

FROM: Secretary to Lloyd's Disciplinary Board
LOCATION: 58/SE1
EXTENSION: 5530
DATE: 29 February 2000
REFERENCE: 023/2000
SUBJECT: **JONATHAN CHAPMAN**

SUBJECT AREA(S): Formal Disciplinary Proceedings – Case No.
LDB/9909/23b
ATTACHMENTS: Notice of Censure
ACTION POINTS: **For information**
DEADLINE: **None**

Jonathan Chapman has admitted twelve charges of misconduct, namely conducting himself in a manner which is dishonourable, disgraceful or improper. At the relevant time Mr Chapman was a member of the Society and was variously the Managing Director and Chief Executive of JA Chapman & Co Limited (“Chapco”).

As a result of these proceedings the following penalties have been imposed on Mr Chapman;

- a) That he be excluded from Membership of the Society;
- b) That his right to transact, or be concerned or interested in the transaction of, the business of insurance at Lloyd's or any class or classes of such business, be permanently and totally suspended;
- c) That his right of admission to the Room and the other parts of the premises of the Society be permanently suspended;
- d) That he be Censured in the terms of the attached Notice; and
- e) That he pay a fine of £100,000.

In addition, pursuant to the Suspension: Supplementary and Consequential Matters Byelaw (No. 19 of 1983) directions have been given to the effect that during the currency of the suspension order;

- a) Mr Chapman shall not be a director/partner of any Lloyd's regulated entity;
- b) Mr Chapman shall not work for any Lloyd's regulated entity as a manager and shall totally cease to be involved or interested in the management or conduct of business of a regulated entity; and

- c) Mr Chapman shall not have any direct or indirect interest or control over a Lloyd's regulated entity.

Mr Chapman has also been ordered to pay the costs of the Council in the sum of £30,000.

Details of the events giving rise to the disciplinary proceedings against Mr Chapman are set out in the Notice of Censure.

This case was determined by the Lloyd's Disciplinary Board and its decision gives effect to a settlement of the proceedings agreed between the Defendant and the Council pursuant to paragraph 3 of the Lloyd's Disciplinary Rules (Schedule 2 to the Disciplinary Committees Byelaw (No. 31 of 1996)).

This bulletin has been sent to all underwriting agents, Lloyd's brokers, corporate members, market associations, the ALM and recognised accountants.

AP Barber
Secretary to Lloyd's Disciplinary Board.

NOTICE OF CENSURE

JONATHAN ANDREW CHAPMAN

Jonathan Andrew Chapman has admitted 12 charges of misconduct, namely conducting himself in a manner which is dishonourable, disgraceful or improper. During the relevant time Mr Chapman was variously the managing director and chief executive of JA Chapman & Company Limited ("Chapco"). He was also a principle shareholder in the company.

Chapco is a Lloyd's broker albeit now in liquidation. Prior to September 1991 it operated in the Lloyd's market under an umbrella arrangement. It specialised in, inter alia, arranging insurance and reinsurance in respect of marine liability risks.

Chapco arranged cargo and crew reinsurance on behalf of the Liverpool & London P&I Association Limited for 1994 and 1995. Mr Chapman was the account director on this account. Chapco, without the client's consent or knowledge and with a lack of good faith, inflated the premium quoted by underwriters. The total amount of excess premium which Chapco charged was approximately US\$4.1million.

Chapco then arranged for approximately US\$880,000 of excess premiums paid on the Liverpool & London accounts to be paid to Swiss and Cypriot bank accounts. The beneficiaries of those accounts were not entitled to any of the premium generated on the Liverpool & London account.

Following the inquiry by Lloyd's it was also established that in respect of a further 5 major accounts of Chapco, Mr Chapman as the primary account director without the clients' consent or knowledge and with a lack of good faith, substantially inflated the premiums as quoted by underwriters. The matters at issue in respect of these 5 accounts occurred between 1990 and 1993. The total amount of excess premium charged to the relevant clients was approximately US\$1.74m.

Chapco paid under Mr Chapman's instructions certain of that excess premium generated by these 5 accounts to various Liberian companies who held bank accounts in Jersey. None of these Liberian companies had any connection with the business placed and were not entitled to receive any such commission. The clients did not know that these payments were being made.

Although it was no part of the case against Mr Chapman that he personally received the benefits of these grossed up premiums, nevertheless Mr Chapman seriously abused the trust of his clients. The conduct which Mr Chapman has admitted is of such a nature as to require the most serious of penalties.

As a result the following penalties have been imposed:

- a) That he be excluded from membership of the Society.

- b) That his right to transact, or be concerned or interested in the transaction of, the business of insurance at Lloyd's or any class or classes of such business, be permanently and totally suspended;
- c) That his right of admission to the Room and the other parts of the premises of the Society be permanently suspended;
- d) That he be Censured in the terms of this Notice.
- e) That he pay a fine of £100,000.

In addition, pursuant to the Suspension; Supplementary and Consequential Matters Byelaw (No. 19 of 1983) directions have been given to the effect that during the currency of the suspension order;

- a) Mr Chapman shall not be a director/partner of any Lloyd's regulated entity;
- b) Mr Chapman shall not work for any Lloyd's regulated entity as a manager and shall totally cease to be involved or interested in the management or conduct of business of a regulated entity; and
- c) Mr Chapman shall not have any direct or indirect interest or control over a Lloyd's regulated entity.

Finally, Mr Chapman is also to contribute £30,000 towards the costs of Lloyd's arising from these proceedings.

LLOYD'S DISCIPLINARY BOARD