Market Bulletin annually, during June/July, setting out key points and changes for the forthcoming capital setting season. This guide will be kept up to date to reflect any such changes as required.

2 SCR Submission Requirements

The uSCR and SCR1 are submitted via the Lloyd’s Capital Return (LCR). Requirements for managing agents to submit the LCR pro-forma, an analysis of change via form 600 (describing the reasons for any movements to the previous submission), the supplementary questionnaire via forms 400-500 and a methodology document are set out in the SCR instructions on Lloyds.com. (<https://www.lloyds.com/market-resources/capital-and-reserving/capital-guidance/internal-model-scr>).

As part of the Supplementary Questionnaire (forms 400-500 within the LCR), syndicates are asked to provide year of account splits of their SCR requirement, so Lloyd’s can validate the reasonableness of the split inferred from the central model and ensure fairness in allocating capital to members. Where significant disparity is identified this will be investigated and an adjustment may be made where appropriate.

Managing agents applying for approval of ‘Major Model Changes’ (MMC), at any time during the year, should contact their MRC point of contact and provide the appropriate documentation to enable an assessment of the changes. Formal submission of Major Model Changes should be made, in line with current Lloyd’s guidance, to SCRReturns@lloyds.com with accompanying documentation to support the change. Managing agents are required, in any case, to submit a year on year analysis of change in the SCR and model change template within the LCR submission.

Managing agents are required to submit a full validation report in support of their SCRs by the September/October deadlines outlined on the Lloyd’s business timetable (via Lloyds.com>Tools and Systems). The validation report should be sent via SecureStore. Further details are available via the following link: <https://www.lloyds.com/tools-and-systems/secure-store>

3 Syndicate Business Plan Submissions

During the Lloyd’s review process, syndicates may be required to re-submit their SBF and dependant LCR. If a syndicate is resubmitting their SBF they should assess the capital impact and liaise with their oversight manager to assess whether an LCR resubmission is required.

Please see the ‘Year End Adjustments’ section for further information on the submission of SBF’s post Year-End CIL.

3.1 Capacity

Managing agents should note their responsibilities in respect of submitting a Capacity number on SBF form 420 and ensure there is a uniform understanding of what this should represent. The key function of Capacity is in respect of allocating results and capital to members and forms the basis for

buying and selling rights of syndicate tenure in the Lloyd's auctions. It is 'Stamp Capacity' that is used as the denominator in these calculations, which is calculated as total capacity (row 6, SBF Form 420) less SPA Capacity (row 5, SBF form 420).

Stamp Capacity is, naturally, most important for non-aligned syndicates, particularly those trading in the Lloyd's Capacity auctions, although managing agents of aligned syndicates should also recognise that the matching of stamp capacity with the aligned member's premium limit is important if you are reliant on the Member Modelling software for determining member capital.

It is important to establish a stable Stamp Capacity number at the earliest point possible, to avoid any potential mismatch between members' premium limit and the syndicate capacity, which could lead to the incorrect member share being calculated.

We would therefore ask agents to follow these guidelines, in addition to the rules relating to pre-emptions and de-emptions set out in Market Bulletin Y5186, dated 5 June 2018:

- i. Stamp Capacity should be set based on Gross Net Premium (GNP), net of SPA cession, as has been the custom, although this is currently under review and revised guidance may be issued in the future.
- ii. Syndicate Capacity should normally include headroom to allow for possible increases in GNP, without necessitating a change to Capacity.
- iii. As a general rule, we would not expect Capacity to be increased or reduced simply because of a change in GNP from the original plan, unless GNP exceeds Capacity. In applying this principle, however, managing agents of non-aligned syndicates should have regard to the impact on member fees, as Capacity decisions should not normally change the fees charged.
- iv. Managing agents operating Special Purpose Arrangements (SPAs) are also advised that the 'Total Capacity' of the SPA reported on row 6 of SBF form 420 should always match 'SPA Capacity' reported on row 5 of SBF form 420 in the return of the host syndicate.

4 The Capital Setting Process

The Member Modeller will be updated in accordance with the business capital timetable (on Lloyds.com), reflecting SBF and uSCR submissions, Capacity Auctions and Coming into Line (CIL) deadlines. The suggested process for reviewing the capital related dates is as follows (add/remove subjects to the suggested list as necessary):

1. Open: <https://www.lloyds.com/tools-and-systems/business-timetable>
2. Select: Export 'Future Deadlines' as an xlsx file (located in the bottom right of the screen)
3. Access the Excel sheet and select the following topics from the filter:
 - Auction
 - Capacity
 - Coming Into Line
 - DCP
 - ECA
 - FAL
 - LCR
 - Syndicate Business Planning

All existing users (members' agents, managing agents, members and other third party users) will be able to continue accessing the software with their current password from one underwriting year to the next. Additional users can be added by making a request to Lloyds-MRC-Help@lloyds.com.

The software can be accessed via: <http://www.lloyds.com/The-Market/Tools-and-Resources/Tools-E-Services/Member-Modeller>

Current Year capital requirements, i.e. members' mid-year CIL and release test ECA requirements, can be viewed through the current year version of the Member Modeller (accessible via drop down selection on 'Home' page). From here, it will also be possible to model member participations on new

syndicate current year start-ups and mid-year pre-emptions. Details of these arrangements, if they arise, will be included on the home page noticeboard and will also be e-mailed to members' agents as they are updated. It should be noted that the ECA requirements used in the September Release Test will be updated to reflect the end of June exchange rate and this will be updated in the Member Modeller in early August.

5 Member Modeller Releases

5.1 August: Member Modeller Test Release

The initial August release of the software can include assumptions applied to the CY data to reflect an indicative PY position to aid Members' Agents and other users when assessing the effects of adding the extra year of account. Therefore, anyone viewing this release should be aware that the data is highly indicative, it should only be used to give an early view and that it is highly unlikely to reflect the final capital position. It will however enable users to gain familiarity with new functionality and features, and to set up modelling sets, which give a broad view of capital and diversification impacts of certain arrangements.

5.2 September: Member Modeller Updates

Actual LCR pro-forma and SBF submissions will be reflected in these release of the Member Modeller, made available during September. It should be noted that neither business plans nor LCRs have been reviewed at this stage and are subject to change.

5.3 October: Non-Aligned Member Modeller Update (pre-auction)

The Member Modeller will be updated to reflect the final CIL capital requirements for non-aligned members. Member participations for non-aligned members will be based on the latest Lloyd's Stamp System, and, for aligned members, on SBF participation information (form 420). The Member Modeller will be updated in late October to reflect participations after syndicate pre-emptions and de-emptions have been taken into account. Members' Agent Pooling Arrangement (MAPA) participations are based on notifications from members' agents and are not guaranteed to be up-to-date. Members' agents can model the latest participations themselves, together with MAPA constitution changes.

5.4 November: Further and final Updates

Two or three further updates will be made to the Member modeller that will reflect updated participations and changes to aligned syndicates. The first will include final SBFs and agreed uSCRs for aligned syndicates that have third party capital providers, more than one member supporting the syndicate or have any dependency on a Members' Agent for CIL. It will also seek to include syndicates with members providing capital via a Letter of Credit or other Tier 2 assets. The final scheduled update later in November will include final SBFs and agreed uSCRs for all aligned syndicates, plus updated Member participations, based on the latest Lloyd's Stamp System, which will be updated following the capacity auctions in November (potentially in a separate earlier release).

5.5 Further Releases of the Software

In addition to the key releases detailed above, Lloyd's may make more regular updates to the Member Modeller as required. This would be by agreement with members' agents and outside of the stated timetable. Such updates will be advised, with details and reason, on the home page notice board. We will also post warnings via the messaging function, giving advanced notice of any times when it is necessary to make the system unavailable. The downtime for updates will generally be no longer than 2 hours and would normally be performed outside of core working hours.

6 Notification of Syndicate ECA

Lloyd's will issue to members' agents, at the time of each major data release, a schedule of the latest syndicate ECA requirements (uSCR + economic uplift) for relevant non-aligned syndicates. We will not comment on the make-up of that ECA, nor whether it has been adjusted.

7 Life Syndicates

Capital for members on life syndicates will be set based on their share of the life syndicate's agreed ECA. These life syndicate ECAs and ECA% will be included in the members' agents' notification described above. The calculation reflects member exposure to all open years of account (including years in run-off) and is calculated on a simple weighted average basis with no diversification credit.

7.1 Life member conversions

When calculating the Unlimited Back Year Liabilities (ULBY) for a donor life member, it should always be equal to the donor member's ECA requirement, and this should be used when calculating the amount of FAL that can be made interavailable to the successor member.

8 Economic Capital Uplift (ECU)

The allocation of capital to members requires that the syndicate benchmark is scaled to equal the agreed uSCR requirement, after uplift for economic capital.

Lloyd's will apply an uplift to the minimum regulatory capital requirements to derive ECAs at member level. The uplift of 35% is subject to annual review by the Franchise Board, taking into account current circumstances.

A standard minimum FAL requirement of 40% of member's overall premium limit applies, to all members. There is no reduced minimum for any members.

9 Summary of the Coming into Line "equation"

The available assets to meet capital requirements will be the sum of net syndicate balances at 30 June on a Solvency II basis and the valuation of FAL at that date. The net syndicate balances will be based on the Solvency II balance sheet submissions (submitted via the Quarterly Solvency Return (QSR) subject to supporting review opinions from syndicate auditors and Lloyd's review.

The syndicate capital requirement will be the sum of the final SCR on an ultimate basis and the ECU.

For example:

- a) Net Solvency II balance at aggregated syndicate level £10m, FAL valued at £130m, gives available assets of £140m.
- b) SCR to ultimate £120m, ECU (at 35%) £42m gives a capital requirement of £162m (£120m plus £42m).
- c) Net new capital required £22m (£162m less £140m).

The release of margins to ensure the Solvency II technical provisions are on a best estimate basis means that full recognition is effectively provided for the margin in the net syndicate balance in the June balance sheet. Lloyd's review of the submitted balance sheets and assessment of reserve risk will take this into account.

Managing agents should note, when preparing their Solvency II technical provisions for QSR, that Lloyd's does not expect the impact of the release of reserve margins in the UK GAAP technical provisions to be greater than the amount of the reserve margin reported in the Statement of Actuarial Opinion (SAO). Lloyd's will review the impact of these adjustments having regard to the information reported in the SAO. Where Lloyd's considers the 'release' reflected in the QSR to be excessive in this regard, Lloyd's will either ask the managing agent to resubmit the QSR, or to increase the syndicate's uSCR by the 'excess' amount. This would impact directly on the capital requirements for the member(s) supporting that syndicate.

10 Reinsurance Contract Boundaries

An adjustment is made to remove the impact of the change to consideration of outward reinsurance contract boundaries (RICB). The internal models must allow for future premiums payable on existing or legally obliged reinsurance contracts in the technical provisions. Further details are available in the latest SCR guidance:

<https://www.lloyds.com/market-resources/capital-and-reserving/capital-guidance/internal-model-scr>

For the mid-year CIL exercise the increase in Technical Provisions due to RIBC is expected to be reported in the Q4 QSR. Where an LCR resubmission is made, the modelled impact is expected to be the same. Lloyd's will calculate the necessary adjustment on this basis.

11 Publishing Results at Coming into Line

All Members' agents will be required to publish their final member underwriting and capital requirements and will be asked to electronically confirm that this is indeed the final CIL position. This will be recorded as a "Published Participation Set", which cannot be changed, and will form the starting point of our year-end audit. Members' agents will not be able to change members' participations and 're-publish' without first seeking specific permission from Lloyd's, at which point permission may be granted to submit a revised version. Agents are requested to publish their CIL results by no later than 20 December.

12 Year End Adjustments

Syndicates are required to keep under review the business plan and uSCR agreed for year-end CIL. If circumstances change, leading to a material change in SBF and/or uSCR, by the end of February, then a resubmission of relevant returns must be made by the date set out in early March (see business timetable on Lloyds.com). This review should cover comparison of actual technical provisions on a Solvency II basis against projections, actual volumes and terms and conditions achieved in respect of business written against plan and material reinsurance arrangements placed, compared to plan. A material change is considered to be any movement that would change the bottom line uSCR by more than 10% before any FX, risk margin or reinsurance contract boundaries adjustments.

Should a resubmission be made, the LCR must be modelled using the year-end exchange rate, and we would expect the risk margin total (in the technical provisions) to match that submitted in the Q4 QSR. The resubmission, where agreed, will be reflected in mid-year CIL capital setting, and any subsequent changes should be picked up in the following full year capital setting process, although material changes to the SBF should be submitted throughout the year, as they become known. These requirements are, however, subject to the early recapitalisation principles set out below. The existing requirement that, following a major loss of capital, members can be required to refresh capital sooner than the CIL timetable requires, continues to apply, subject to Lloyd's discretion.

Where there is a change in the year-end exchange rate compared to the SBF 'final rate' (end June), Lloyd's will adjust the final ECA requirements for mid-year CIL. This ensures that capital requirements are exchange rate matched against the available capital and reserves. Members should note that where they provide additional FAL for year-end CIL, or start up FAL, in the case of new members, it will be valued at the prevailing rate at the date it is lodged. New members in particular should, therefore, be aware that the year-end re-evaluation for FAL may differ to that applied to the ECA, which could lead to additional FAL being required at mid-year CIL. Lloyd's will also make an adjustment for the final risk margin, as reported in the Q4 QSR. Re-submitted March LCRs, if acceptable, will not be included in this process, as they will already reflect the year-end position.

A capital letter detailing the capital adjustments processed by Lloyd's, as part of the mid-year CIL exercise, will be sent to managing agents in early April. The process detail of the central adjustments is as follows:

1. *Foreign Exchange Movement*

A revision for the movement to December 201X US Dollar (USD) exchange rate from \$1.XX to \$1.XX (+/-X.X%). This adjustment is applied to the percentage of USD losses present in the Lloyd's Syndicate Benchmark Model (SBM) for each syndicate (across all years). This generates an approximate foreign exchange (FX) movement percentage, which is applied to the uSCR and one-year Solvency Capital Requirement (SCR1).

2. *Risk Margin Movement*

The projected risk margin from the LCR, adjusted for the approximate FX movement percentage (explained in point 1), is compared to the actual risk margin included in the Solvency II balance sheet. The difference is applied to the uSCR only.

3. *Reinsurance Contract Boundary (RICB)*

The revised contract boundaries for outwards reinsurance adjustments (RICB), is shown as an adjustment to the uSCR only and is not a Capital and Planning Group (CPG) loading. The adjustment is calculated as the difference of the modelled value (based on projected Q4 Technical Provisions (TPs)) to the Q4 QSR, adjusted for the 35% ECU.

4. *Reserve Margin Adjustment*

The profit percentage on unearned premium (UPR) from the QSR is compared to the Statement of Actuarial Opinion (SAO) template. If the QSR percentage is higher than the SAO percentage, i.e. the syndicate is claiming more profit than the signing actuary thinks is appropriate, a load is applied for the difference. This is in line with the Valuation of Liabilities Rules. The adjustment is calculated as the difference in percentages multiplied by the sum of the net UPR and net Deferred Acquisition Cost (DAC), divided by 1.35 to create an SCR level adjustment applied to both the uSCR and the SCR1.

5. *Thematic & CPG Loading Movement*

Any existing loadings are applied at the existing level. Any new loadings are derived at the latest rates of exchange.

13 Market Turning Events

In the event of significant late-occurring insured or economic events, it may be necessary for some syndicates to re-submit the LCR to reflect the impact of such events on their SCR1s. Lloyd's will seek to adopt a pragmatic approach, but action and timetable will depend on the materiality and timing of any such event and the constitution of the syndicate's stamp. If required, instructions and revised timetable will be communicated at that time.

Further details are available via the downloadable MTE guide on Lloyd's.com:
www.lloyds.com/market-resources/underwriting/market-turning-event-mte

14 Recapitalisation outside of bi-annual CIL exercise

Lloyd's will require a more rapid re-capitalisation where a member's free funds fall, at any time, below their solvency requirement (Solvency Capital Requirement (SCR)) or if, at the market level, the level of shortfalls place an undue burden on the Central Fund. Similarly, where there has been a material increase in risk (following for example a new mid-year business plan requiring agreement, or a change in modelling approach) then the members with large exposures should expect to be required to capitalise to the revised ECA prior to agreement / implementation of the new plan.

15 Responsibilities

MRC is responsible for the member capital setting process, comprising the Syndicate Benchmark, Member Capital Allocation Tool (MCAT) and Member Modelling Software. This responsibility extends to recommending capital requirements for new syndicates.

The Relationship Management Department will facilitate the authorisation of new syndicates and should be approached by agents requiring information on the admission process. They will provide an application pack including a 3 year business plan template, which must also be submitted to neil.wells@lloyds.com in order to obtain indicative new syndicate capital requirements, and a catastrophe risk template to Lloyd's Exposure Management Department, who will liaise directly with managing agents where they require additional information.

16 Member Modeller Software Requirements

16.1 Application Form

Any agents accessing the software on behalf of members for the first time only, will need to print and complete Appendix A of this manual, which is a conditional requirement of agents using the member modelling software. Agents that have previously completed the form are not required to repeat the process, unless a change is made to the firm's name or authorising Director. The form needs to be signed by a Director on behalf of the firm and returned to Lloyd's as part of the registration process.

The form can be scanned and sent electronically to the email address listed above or sent by post to: Kevin Barnes (MRC/G5), Lloyd's of London, One Lime Street, London, EC3M 7HA. The application form can also be sent out electronically, should you require it, and requests should be made by email to the help desk for a word version of the form.

This is a one-off requirement, per firm, to acknowledge that the firm agrees to be bound by the user Terms and Conditions that are accepted by individual users upon access to the software. Users will be required to accept the Terms and Conditions as part of the initial login process (for information only, a copy of the terms and conditions is available in Appendix B of this manual).

Firm's acting on behalf of members will be asked to provide evidence that each member has consented to that firm gaining access to their data. MRC will audit the current arrangements and will follow up where we do not have this consent filed centrally and will request authorisation from members where necessary. In the event that member consent is not provided, then access will be removed to the members for those third-party firms (i.e. excluding Alpha / Hampden / Argenta).

Particular attention is drawn to the agent's obligation at paragraph 3.1.3 to immediately notify Lloyd's of any firm's user who is no longer authorised to use the software due to termination, departure or change in role. Lloyd's periodically assess the software usage and any users that have been dormant for a period of 12 months will be notified of the intention to remove software access.

All forms and guidance can be accessed via the following link:

<http://www.lloyds.com/The-Market/Tools-and-Resources/Tools-E-Services/Member-Modeller>

16.2 System Requirements

Users are advised to access the software, via Lloyds.com, through Internet Explorer 7/8 (and above) or Firefox 3.5.3 (and above). Other portals may be used but have not been tested by Lloyd's and may result in a loss of user functionality or performance.

Internet Explorer users are advised to add the member modeller software to their list of trusted sites in the Internet Options section. This allows exporting and importing of data to be completed without pop-up blockers and delays occurring. From within the site select the following:

"Tools" → "Internet options" → "Security" → "Trusted Sites" → "Sites" → "Add"

16.3 Training and Support

An e-mail help mailbox will be in operation to deal with queries on the ECA process and software, and with other ECA related questions. Agents with a Market Mail connection should access "Lloyds-MRC-Help"; the full e-mail address is: Lloyds-MRC-Help@lloyds.com

All users are advised to review the Member Modeller user manual and Frequently Asked Questions (FAQ), both of which have been updated for new developments, detailed in Appendix 1 of the latest ECA Market Bulletin, on Lloyds.com before directing queries to Lloyd's.

All agent queries should be co-ordinated through your agency's Administrator, to improve the efficiency of the support function. If the Administrator is unable to resolve the query, the initial first line of support is the e-mail help mailbox.

Any user that would like some additional training on use of the Member Modeller should also contact MRC via the mailbox and we can discuss the best way to meet those needs.

17 Appendix A - Member Modelling Software Application Form

MEMBER MODELLING SOFTWARE APPLICATION FORM

In order to be provided with access to the Member Modelling Software, please ask a Director (or equivalent) to complete and send this form to Kevin Barnes, Market Reserving and Capital, Lloyd's, One Lime Street, London EC3M 7HA. Electronic copies will be accepted (please send to Lloyds-MRC-Help@lloyds.com).

Agents' Details:

| | |
|--------------|--|
| Firm's name: | |
| Address: | |
| City: | |
| Postcode: | |

I certify that I am authorised on behalf of the Firm named above to execute this application form. I further certify and confirm that the Firm will be bound by the Member Modelling Software User Terms and Conditions (attached) as amended from time to time.

| | | | |
|------------|--|------|--|
| Signed | | Role | |
| Print name | | Date | |

This form should be completed by:

- 1. A Firm using the Member Modelling Software for the **first time** (only one form is necessary per Firm).*
- 2. A Firm that has changed their name.*
- 3. A Firm that has changed the Director who provided the Authorisation previously.*

18 Appendix B – Member modelling software user terms and conditions

MEMBER MODELLING SOFTWARE USER TERMS AND CONDITIONS

IMPORTANT: THESE TERMS AND CONDITIONS (“TERMS”) APPLY TO THE MEMBER MODELLING SOFTWARE (“THE SOFTWARE”), AVAILABLE ON THE LLOYD’S WEBSITE (www.lloyds.com). YOU WILL BE ASKED TO READ AND ACCEPT THESE TERMS BEFORE ACCESSING THE SOFTWARE. THESE TERMS ARE ISSUED BY LLOYD’S.

1. Definitions and Interpretation

1.1 In these Terms:

“**Applicable Regulations**” means all applicable legislation, laws, regulations, rules, codes of practice with which a Firm or User must comply when using the Software;

“**Firm**” means a Lloyd’s Managing Agent or Members’ Agent that has been given permission by Lloyd’s to access and use the Software;

“**Firm User**” means an individual registered at Lloyd’s to use the Software on behalf of a Firm;

“**Individual User**” means a Member of Lloyd’s registered to use the Software;

“**Information**” means any data submitted to the Software by a User;

“**Intellectual Property Rights**” means all rights including but not limited to trade marks, names, logos, copyright, database rights, patents and know-how;

“**Software**” means the Member Modelling Software;

“**User**” means a Firm User or an Individual User;

a clause or schedule, unless the context otherwise requires, is a reference to a clause of or a schedule to these Terms;

the singular includes the plural and vice versa, unless the context otherwise requires.

2. Terms and conditions of use

- 2.1 By completing and signing the Member Modelling Software Application Form, the Firm agrees that it is bound by these Terms.
- 2.2 By accessing the Software, Users accept and are bound by these Terms.
- 2.3 A Firm or User who has neither accepted nor been deemed to have accepted these Terms has any right to enforce them.
- 2.4 Lloyd's reserves the right to grant, restrict or revoke access of Users or prospective Users to the Software at any time.
- 2.5 Lloyd's or its agents or suppliers may monitor usage of a User's username and password and unusual patterns of use may be investigated.

3. Firm Responsibilities

- 3.1 A Firm is responsible for:
 - 3.1.1 providing Lloyd's with details of Firm Users who will have access to the Software in accordance with these Terms;
 - 3.1.2 ensuring persons are appropriate to be added as Firm Users and that the level and nature of the access rights granted are appropriate to the Firm User's role and normal business activities;
 - 3.1.3 ensuring that Lloyd's is notified immediately so that the Firm User's username and password can be disabled to prevent them from accessing the Software if a Firm User ceases to be authorised by the Firm to use the Software for any reason, including but not limited to change of function, termination, departure or any other action which ought to prevent them from having access to the Software; and
 - 3.1.4 monitoring Firm Users' conduct to ensure that they comply with these Terms.

4. Use of the Software

- 4.1 Users must only use the Software in accordance with these Terms.
- 4.2 Users must not provide any other individual or company with their user names and passwords.

- 4.3 A Firm User must only use the Software for the purpose of calculating indicative funds at Lloyd's ratios on an economic capital assessment basis for Members of Lloyd's for which the Firm acts and Individual Users for themselves. Users may for these purposes download data from the Software.
- 4.4 Users must comply with the Applicable Regulations within the jurisdiction from which they are accessing the Software.
- 4.5 Users must not:
- 4.5.1 use the Software for any purpose that is unlawful or prohibited by any applicable law, regulation, rule or legislation;
 - 4.5.2 post, transmit or disseminate any information on or via the Software which is or may be harmful, obscene, defamatory or otherwise illegal;
 - 4.5.3 use the Software in a manner which causes or may cause an infringement of the rights of Lloyd's and/or any other person;
 - 4.5.4 use any software, routine or device to interfere or attempt to interfere electronically or manually with the operation or functionality of the Software including but not limited to uploading or making available files containing corrupt data or viruses via whatever means;
 - 4.5.5 deface, alter or interfere with the "look and feel" of the Software or the underlying software code;
 - 4.5.6 take any action that imposes an unreasonable or disproportionately large load on the Software or related infrastructure;
 - 4.5.7 obtain or attempt to obtain access, via whatever means, to any part of the Software or the Lloyd's networks for which it is not authorised.
- 4.6 Lloyd's reserves the right to remove, modify or alter any data submitted to the Software by a User in breach of clause 4.5 but this shall not affect any other remedy which may be available to Lloyd's.
- 4.7 Firms and Individual Users undertake to put systems in place to minimise the risk of viruses being transmitted or distributed over the Software including the use of and regular updating of commercially available virus detection software.

5. Intellectual Property

5.1 All Intellectual Property Rights in the Software, including but not limited to the underlying software code existing now or in the future shall be and remain the property of Lloyd's.

5.2 The content published on the Software and all Intellectual Property Rights in it are owned by Lloyd's or that content is made available to Lloyd's under licence from third parties.

5.3 All Intellectual Property Rights in the Information shall remain in the ownership of the Firm or Individual User and the Firm or Individual User grants Lloyd's a perpetual licence to use the Information for its lawful business purposes.

6. Updates

6.1 Lloyd's may make improvements or changes to the Software. Changes or improvements that are material will be notified to Firms and Individual Users by Lloyd's.

6.2 Lloyd's may also modify these Terms at any time and such modification shall be effective immediately upon posting of the modified Terms on www.lloyds.com. Accordingly, continued access or use of the Software is deemed to be acceptance of the modified Terms. Material modifications to the Terms as determined in Lloyd's sole discretion will be notified to Firms and Individual Users by Lloyd's.

7. Data Protection

7.1 Where any personal data, as defined in the Data Protection Act 1998 ("the Act"), is provided by a Firm or a Firm User to Lloyd's, the Firm confirms that:

7.1.1 it has the consent of the owner of the personal data to provide such data to Lloyd's; and

7.1.2 it has complied with its obligations as set out in the Act.

7.2 Lloyd's will process any personal data provided by a Firm or User in accordance with the Privacy and Security Statement attached to these Terms.

8. Security

8.1 Lloyd's will use all reasonable endeavours to ensure that the Software is secure. Details of the security measures for the Software are set out in the Lloyd's Website Security Statement attached to these Terms. Lloyd's cannot guarantee that information displayed on the Software has not been interfered with.

- 8.2 If a Firm or User chooses to send any electronic communications to Lloyd's (whether by email or otherwise), they do so at their own risk. Lloyd's cannot guarantee that such communications will not be intercepted or changed or that they will reach the intended recipient safely.

9. Warranties

- 9.1 The Software is provided "as is" and Lloyd's gives no warranties in respect thereof. Specifically, but without limitation, Lloyd's does not warrant that:
- 9.1.1 Firms or Users will be able to use the Software or that the Software will continue to be made available in its current or any other form;
 - 9.1.2 the Software or any software or material of whatever nature available on or downloaded from it will meet a Firm's or User's data processing requirements, be uninterrupted or free from errors, defects or viruses, or compatible with a Firm's or User's equipment or fit for any purpose. It is the Firm's and the Individual User's responsibility to use suitable anti-virus software and to ensure compatibility with its equipment; or
 - 9.1.3 any content or information published on the Software is accurate or complete.
- 9.2 Any warranties which would otherwise be implied by law (including, without limitation, warranties as to satisfactory quality, fitness for purpose or skill and care) are hereby excluded.

10. Content warranty

- 10.1 Whilst Lloyd's and other third parties may provide certain data and information on the Software, Firms and Users shall be entirely responsible for the content and accuracy of data and information on the Software.

11. Liability

- 11.1 Lloyd's accepts no responsibility or liability for any loss of or corruption of data or information, unauthorised access to, alteration of, or use of any records, programs or files on the Software, the Firm's or Users' use of or inability to use the Software, out-of-date or inaccurate or incomplete data or information held on the Software or any communications, missed or delayed or otherwise, between the Firm or Users and Lloyd's.
- 11.2 Lloyd's shall not be liable for any failure or delay in performing its obligations under these Terms that arises as a result of circumstances beyond its reasonable control.

- 11.3 Lloyd's shall not be liable to the Firm or a User whether for negligence, breach of contract, misrepresentation or otherwise, for (i) any direct loss or damage; (ii) loss or damage arising from third party claims; (iii) loss of profit or goodwill suffered by the Firm or a User; or (iv) indirect or consequential loss or damage suffered by the Firm or a User.
- 11.4 Except as set out in these Terms, all conditions, warranties and representations, whether express or implied by statute, common law or otherwise are expressly excluded.
- 11.5 Nothing in these Terms shall operate to limit Lloyd's liability for (i) fraud, or (ii) death or personal injury caused as a result of negligence on the part of Lloyd's or its employees.

12. Termination

- 12.1 Lloyd's reserves the right to terminate at any time the Firm's or a User's access to the Software immediately for any reason, including but not limited to, the Firm and/or Users' abuse or misuse of the Software as determined by Lloyd's in its sole discretion.
- 12.2 Termination of these Terms will not affect any obligations that accrue before such termination.

13. Severability and inconsistency

- 13.1 If any provision in these Terms shall be unlawful, void or for any reason unenforceable, that provision shall be deemed severable from the rest of the Terms and shall not affect the validity and enforceability of the remaining provisions of these Terms.

14. Entire Agreement

- 14.1 These Terms constitute the whole agreement between the parties and supersede all previous agreements between the parties relating to their subject matter. Each party acknowledges that, in entering into these Terms, it has not relied on, and shall have no right or remedy in respect of, any statement, representation, assurance or warranty (whether made negligently or innocently) other than as expressly set out in these Terms.

15. Notices

- 15.1 Notices which may be required to be given under these Terms by either party to the other shall be in writing and sent by email, facsimile or by prepaid first class post, to the following addresses:

Lloyd's: Market Reserving & Capital, Lloyd's, One Lime Street, London EC3M 7HA; and

Firm or User: the address of the registered office or such other addresses as may be notified to Lloyd's in writing from time to time.

In the case of a notice sent by email or facsimile it shall be confirmed by sending a copy of such notice by first class post. Any notice sent by email or facsimile shall be deemed to be received on the same day of despatch, and any notice sent by prepaid first class post shall be deemed to be received three (3) days after the date of posting.

16. Governing Law and Jurisdiction

- 16.1 These Terms and all matters arising from or in connection with them shall be governed and construed in accordance with English law and the parties hereby irrevocably submit to the exclusive jurisdiction of the courts of England and Wales.

17. Third Party Rights

- 17.1 No person who is not a party to these Terms shall have any right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of these Terms.

18. Enforcement

- 18.1 The failure by either party to enforce any provision of these Terms shall not be deemed as a waiver of the right to enforce such term or condition.

19 Appendix C – Privacy and Security Statement

Lloyd's has taken steps to safeguard the confidentiality of information which identifies the Users ('personal information') against unauthorised access, amendment or deletion and to ensure access is only granted to authorised Users and only to the extent necessary. This Privacy and Security Statement covers our treatment of the personal information we collect when Users are registered for or visit the Software.

1 Information collection and use

When Users register, Lloyd's may ask for their name, email address and other contact details, as well as details about their status and role as an insurance professional. When Users use the Software they are not anonymous to Lloyd's.

Lloyd's may also automatically receive and record information on our server logs from Users' browser, including their IP address and the page they requested. Lloyd's may set and access Lloyd's cookies on Users' computers.

2 Information sharing and disclosure

Lloyd's will not sell Users' personal information to anyone.

Lloyd's may disclose personal information about Users to its business associates and other professional advisers, Lloyd's employees and agents, suppliers and providers of goods or services, financial organisations and advisers, ombudsmen and regulatory authorities, and as required by law or regulation.

Users' personal information may be transferred to the above individuals and organisations located in countries which may not provide legal protection of information equivalent to that in the United Kingdom or the jurisdiction from which Users are visiting the Software. Details of the individuals, organisations and countries involved in a particular User's case will be provided on request.

Lloyd's only retains personal information for as long as is necessary for the purposes described above.

3 Getting in touch with us

If you have any questions or concerns about privacy and security or your dealings with us, please contact Lloyd's, One Lime Street, London, EC3M 7HA, UK, or email: infosecurity@lloyds.com.

LLOYD'S WEBSITE SECURITY STATEMENT

In order to provide Users of the Software with a personalised and secure experience, Lloyd's requires all Users to authenticate to the Software using a unique user ID and password. Once authenticated, all information passed over the Internet between the User and the Software is protected by Secure Socket Layer encryption technology.

Lloyd's continually reviews its systems and processes to ensure that the Software provides the highest practicable level of protection. All information submitted to the Software is passed to Lloyd's secure internal servers for processing and the following security measures are in place to ensure its protection:

- Comprehensive firewalling to shield Lloyd's internal computer systems from external threats
- System monitoring to identify any unusual activity
- Data processing and storage facilities sited in secure locations to prevent unauthorised access
- Data stored and handled at all times in a manner that maintains its confidentiality, integrity and availability.

If you have any questions or concerns or would like further information, please contact Lloyd's Information Protection & Continuity team at infosecurity@lloyds.com.