Velonetic

17th July 2025

Exit Plan Signing Status and Next Steps

Dear Velonetic Customer

I am writing to provide an important update on the Exit Plan and to thank those who have already signed or are in the process of signing. The update includes reminders or clarifications on topics which have been presented to us by our customers during the last three months.

We issued the **Exit Plan on 2 April 2025**, with a target deadline of **30 June** for customer signatures. By signing the Exit Plan, individual customers are committing Velonetic to:

(a) the obligations set out in the Exit Plan to complete defined workstreams and
(b) publishing documentation that informs each Customer's own governance and decision-making process.

The Exit Plan is designed to provide clarity and assurance around the events leading up to and including Cutover. Each Customer retains full discretion over how to act on the information and outputs provided, including as to whether or not they sign the Heritage Contract(s) Termination Letter and Digital Processing Services Agreement (DPSA).

As of 10th July, we have received signed Exit Plans from (numbers denote individual legal entities):

- 39 Lloyd's Managing Agents
- 59 Company Market Carriers

representing over 70% of Velonetic's London Market Carrier Customers.

I would like to thank those who have signed promptly.

For customers with signing approval in progress – please prioritise signing in July to help us avoid delays to Exit Plan activities.

For customers awaiting governance - we understand some customers are waiting on formal Exit Plan governance decisions and resultant publication of Exit Plan Artefacts in the Blueprint Two Virtual Data Room.

We want to reassure you, that you can confidently sign now given the pre-requisites Velonetic and Lloyd's must meet as listed in the Conditions of Service Readiness – Artefacts and Objectives Table in Annex 2 of the Exit Plan and with the knowledge that all Exit Plan Workstreams are subject to the scrutiny and oversight of the existing Market Governance staffed by Market Associations, Lloyd's and Customer SMEs[1].

I would like to thank you again for your support in signing the Exit Plan and helping us to collect remaining Exit Plan Customer signatures, which will allow us to forward-plan with confidence for the execution of the Exit Plan workstreams and future signature events.

Yours sincerely

Bob James
CEO
Velonetic

[1] Details of the operations and attendees of Market Governance Bodies can be found in the Blueprint Two Virtual Data Room Exit Plan folder and Lloyd's Market Association website.

CLARIFICATIONS

Customer Data Copy

Velonetic cannot copy Customer Data to the AWS based London Market Core Platform (LMCP) until:

- DXC TVM **penetration testing** is complete **(completed in February 2025);**
- Independent 3rd Party **penetration testing** is complete (expected August 2025);
- **Market Governance** bodies (as set out in the Exit Plan) approve the scope and review the results of both penetration tests (DXC TVM results approved in April 2025 and Independent 3rd Party Penetration Test: scope approved in June 2025, review of results expected in August 2025). This includes sharing of test results with the Market Technical Design Authority (MTDA) and the Associations' Services Committee (ASC) Security Panel;
- any **critical and/or high risks or issues (as defined in Appendix 1 - Artefacts description, the Exit Plan)** identified by penetration tests **are remediated;**
- DXC TVM and Independent 3rd Party penetration **test results summaries are communicated to Customers** via publication in the Virtual Data Room in the form of Exit Plan Artefacts 6a and 6b (expected in July and September 2025 respectively);
- Exit Plan Artefact 7 - **Data Copy Implementation Approach** is fully reviewed and approved in accordance with the Exit Plan and published in the Blueprint Two Virtual Data Room – (planned for during Q4 of 2025).

Additionally, certain Data Preparation Workstream documentation will be examined and signed off by Market Governance Bodies between the dates shown in the table below. Sign-off of some of this documentation is a pre-requisite to the commencing the copying of Customer Data to the LMCP.

	Current Plan (2025)
Market Technical Design Authority (MTDA) for Solution Design	June-September
Associations' Service Committee (ASC) Security Panel for System Security Plan	August-October
Programme Board of the Associations' Transformation Committee (ATC) for Project Timelines & Plan	July - October
Associations' Risk & Compliance Committee (ARCC) for Risk Assessment	August - October
Market Change Advisory Board (MCAB) for the implementation of the necessary operational changes (e.g. accessing the production environment for data extraction)	September - November

Note to the dates above: The Data Preparation Workstream comprises of multiple individual projects (e.g: XDS, Mainframe, Tracker, IMR Data base, IMR File Storage, IMR Directory Services, Functional Assurance, IMR Malware Scanning Management) each requiring approvals. The date ranges above are indicative of the current plan for the commencement of the relevant governance activity for the Workstream and the anticipated end date.

The various Data Copy Events that will take place under the Data Preparation and the Service Assurance Workstreams of the Exit Plan, are to allow for:

- a phased approach to data copy, which is necessary given the volume of data and documentation; and
- to build up the data on the Data Platform hosted on the London Market Core Platform (LMCP) leading up to Cutover, so that all the data is available, and Data Assurance can be evidenced to enable Cutover to complete.

You are reminded that **production Customer Data will not be used in any testing** of Digital Processing Services performed by Velonetic or Velonetic customers. The data that will be used in testing will be Customer Test Data, that is anonymised and is either provided by Customers or is created by Velonetic in accordance with the consent provided under the Heritage Contracts in 2023.

No Commitment to Cutover and signing the Digital Processing Services Agreement (DPSA) and Termination Letter by signing the Exit Plan

As stated in the Exit Plan covering letter dated 31 March 2025 and restated in subsequent Market Panel Q&A sessions, signing the Exit Plan now **does not:**

- commit Customers to any future Cutover; or
- commit Customers to signing the DPSA and/or Heritage Contract(s) Termination Letter at a future date.

The Exit Plan provides Customers with assurance that **Cutover can only happen once Conditions of Service Readiness and Conditions of Market Readiness are achieved and evidenced via Artefacts in accordance with the Exit Plan**. This includes individual Customers indication of readiness through their response to the Market Readiness Surveys conducted at that time having completed their own testing, regulatory notification and planning of other preparation for Cutover to the satisfaction of Customers' own internal governance.

Whilst it is the Velonetic Board and the Lloyd's Council who ultimately approves their respective evidencing Artefacts, these approvals can only be obtained after stringent reviews and responses to feedback provided by various **Market Governance Bodies, as detailed in the Exit Plan in Appendix 1 - Artefacts description for each Artefact.**

Determination of 'Majority' for (a) Exit Plan execution and (b) Cutover

We would like to re-confirm, that Velonetic will consult with its key stakeholders (Lloyd's Council, the IUA Board, the LMA Board, the Associations' Services Committee and Associations' Risk & Compliance Committee) prior to commencing a Data Copy Event if it has not received all Exit Plan signatures and similarly, at a later date, if Velonetic believes based on available evidence there is sufficient readiness amongst market firms to commence Cutover. Velonetic will make these decisions under a risk assessment framework that it will share with the key stakeholders as part of the consultation process, which will be

For the Exit Plan, identify:

- Non- consenting Customers and the reasons for their non consent
- Impacted data volumes
- Impact on Programme Timelines

For Cutover, satisfy Velonetic and its stakeholders that is has the ability to provide, and its Customers' have the ability to consume the Digital Processing Services (DPS);

- Consumption of the DPS by Customers is enabled:
    - via 'standard DPSA service catalogue' Services (distributed in Q1 2024) or
    - via utilising, in parallel with DPSA Catalogue Services, interim 'bridging' services which are proven through testing to be a suitable remedy for a relatively small group of customers requiring workaround, subject to each Customer's internal governance process. The aim of the 'bridging' services' is to allow Customers to declare their readiness for Cutover and will be set out in a new DPSA Elective Order Form which is issued and can be signed at the same time as the DPSA and Termination Letter.

- evidence that that '**Active' London Market Carrier Customers are ready to consume** the DPS
- 'Active London Market Carrier Customers' in this context means, (re)insurance firms meeting the following criteria:
    - have transacted with Velonetic during the 60 months period prior to the notified DPSA Service Commencement Date and/or
    - have open claims dating earlier than this and
        - have a combined premium/claims volume for the 60 months period (based on transaction signing and claim advice messages) that is higher than 10,000[2], or
        - are new customers to Velonetic in the 36 months prior to the notified DPSA Service Commencement Date.
- evidence that Velonetic has conducted its own risk assessment of its ability to provide the Digital Processing Services without materially impacting the processing of London Market (re)insurance transactions. This assessment must consider multi-party transactions which can only be processed if all participants in the relevant transactions are ready to consume the DPS (as set out above).

In Summary

The Exit Plan is the first of three Velonetic-led, Market-wide contract signing events required prior to Cutover. Exit Plan signing by customers is a time-sensitive task, which, until concluded, has the potential to delay important Exit Plan activities that are scheduled to commence imminently.

The exercise of collecting Exit Plan signatures, will also prepare us for the further two signature events: the DPSA and Termination Letter. These will occur at a future point in time, only once the Conditions of Service Readiness is declared by Velonetic and Lloyd's, Customers' Regulatory Notification process has concluded, and Customers have confirmed their readiness for Cutover through their responses to the Market Readiness Surveys conducted at this time.

[2] The definition of 'Active' and the associated volume threshold criteria are still under development, as it needs to reflect the up-to-date transaction volumes closer to the planned Service Commencement Date.